

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2019

OR

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

Commission File Number 001-37587

CytomX Therapeutics, Inc.

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

151 Oyster Point Blvd., Suite 400
South San Francisco, CA 94080
(650) 515-3185

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

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of July 31, 2019, the registrant had 45,409,468 shares of common stock, \$0.00001 par value per share, outstanding.

CYTOMX THERAPEUTICS, INC.
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2019
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Forward-Looking Statements

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

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

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

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

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

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

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

Trademarks

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

PART I – FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

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

	June 30, 2019	December 31, 2018
	(unaudited)	(1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 149,392	\$ 247,577
Short-term investments	199,750	188,550
Accounts receivable	10,004	97
Prepaid expenses and other current assets	7,531	9,251
Total current assets	366,677	445,475
Property and equipment, net	7,238	6,934
Intangible assets, net	1,385	1,458
Goodwill	949	949
Restricted cash	917	917
Operating lease right-of-use	26,743	—
Other assets	1,375	1,375
Total assets	<u>\$ 405,284</u>	<u>\$ 457,108</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,520	\$ 5,132
Accrued liabilities	22,469	26,724
Income tax payable	-	13,339
Deferred revenue, current portion	51,684	52,713
Total current liabilities	78,673	97,908
Deferred revenue, net of current portion	197,826	225,267
Operating lease liabilities - long term	26,321	—
Other long-term liabilities	963	3,050
Total liabilities	303,783	326,225
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, \$0.00001 par value; 10,000,000 shares authorized and no shares issued and outstanding at June 30, 2019 and December 31, 2018.	—	—
Common stock, \$0.00001 par value; 75,000,000 shares authorized; 45,403,838 and 45,083,209 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively	1	1
Additional paid-in capital	459,367	445,956
Accumulated other comprehensive income (loss)	209	(93)
Accumulated deficit	(358,076)	(314,981)
Total stockholders' equity	101,501	130,883
Total liabilities and stockholders' equity	<u>\$ 405,284</u>	<u>\$ 457,108</u>

(1) The condensed balance sheet as of December 31, 2018 was derived from the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

See accompanying notes to condensed financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues	\$ 9,013	\$ 21,338	\$ 38,498	\$ 35,522
Operating expenses:				
Research and development	30,835	25,553	67,211	48,011
General and administrative	9,411	9,042	19,085	16,398
Total operating expenses	40,246	34,595	86,296	64,409
Loss from operations	(31,233)	(13,257)	(47,798)	(28,887)
Interest income	2,361	1,540	4,856	2,915
Other income (expense), net	(88)	61	(149)	(79)
Loss before income taxes	(28,960)	(11,656)	(43,091)	(26,051)
Provision for (benefit from) income taxes	—	1,791	(6)	2,889
Net loss	\$ (28,960)	\$ (13,447)	\$ (43,085)	\$ (28,940)
Net loss per share, basic and diluted	\$ (0.64)	\$ (0.35)	\$ (0.95)	\$ (0.75)
Shares used to compute net loss per share, basic and diluted	45,340,023	38,961,021	45,231,239	38,805,317
Other comprehensive income (loss):				
Changes in unrealized gain (loss) on short-term investments, net of tax	136	50	291	(84)
Impact of adoption of new accounting pronouncement	—	—	11	—
Comprehensive loss	\$ (28,824)	\$ (13,397)	\$ (42,783)	\$ (29,024)

See accompanying notes to condensed financial statements.

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

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2018	45,083,209	\$ 1	\$ 445,956	\$ (93)	\$ (314,981)	\$ 130,883
Impact of adoption of new accounting pronouncement - ASU 2018-02	-	-	-	11	(11)	-
Exercise of stock options	74,443	-	465	-	-	465
Stock-based compensation	-	-	5,192	-	-	5,192
Other comprehensive income	-	-	-	155	-	155
Net loss	-	-	-	-	(14,124)	(14,124)
Balance at March 31, 2019	45,157,652	\$ 1	\$ 451,613	\$ 73	\$ (329,116)	\$ 122,571
Exercise of stock options	15,124	-	33	-	-	33
Issuance of common stock under the ESPP	81,062	-	665	-	-	665
Issuance of common stock pursuant to license agreement	150,000	-	1,602	-	-	1,602
Stock-based compensation	-	-	5,454	-	-	5,454
Other comprehensive income	-	-	-	136	-	136
Net loss	-	-	-	-	(28,960)	(28,960)
Balance at June 30, 2019	45,403,838	\$ 1	\$ 459,367	\$ 209	\$ (358,076)	\$ 101,501

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance at December 31, 2017	38,478,560	\$ 1	\$ 289,454	\$ (94)	\$ (219,465)	\$ 69,896
Impact of adoption of new accounting pronouncement - ASC 606	-	-	-	-	(10,912)	(10,912)
Exercise of stock options	425,139	-	2,602	-	-	2,602
Stock-based compensation	-	-	3,688	-	-	3,688
Other comprehensive loss	-	-	-	(134)	-	(134)
Net loss	-	-	-	-	(15,493)	(15,493)
Balance at March 31, 2018	38,903,699	\$ 1	\$ 295,744	\$ (228)	\$ (245,870)	\$ 49,647
Exercise of stock options	88,247	-	366	-	-	366
Issuance of common stock under the ESPP	19,833	-	356	-	-	356
Stock-based compensation	-	-	4,161	-	-	4,161
Other comprehensive income	-	-	-	50	-	50
Net loss	-	-	-	-	(13,447)	(13,447)
Balance at June 30, 2018	39,011,779	\$ 1	\$ 300,627	\$ (178)	\$ (259,317)	\$ 41,133

See accompanying notes to condensed financial statements.

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

	Six Months Ended June 30,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (43,085)	\$ (28,940)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Amortization of intangible assets	73	73
Depreciation and amortization	1,247	802
Accretion of discounts on investments	(1,407)	(643)
Stock-based compensation expense	10,646	7,849
Issuance of stock in connection with UCSB sublicense fee	1,602	—
Changes in operating assets and liabilities		
Accounts receivable	(9,907)	(14,998)
Prepaid expenses and other current assets	1,720	(1,878)
Other assets	—	(20)
Accounts payable	3	(429)
Accrued liabilities, income tax payable and other long-term liabilities	(20,104)	11,303
Deferred revenue	(28,470)	(14,347)
Net cash used in operating activities	(87,682)	(41,228)
Cash flows from investing activities:		
Purchases of property and equipment	(2,166)	(1,619)
Purchases of short-term investments	(101,643)	(99,630)
Maturities of short-term investments	92,143	94,513
Net cash used in investing activities	(11,666)	(6,736)
Cash flows from financing activities:		
Proceeds from employee stock purchase plan and exercise of stock options	1,163	3,324
Net cash provided by financing activities	1,163	3,324
Net decrease in cash, cash equivalents and restricted cash	(98,185)	(44,640)
Cash, cash equivalents and restricted cash, beginning of period	248,494	178,465
Cash, cash equivalents and restricted cash, end of period	<u>\$ 150,309</u>	<u>\$ 133,825</u>
Supplemental disclosures of noncash investing items:		
Purchases of property and equipment in accounts payable and accrued liabilities	\$ 412	\$ 826

See accompanying notes to condensed financial statements.

1. Description of the Business

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

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

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

Unaudited Interim Financial Information

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

The condensed balance sheet data as of December 31, 2018 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The condensed results of operations for the three and six months ended June 30, 2019 are not necessarily indicative of the results to be expected for the full year or for any other future year or interim period. The accompanying condensed financial statements should be read in conjunction with the audited financial statements and the related notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC.

Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash

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

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

	June 30, 2019	December 31, 2018	June 30, 2018	December 31, 2017
	(in thousands)			
Cash and cash equivalents	\$ 149,392	\$ 247,577	\$ 132,908	\$ 177,548
Restricted cash - non-current assets	917	917	917	917
Total	\$ 150,309	\$ 248,494	\$ 133,825	\$ 178,465

Comprehensive Income (Loss)

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

Revenue Recognition

The Company's revenues are primarily derived through its license, research, development and commercialization agreements. The terms of these types of agreements may include (i) licenses for the Company's technology or programs, (ii) research and development services, and (iii) services or obligations in connection with participation in research or steering committees. Payments to the Company under these arrangements typically include one or more of the following: nonrefundable upfront and license fees, research funding, milestone and other contingent payments to the Company for the achievement of defined collaboration objectives and certain preclinical, clinical, regulatory and sales-based events, as well as royalties on sales of any commercialized products. The Company assesses whether the promises in its arrangements with customers are considered as distinct performance obligations that should be accounted for separately. Judgment is required to determine whether the license to the Company's intellectual property is distinct from the research and development services or participation on steering committees.

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

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

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

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

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

Contract Balances

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

Research and Development Expenses

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

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

In January 2019, the Company acquired certain technology know-how that is complementary to the Company's proprietary Probody technology from a third party for \$5.0 million. The Company expects to use this technology with certain of the Company's discovery stage projects, and accordingly the \$5.0 million has been recorded as research and development expense for the six months ended June 30, 2019.

Stock-based Compensation

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

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

- *Expected term.* The expected term of stock options represents the period that the stock options are expected to remain outstanding and is based on vesting terms, exercise term and contractual lives of the options. The expected term of the ESPP shares is equal to the six-month look-back period.
- *Expected volatility.* The expected stock price volatility for the Company's stock options was derived from the average historical volatilities of the Company's stock price and the stock price of several comparable publicly traded companies within the biotechnology and pharmaceutical industry. The Company will continue to apply this process until a sufficient amount of historical information on the Company's own stock price becomes available.

- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury whose term was consistent with expected term of the Company's stock options.
- *Dividend yield.* The expected dividend is assumed to be zero as the Company has never paid dividends and have no current plans to pay any dividends on our common stock.

Leases

The Company determines if an arrangement is or contains a lease at inception. Operating leases are recorded as operating lease right-of-use ("ROU") assets and operating lease liabilities in the Company's balance sheet. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company uses an implicit rate when readily available, or its incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease prepayments made and reduced by lease incentives. The Company's lease terms may include options to extend the lease when it is reasonably certain that such option will be exercised. Lease expenses are recognized on a straight-line basis over the lease term. The Company's operating lease arrangement includes lease and non-lease components which are generally accounted for separately. See Note 9, Leases.

Adopted Accounting Pronouncements

Leases

The Company adopted the Accounting Standard Update ("ASU") No. 2016-02, *Leases (Topic 842)* on January 1, 2019, using the modified retrospective approach. This new standard amends the guidance for the accounting and disclosure of leases and requires that lessees recognize on the balance sheet the assets and liabilities that arise from leases, including leases classified as operating leases under current GAAP, and disclose qualitative and quantitative information about leasing arrangements. In July 2018, the Financial Accounting Standard Board ("FASB") further amended this standard to allow for a new transition method that provides the option to use the effective date as the date of initial application. The Company has elected such option and accordingly the comparative periods are not recast.

The Company has also elected the package of practical expedients permitted under the new standard, or ASC 842. Accordingly, the Company continues to account for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC 842, (b) whether classification of the operating leases would be different in accordance with ASC 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC 842 at lease commencement. In addition, the Company also elected the short-term lease practical expedients allowed under the standard. As a result of the adoption of ASC 842, the Company recorded a right-of-use asset of \$28.0 million and a lease liability \$30.1 million on January 1, 2019. This standard does not have material impact on the Company's results of operations or cash flows. See Note 9, Leases.

In March 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*. The amendments in this ASU provide clarifications to: (a) the determination of the fair value of the underlying asset by lessors that are not manufacturers or dealers; (b) the presentation on statement of cash flows for sales-type and direct financing leases specifically for lessors that are depository and lending institutions; and (c) certain exceptions to the transition disclosures requirements related to Topic 250, Accounting Changes and Error Corrections upon adoption of Topic 842. The Company does not expect the transition guidance in (a) and (b) above to have a material impact on its financial statements. Also, the adoption of transition guidance (c) did not have a material impact on its current period financial statements.

Reclassification of Certain Tax Effects

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The amendments in this standard allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The Company adopted this standard on January 1, 2019. There was no material impact on its financial statement upon adoption of this ASU and the Company recorded an increase in other comprehensive income of \$11,000 against its retained earnings upon the adoption.

Nonemployee Share-Based Payment

In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The amendments in this ASU expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The Company adopted this standard on January 1, 2019. There was no material impact on its financial statements upon the adoption of this ASU.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new standard changes the impairment model for most financial assets and certain other instruments. Under the new standard, entities holding financial assets and net investment in leases that are not accounted for at fair value through net income are to be presented at the net amount expected to be collected. An allowance for credit losses will be a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. The new standard will be effective for the Company on January 1, 2020. The Company is currently evaluating the impact of this new guidance.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The new standard simplifies the measurement of goodwill by eliminating the Step 2 impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The new guidance requires an entity to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The new guidance becomes effective for goodwill impairment tests in fiscal years beginning after December 15, 2019, though early adoption is permitted. The Company is currently evaluating the impact of this new guidance.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*. The amendments in this ASU modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. Various disclosure requirements have been removed, including the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, the valuation processes for Level 3 fair value measurements held at the end of the reporting period. The ASU also modified various disclosure requirements and added some disclosure requirements for Level 3 fair value measurements. The amendments in this ASU are effective for the Company on January 1, 2020. The additional disclosures on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. The Company does not expect the adoption of this ASU will have a material impact on its financial statements.

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

In November 2018, the FASB issued ASU No. 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the interaction between Topic 808 and Topic 606*. The amendments in this ASU targeted improvements to generally accepted accounting principles for collaborative arrangements by clarifying that certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606 when the collaborative arrangement participant is a customer in the context of a unit of account. In those situations, all the guidance in Topic 606 should be applied, including recognition, measurement, presentation, and disclosure requirements. In addition, unit-of-account guidance in Topic 808 was aligned with the guidance in Topic 606 (that is, a distinct good or service) when an entity is assessing whether the collaborative arrangement or a part of the arrangement is within the scope of Topic 606. The ASU is effective for the Company on January 1, 2020, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of this new guidance.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, to clarify and address certain items related to the amendments in ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments are effective for fiscal years beginning after December 15, 2019. The Company does not expect the adoption of this ASU will have a material impact on its financial statements.

In May 2019, ASU 2019-05, *Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief*, was issued to provide entities with an option to irrevocably elect the fair value option in Subtopic 825-10, applied on an instrument-by-instrument basis for eligible instruments, that are within the scope of Subtopic 326-20, upon adoption of Topic 326. The fair value option election does not apply to held-to-maturity debt securities. This targeted transition relief is intended to increase comparability of financial statement information for some entities that otherwise would have measured similar financial instruments using different measuring methodologies. The effective date of this ASU is the same as ASU No. 2016-13, for the Company on January 1, 2020. The Company does not expect the adoption of this ASU will have a material impact on its financial statements.

3. Net Loss Per Share

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. Diluted net loss per share attributable to common stockholders is calculated using the weighted-average number of common shares outstanding, plus potential dilutive common stock during the period. 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 the potentially dilutive securities is anti-dilutive.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Options to purchase common stock	9,874,549	7,351,681	9,421,221	7,329,531
Total	<u>9,874,549</u>	<u>7,351,681</u>	<u>9,421,221</u>	<u>7,329,531</u>

4. Fair Value Measurements and Short-Term Investments

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

- Level I: Inputs which include quoted prices in active markets for identical assets and liabilities.
- Level II: Inputs other than Level I that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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- Level III: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

	Valuation Hierarchy	June 30, 2019			
		Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value
(in thousands)					
Assets					
Money market funds	Level I	\$ 130,415	\$ —	\$ —	\$ 130,415
Restricted cash (money market funds)	Level I	917	—	—	917
U.S. Government bonds	Level I	199,482	268	—	199,750
Total		<u>\$ 330,814</u>	<u>\$ 268</u>	<u>\$ —</u>	<u>\$ 331,082</u>

As of June 30, 2019, no securities have contractual maturities of longer than one year.

	Valuation Hierarchy	December 31, 2018			
		Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value
(in thousands)					
Assets					
Money market funds	Level I	\$ 226,979	\$ —	\$ —	\$ 226,979
Restricted cash (money market funds)	Level I	917	—	—	917
U.S. Government bonds	Level I	188,616	—	(66)	188,550
Total		<u>\$ 416,512</u>	<u>\$ —</u>	<u>\$ (66)</u>	<u>\$ 416,446</u>

5. Accrued Liabilities

Accrued liabilities consisted of the following:

	June 30, 2019	December 31, 2018
(in thousands)		
Research and clinical expenses	\$ 14,046	\$ 18,520
Payroll and related expenses	4,281	6,585
Legal and professional expenses	1,429	830
Operating lease liabilities - short term	2,631	-
Other accrued expenses	82	789
Total	<u>\$ 22,469</u>	<u>\$ 26,724</u>

6. Research and Collaboration Agreements

The following table summarizes the revenue by collaboration partners:

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Notes to Condensed Financial Statements (unaudited)—(Continued)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	(in thousands)		(in thousands)	
AbbVie	\$ 1,382	\$ 10,763	\$ 4,330	\$ 13,434
Amgen	222	1,597	1,257	2,852
BMS	7,409	8,242	32,911	16,410
ImmunoGen	-	736	-	1,471
Pfizer	-	-	-	1,355
Total Revenue	\$ 9,013	\$ 21,338	\$ 38,498	\$ 35,522

AbbVie Ireland Unlimited Company

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

Under the CD71 Agreement, the Company received an upfront payment of \$20.0 million in April 2016, and is eligible to receive up to \$470.0 million in development, regulatory and commercial milestone payments, a 35% profit split on U.S. sales, and royalties on ex-U.S. sales in the high teens to low twenties if the Company participates in the co-development of the CD71 Licensed Product subject to a reversion to a royalty on U.S. sales, and reduction in royalties on ex-U.S. sales, if the Company opts-out from the co-development of the CD71 PDC. The Company’s share of later stage co-development costs for each CD71 PDC are capped, provided that AbbVie may offset the Company’s co-development cost above the capped amounts from future payments such as milestone payments and royalties. In July 2017, the Company received a milestone payment of \$14.0 million (net of payment of an associated sublicense fee of \$1.0 million to SGEN under the Seattle Genetics Agreement) from AbbVie for achieving certain milestones required to be met to begin GLP toxicology studies under the CD71 Agreement. In May 2018, the United States Food and Drug Administration (“FDA”) cleared the IND application for CX-2029, the PDC targeting CD71. As a result, the Company achieved the IND success criteria under the CD71 Agreement and received a \$21.0 million milestone payment (net of the payment of an associated sublicense fee of \$4.0 million to SGEN). The Company commenced enrollment of our Phase 1/2 clinical trial and dosed the first patient in a clinical trial at the end of the second quarter of 2018.

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

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

The Company has determined that the CD71 Agreement and Discovery Agreement with AbbVie should be combined and evaluated as a single arrangement in determining revenue recognition, because both agreements were concurrently negotiated and executed.

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

- (1) the research, development and commercialization license for CD71 Probody therapeutic,

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

The Company concluded that, at the inception of the agreement, AbbVie's option for the second discovery target is not a material right and is therefore not a performance obligation.

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

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

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

In May 2018, the Company earned a \$21.0 million milestone payment (net of the payment of an associated sublicense fee of \$4.0 million to SGEN) under the CD71 Agreement. The \$21.0 million milestone payment was included as part of the transaction price in May 2018 and a revenue adjustment of \$9.9 million was recognized in the second quarter of 2018 reflecting the percentage completed to-date on the project related to this milestone. The Company determined that the remaining potential milestone payments are probable of significant revenue reversal as their achievement is highly dependent on factors outside the Company's control. Therefore, these payments have been fully constrained and were not included in the transaction price as of June 30, 2019.

The Company is obligated to make sublicense payments under the license agreement with the Regents of the University of California, acting through its Santa Barbara campus ("UCSB"), as amended, equal to 7.5% of certain upfront and milestone payments owed to or received by the Company. As of June 30, 2019 and December 31, 2018, the Company recorded a liability of \$0.9 million and \$1.1 million, respectively, representing the sublicense fee payable to UCSB under the Discovery Agreement and the CD71 Agreement.

Of the \$39.8 million total transaction price, the Company recognized the initial transaction price of \$29.8 million allocated to the CD71 Agreement performance obligation using a cost-based input measure, the common measure of progress for the performance obligation. In applying the cost-based input method, revenue is recognized based on actual full-time employee ("FTE") hours incurred as a percentage of total estimated FTE hours as the Company completes its combined performance obligation over the five-year service period. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition. As the Discovery Agreement performance obligation represents an obligation to continuously make the Company's Probody therapeutic technology platform available to AbbVie, the initial transaction price of \$10.0 million allocated to this performance obligation is recognized over the common measure of progress for the entire performance obligation over the estimated research service period of five years through April 2021. In addition, the transaction price of \$10.0 million representing the milestone payment for the second target selected in June 2019 is recognized over the common measure of progress of the related obligation over the estimated research service period. The research service period for the second target is estimated to be five years through June 2024.

The Company recognized revenue of \$1.4 million and \$10.8 million for the three months ended June 30, 2019 and 2018, respectively and \$4.3 million and \$13.4 million for the six months ended June 30, 2019 and 2018, respectively, related to the AbbVie Agreements. As of June 30, 2019 and December 31, 2018, deferred revenue related to the CD71 Agreement performance obligation was \$19.8 million and \$23.2 million, respectively, and deferred revenue related to the Discovery Agreements performance obligation was \$13.7 million and \$4.7 million, respectively. As of both June 30, 2019 and December 31, 2018, \$10.0 million and \$0 was due from AbbVie under the CD71 Agreement and the Discovery Agreement.

Amgen, Inc.

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

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

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

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

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

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

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

Concurrent with the execution of the Amgen Agreement, the Company entered into a sublicense agreement whereby the Company granted Amgen a sublicense of its rights to one patent family that it co-owns with UCSB, that is exclusively licensed to the Company under the UCSB Agreement covering Probody antibodies and other pro-proteins in the fields of therapeutics, in vivo diagnostics and prophylactics. This sublicense was incremental to the patents, patent applications and know-how covering T-cell engaging bispecific Probody molecules that were developed and owned by the Company and licensed to Amgen. Under the UCSB Agreement, as amended, the Company is obligated to make a sublicense payment to UCSB equal to 7.5% of certain upfront and milestone payments owed to or received by the Company. As of June 30, 2019 and December 31, 2018, the Company recorded a liability of \$0 and \$2.1 million, respectively, representing the sublicense fee payable to UCSB. See Note 7 for further details.

The total transaction price of \$51.2 million, consisting of the \$40.0 million upfront payment, an estimated fair value of \$10.7 million for the CytomX Product and \$0.5 million of premium on the sale of the Company's common stock, was allocated between the two performance obligations based on the relative standalone selling price of each performance obligation. To determine the standalone selling price, the Company used the discounted cash flow method by calculating risk-adjusted net present values of estimated cash flows. The Company determined that the remaining potential milestone payments were probable of significant revenue reversal as their achievement was highly dependent on factors outside the Company's control. As a result, these payments were fully constrained and were not included in the transaction price as of June 30, 2019.

Of the \$51.2 million total transaction price, the Company allocated \$46.4 million to the EGFR Products performance obligation and \$4.8 million to the Amgen Other Product performance obligations. The transaction price of the EGFR Product performance obligation was recognized using a cost-based input measure. In applying the cost-based input method of revenue recognition, the Company uses actual FTE hours incurred relative to estimated total FTE hours expected to be incurred for the combined performance obligation over the research service period. In the fourth quarter of 2018, the JSC discontinued work on two molecules that did not meet required research criteria. Pre-clinical evaluation of additional molecules is ongoing as part of the candidate identification phase of the EGFR project, and as a result, there was a change in estimate of the projected costs and research service period to seven years during the fourth quarter of 2018. At the end of the second quarter of 2019, the Company determined it will undertake additional testing and assessment of the molecules being evaluated under the EFGR project. As a result, the estimated projected costs and research service period was further increased to eight years.

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

The Company recognized revenue of \$0.2 million and \$1.6 million for the three months ended June 30, 2019 and 2018, respectively, and \$1.3 million and \$2.9 million for the six months ended June 30, 2019 and 2018, respectively, related to the Amgen Agreement. As of June 30, 2019 and December 31, 2018, deferred revenue related to the EGFR Products performance obligation was \$39.8 million and \$40.7 million, respectively. As of June 30, 2019 and December 31, 2018 deferred revenue related to the Amgen Other Products performance obligation was \$3.4 million and \$3.8 million, respectively. As of June 30, 2019 and December 31 2018, no amount was due from Amgen under the Amgen Agreement.

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 therapeutic 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 had additional rights to substitute up to two collaboration targets within three years of the effective date of the BMS Agreement. These rights expired in May 2017. Each collaboration target had a two-year research term and the two additional targets had to be nominated by BMS within five years of the effective date of the BMS Agreement. The research term for each collaboration target could be extended in one year increments up to three times.

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

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

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

The Company determined that the license, the Company's research services and expertise related to the development of the product candidates should be combined with the research services and participation in the joint research committee as one combined performance obligation. The Company concluded that, at the inception of the agreement, BMS' options for the third and fourth targets were not material rights and not performance obligations. As such, each option was accounted for as a separate arrangement upon exercise. Additionally, the Company considered whether the services performed for each target should be considered as separate performance obligations and concluded that all targets should be accounted for as one combined performance obligation. The Company received an upfront payment of \$50.0 million from BMS in July 2014. In January and December 2016, BMS selected the third and fourth targets, respectively, and paid the Company \$10.0 million and \$15.0 million, respectively, pursuant to the terms of the BMS Agreement. In December 2016, BMS selected a clinical candidate pursuant to the BMS Agreement, which triggered a \$2.0 million pre-clinical milestone payment to the Company. In November 2017, the Company recognized a \$10.0 million milestone payment from BMS upon approval of the investigational new drug application for the CTLA-4-directed Probody therapeutic.

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

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

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

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

The initial transaction price is \$272.8 million consisting of the upfront fees of \$250.0 million, research and development service fees of \$10.8 million and milestone payments received to date of \$12.0 million. The Company determined that the remaining potential milestone payments were probable of significant revenue reversal as their achievement was highly dependent on factors outside the Company's control. Therefore, these payments were fully constrained and were not included in the transaction price as of June 30, 2019. The BMS Agreement represents an obligation to continuously make the Probody therapeutic technology platform available to BMS. Therefore, the initial transaction price is recognized over the estimated research service period, which ends on April 25, 2025.

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

The Company recognized revenue of \$7.4 million and \$8.2 million for the three months ended June 30, 2019 and 2018, respectively and \$32.9 million and \$16.4 million for the six months ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and December 31, 2018, deferred revenue relating to the BMS Agreement was \$172.8 million and \$205.6 million, respectively. The amount due from BMS under the BMS Agreement was \$4,000 and \$0.1 million as of June 30, 2019 and December 31, 2018, respectively.

ImmunoGen, Inc.

In January 2014, the Company and ImmunoGen, Inc. ("ImmunoGen") entered into the Research Collaboration Agreement (the "ImmunoGen Research Agreement"). The ImmunoGen Research Agreement provided the Company with the right to use ImmunoGen's Antibody Drug Conjugate ("ADC") technology in combination with the Company's Probody therapeutic technology to create a PDC directed at one specified target under a research license, and to subsequently obtain an exclusive, worldwide development and commercialization license to use ImmunoGen's ADC technology to develop and commercialize such PDCs. The Company made no upfront cash payment in connection with the execution of the agreement. Instead, the Company provided ImmunoGen with the rights to CytomX's Probody therapeutic technology to create PDCs directed at two targets under the ImmunoGen Research Agreement and to subsequently obtain exclusive, worldwide development and commercialization licenses to develop and commercialize such PDCs. In February 2016, the Company exercised its option to obtain a development and commercialization license for CX-2009 pursuant to the terms of the ImmunoGen Research Agreement (the "CX-2009 License"). In February 2017, ImmunoGen exercised its first option to obtain a development and commercialization license for one of the two targets. Substitution rights for this first target selection program terminated in February 2017 and ImmunoGen discontinued the program in July 2017. The Company recognized the remaining deferred revenue related to the discontinued program upon the termination of the program. ImmunoGen exercised its second option to obtain a development and commercialization license pursuant to the ImmunoGen Research Agreement (the "ImmunoGen 2017 License") for a target in December 2017 and continues research work on this program.

Under the terms of the ImmunoGen Research Agreement, both the Company and ImmunoGen performed research activities on behalf of the other party for no monetary consideration through January 2018 and the arrangement was extended to June 2018, as discussed below. 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.

In consideration for the ImmunoGen 2017 License, the Company is entitled to receive up to \$30.0 million in development and regulatory milestone payments, up to \$50.0 million in sales milestone payments and royalties in the mid-single digit percentage on the commercial sales of any resulting product. For the CX-2009 License, the Company is obligated to pay ImmunoGen up to \$60.0 million in development and regulatory milestone payments and up to \$100.0 million in sales milestone payments and royalties in the mid to high single digits percentage on the commercial sales of any resulting product. In August 2017, the Company made a milestone payment of \$1.0 million to ImmunoGen for the first patient dosing with CX-2009. No milestone payments have been accrued to the Company under the ImmunoGen 2017 License.

The Company accounted for the ImmunoGen Research Agreement based on the fair value of the assets and services exchanged. The Company identified the following performance obligations at the inception of the ImmunoGen Research 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, the research services, the participation in the joint steering committee, and the technology improvements are not distinct from the development and commercialization license and therefore those performance obligations were combined into one combined performance obligation. The Company considered factors such as the limited economic benefits to ImmunoGen if the development and commercialization license was 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 at the inception of the ImmunoGen Research Agreement. In December 2017, the Company entered into the ImmunoGen 2017 License arrangement and extended the Company's obligation to provide research services under the ImmunoGen Research Agreement to June 30, 2018. The fair value of the consideration for the combined performance obligation was recognized as revenue over the research period that ended on June 30, 2018. As of June 30, 2019 and December 31, 2018, neither company has further research obligations under the ImmunoGen Research Agreement.

The estimated total 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 allocated to the research services, joint research committee participation and technology improvements, which was expensed over the period of services provided.

The Company recognized revenue of \$0 and \$0.7 million for this target for the three months ended June 30, 2019 and 2018, respectively and \$0 and \$1.5 million for the six months ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and December 31, 2018, there was no deferred revenue relating to the ImmunoGen Research Agreement. As of both June 30, 2019 and December 31, 2018, no amount was due from ImmunoGen under the ImmunoGen Research Agreement.

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 Probody therapeutics, and PDCs for research project targets nominated by Pfizer. Pfizer nominated two research targets in 2013 and, pursuant to the Pfizer Agreement, had the option of nominating two additional research targets. In December 2014, Pfizer selected an additional research target and paid the Company \$1.5 million. The option to select a fourth target lapsed in May 2016. Pfizer discontinued the epidermal growth factor receptor ("EGFR") program and decided to terminate the remaining two targets in February and March 2018. In March 2018, Pfizer terminated the Pfizer Agreement. As such, the Company had no further performance obligations under this agreement after the first quarter of 2018. The Company recognized revenue of \$0 and \$1.4 million for the six months ended June 30, 2019 and 2018, respectively related to the Pfizer Agreement.

Contract Liabilities

The following table presents changes in the Company’s total contract liabilities during the six months ended June 30, 2019:

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
(in thousands)				
Contract liabilities:				
Deferred revenue	\$ 277,980	\$ 10,000	\$ (38,470)	\$ 249,510

There was a \$10.0 million addition to deferred revenue during the six months ended June 30, 2019. Deductions of \$38.5 million represent revenue recognized, including the accelerated recognition of deferred revenue of \$17.4 million due to termination of certain targets by BMS, in the six months ended June 30, 2019 that was included in the contract liability balance at the beginning of the period.

The Company estimates that the \$249.5 million of deferred revenue related to the following contracts as of June 30, 2019 to be recognized as revenue as set forth below. However, the timing of revenue recognition could differ from the estimates depending on facts and circumstances impacting the various contracts, including progress of research and development, resources assigned to the contracts by the Company or its collaboration partners, or other factors outside of the Company’s control.

- The \$19.8 million of deferred revenue related to the CD71 Agreement as of June 30, 2019 is expected to be recognized based on actual FTE effort and program progress until approximately August 2021.
- The \$3.7 million of deferred revenue related to the first target under the Discovery Agreement as of June 30, 2019 is expected to be recognized ratably until approximately April 2021. The \$10.0 million of deferred revenue related to the second target under the Discovery Agreement as of June 30, 2019 is expected to be recognized ratably until approximately June 2024.
- The \$39.8 million of deferred revenue related to the Amgen EGFR Products as of June 30, 2019 is expected to be recognized based on actual FTE effort and program progress until approximately September 2025.
- The \$3.4 million of deferred revenue related to the Amgen Other Products as of June 30, 2019 is expected to be recognized ratably until approximately September 2023.
- The \$172.8 million of deferred revenue related to the BMS Agreement as of June 30, 2019 is expected to be recognized ratably until approximately April 2025.

7. UCSB License Agreement

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

Pursuant to the UCSB Agreement, the Company is obligated to (i) make royalty payments to UCSB on net sales of its products covered under the agreement, subject to annual minimum amounts, (ii) make milestone payments to UCSB upon the occurrence of certain events, (iii) make a milestone payment to UCSB upon occurrence of an IPO or change of control, and (iv) reimburse UCSB for prosecution and maintenance of the licensed patents. If the Company sublicenses its rights under the UCSB Agreement, it is obligated to pay UCSB a percentage of the total sublicense revenue received, which total amount would be first reduced by the aggregate amount of certain research and development related expenses incurred by the Company and other permitted deductions. As part of the UCSB Agreement, the Company has annual minimum royalty obligations of \$150,000 under the terms of certain exclusive licensed patent rights. The royalty obligations are cancellable any time by giving notice to the licensor, with the termination being effective 60 days after giving notice.

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

CYTOMX THERAPEUTICS, INC.
Notes to Condensed Financial Statements (unaudited)—(Continued)

On April 2, 2019, the Company entered into Amendment No.3 to the UCSB Agreement to adjust and clarify certain sublicense terms (“Amendment No.3”). In connection with the amendment, the Company issued to UCSB 150,000 shares of CytomX common stock with a fair value of \$10.68 per share. Under the terms of Amendment No.3, the Company and UCSB agreed to modify the determination of sublicense revenues payable by the Company to UCSB on certain existing collaboration agreements and on collaboration agreements executed subsequent to Amendment No.3. In exchange, the Company agreed to make an upfront payment of \$1.0 million as well as additional annual license maintenance fees of \$750,000 through 2031. In the event that the Company terminates the agreement due to material concern of the safety or efficacy of the related technology, 50% of all remaining maintenance fees will become due immediately. Otherwise, all remaining maintenance fees will become due immediately upon early termination of the agreement unless there is a material breach by UCSB. Pursuant to Amendment No.3, the Company recorded in research and development expense a charge of \$3.4 million relating to sublicense and maintenance fees representing the 150,000 shares issued with a fair value of \$1.6 million, the upfront payment of \$1.0 million and the additional annual maintenance fee of \$0.8 million during the three and six months ended June 30, 2019.

In June 2019, the Company incurred an additional \$0.8 million of sublicense fees related to the \$10.0 million milestone payment for the second target selected by AbbVie under the Discovery Agreement. See Note 6 for further details.

The Company incurred expenses of \$4.4 million and \$0.5 million for the three months ended June 30, 2019 and 2018, respectively, and \$4.2 million and \$0.5 million for the six months ended June 30, 2019 and 2018, respectively, under the provisions of the UCSB Agreement.

As of June 30, 2019 and December 31, 2018, the Company recorded a liability of \$0.9 million and \$3.2 million, respectively, representing the sublicense fee payable to UCSB.

8. Stock-Based Compensation

Stock Options

Activities under the Company’s stock option plans for the six months ended June 30, 2019 were as follows:

	Options Outstanding	
	Number of Options	Weighted- Average Exercise Price Per Share
Balances at December 31, 2018	7,803,773	\$ 12.62
Options granted	2,423,983	14.12
Options exercised	(89,567)	5.55
Option forfeited/expired	(261,857)	17.03
Balances at June 30, 2019	<u>9,876,332</u>	<u>\$ 12.93</u>
Options exercisable at June 30, 2019	<u>5,401,818</u>	<u>\$ 9.61</u>

Stock-based Compensation

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Stock-based compensation expense:				
Research and development	\$ 2,651	\$ 2,050	\$ 5,293	\$ 3,858
General and administrative	2,803	2,111	5,353	3,991
Total stock-based compensation expense	<u>\$ 5,454</u>	<u>\$ 4,161</u>	<u>\$ 10,646</u>	<u>\$ 7,849</u>

9. Leases

Operating Lease

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

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

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

In addition, the Company obtained a standby letter of credit (the “Letter of Credit”) in an amount of approximately \$0.9 million, which may be drawn by the Landlord to be applied for certain purposes upon the Company’s breach of any provisions under the 2016 Lease. The Company has recorded the \$0.9 million Letter of Credit in restricted cash as non-current on its balance sheet at June 30, 2019 and December 31, 2018, respectively.

Rent expense is recognized on a straight-line basis over the term of the lease and accordingly the Company records the difference between cash rent payments and the recognition of rent expense against the operating lease ROU asset. Rent expense for both the three months ended June 30, 2019 and 2018 was \$1.3 million. Rent expense for both the six months ended June 30, 2019 and 2018 was \$2.5 million.

Supplemental information related to leases are as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,205	\$ 2,410
		<u>June 30, 2019</u>
		(in thousands)
Supplemental balance sheet information related to leases:		
Operating lease right-of-use assets		\$ 26,743
Current operating lease liabilities		2,631
Non-current operating lease liabilities		26,321
Total operating lease liabilities		<u>\$ 28,952</u>
		<u>June 30, 2019</u>
Weighted-average remaining lease term (in years)		
Operating lease		7.36
Weighted-average discount rate		
Operating lease		8.25%
		<u>June 30, 2019</u>
		(in thousands)
Maturity of operating lease liabilities		
2019	\$	2,444
2020		4,990
2021		5,129
2022		5,273
2023 and beyond		<u>21,109</u>
Total lease payments		38,945
Less imputed interest		<u>(9,993)</u>
Present value of lease liabilities	\$	<u>28,952</u>

10. Income Tax Expense

The Company recorded income tax expense of \$0 and \$1.8 million during the three months ended June 30, 2019 and 2018, respectively and \$6,000 income tax benefit and \$2.9 million income tax expense for the six months ended June 30, 2019 and 2018, respectively. The income tax expense during the three and six months ended June 30, 2018 was generated as a result of a temporary difference in the recognition of revenue under tax and U.S. GAAP authoritative guidance, primarily due to revenue recognition for tax purposes in 2018 of the upfront payments received pursuant to the BMS Amendment entered into in March 2017. The Company's effective tax rate was 0.0% and (15.3)% for the three months ended June 30, 2019 and 2018, respectively. The Company's effective tax rate was 0.0% and (11.1)% for the six months ended June 30, 2019 and 2018, respectively. The Company maintains a full valuation allowance against its net deferred tax assets due to the Company's history of losses as of June 30, 2019.

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

You should read the following management’s discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited financial statements and notes thereto for the year ended December 31, 2018, included in our Annual Report on Forms 10-K as filed with the U.S. Securities and Exchange Commission (“SEC”) on February 27, 2019. This discussion and other parts of this report contain forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section of this report titled “Risk Factors.” Except as may be required by law, we assume no obligation to update these forward-looking statements or the reasons that results could differ from these forward-looking statements.

Overview

We are a clinical-stage, oncology-focused biopharmaceutical company with a vision of transforming lives with safer, more effective therapies. We are pioneering a novel class of investigational antibody therapeutics, based on our Probody™ technology platform, for the treatment of cancer. The Probody therapeutic approach is designed to more specifically target antibody therapeutics to the tumor microenvironment and minimize drug activity in healthy tissue and in circulation. We believe this approach has the potential to make meaningful enhancements to the combined efficacy and safety profile of antibody therapeutics, known as the “therapeutic window” and also to enable new targeted therapies. We believe that Probody therapeutics have the potential to create or widen the therapeutic window for certain antibody therapeutics, allowing for the development of new approaches to the treatment of cancer. We are utilizing our Probody Platform to develop a pipeline of potential best-in-class immunotherapies against clinically-validated targets and potential first-in-class therapeutics against novel, difficult to drug targets. Furthermore, we believe the Probody therapeutic approach has the potential to enable safer, more effective combination therapy for cancer.

Our most advanced product candidate is CX-072, a wholly owned Probody therapeutic targeting programmed cell death ligand 1 (“PD-L1”), a clinically and commercially validated immuno-oncology target. CX-072 is designed to uncouple the anti-cancer activity of PD-L1 inhibitors from the associated autoimmune toxicities by inhibiting PD-L1 in the tumor microenvironment with minimal engagement in healthy tissue. We are currently evaluating CX-072 in a Phase 1/2 study that we call PROCLAIM-CX-072. This study is designed to assess the safety, activity, and translational biology of CX-072 as a single agent and in combination with other anticancer therapies. We disclosed initial clinical proof of concept data on CX-072 at various oncology conferences in 2018 and we disclosed additional clinical safety and efficacy data on CX-072 at a Research and Development Day hosted by CytomX management in February 2019 (the “CytomX R&D Day”), which data was updated in June 2019 at the Annual Meeting of the American Society of Clinical Oncology (ASCO) in Chicago, Illinois.

Our second most advanced product candidate is CX-2009, a wholly owned Probody Drug Conjugate directed against CD166, a novel drug target. Probody Drug Conjugates are unique, CytomX-designed Probody therapeutic versions of a class of drugs called Antibody Drug Conjugates (ADCs), which are antibodies that have been conjugated to a small molecule cytotoxic agent via a chemical linker. Because our Probody therapeutics are designed to minimize binding of potent anti-cancer therapy to normal tissues, we believe we can address a new class of targets with attractive molecular features that were previously unsuitable because of high expression on normal tissues. CD166 is an example of this kind of target. CD166 is highly and homogeneously expressed in multiple different tumors types, which makes it an attractive target for a Probody drug conjugate therapeutic; however, the high expression of CD166 on normal tissues makes this a difficult target to drug with a traditional ADC. CX-2009 is currently in the dose escalation portion of a Phase 1/2 study. We disclosed initial clinical data on CX-2009 at the CytomX R&D Day and additional data at the American Academy of Cancer Research conference in April 2019.

In addition to our wholly owned programs, we have entered into several strategic collaborations with leading oncology-focused pharmaceutical companies, such as AbbVie Inc., through its subsidiary AbbVie Ireland Unlimited Company (“AbbVie”), Amgen, Inc. (“Amgen”) and Bristol-Myers Squibb Company (“BMS”). The most advanced program from our partnerships is a BMS-986249, a CTLA-4 Probody therapeutic, which BMS is currently advancing in a Phase 1/2 clinical trial. BMS is currently preparing to initiate a randomized phase 2 study. We are also treating patients in a Phase 1/2 clinical study for CX-2029, a PDC targeting the novel and highly expressed target, CD71 that we have partnered with AbbVie. We have also extended our Probody platform to the T-cell engaging bispecific modality. Our most advanced program in this modality is an Epidermal Growth Factor Receptor-CD3 (“EGFR-CD3”) T-cell bispecific, which is currently in lead optimization stage, and which we are developing in partnership with Amgen.

We are currently conducting clinical trials for three product candidates derived from our Probody platform. Our partner, BMS is conducting a clinical trial for a fourth product candidate derived from our Probody platform. We do not have any product candidates approved for sale, and we continue to incur significant research and development and general administrative expenses related to our operations. We are not profitable and have incurred losses in each year since our founding in 2008. Our net loss was \$29.0 million and \$43.1 million for the three and six months ended June 30, 2019, respectively. As of June 30, 2019 and December 31, 2018, we had an accumulated deficit of \$358.1 million and \$315.0 million, respectively. We expect to continue to incur significant losses for the foreseeable future.

Regulatory agencies, including the FDA, regulate many aspects of a product candidate’s life cycle, including research and development and preclinical and clinical testing. We will need to commit significant time, resources, and funding to develop our wholly owned and partnered product candidates in clinical trials, including CX-072, CX-2009 and CX-2029 as well as any additional product candidates for which we initiate clinical trials in 2019 and beyond. We are unable to provide the nature, timing, and estimated costs of the efforts necessary to complete the development of our product candidates because, among other reasons, of regulatory uncertainty, manufacturing limitations and the pace of enrollment of our clinical trials, which is a function of many factors, including the availability and proximity of patients with the relevant condition.

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

Critical Accounting Policies and Estimates

The preparation of our Condensed Financial Statements requires us to make estimates and judgments that affect the reported amounts in the financial statements and related disclosures. On an ongoing basis, management evaluates its significant accounting policies and estimates. We base our estimates on historical experience and on various market-specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from these estimates. Estimates are assessed each period and updated to reflect current information. A summary of our critical accounting policies and estimates is presented in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018. Other than the adoption of ASC 842, Leases, there have been no other material changes to our critical accounting policies and estimates during the three and six months ended June 30, 2019.

Leases

On January 1, 2019, we adopted ASU No. 2016-02, *Leases (Topic 842)*, using the modified retrospective approach. We determine if an arrangement is or contains a lease at inception. Operating leases are recorded as operating lease right-of-use (“ROU”) assets and operating lease liabilities in our balance sheet. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. We use an implicit rate when readily available, or our incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease prepayments made and exclude lease incentives. Our lease terms may include options to extend the lease when it is reasonably certain that such option will be exercised. Lease expenses are recognized on a straight-line basis over the lease term. Our operating lease arrangement includes lease and non-lease components which are generally accounted for separately. See Note 9, Lease.

Components of Results of Operations

Revenue

Our revenue to date has been primarily derived from non-refundable license payments, milestone payments and reimbursements for research and development expenses under our research, collaboration, and license agreements. We recognize revenue from upfront payments over the term of our estimated period of performance under the agreement using a cost-based input method or a common measure of progress for the entire performance obligation. In addition to receiving upfront payments, we may also be entitled to milestone and other contingent payments upon achieving predefined objectives. Revenue from milestones and other contingent payments, when it is probable that there will not be a significant revenue reversal, is also recognized over the performance period based on a similar method. Reimbursements from BMS and Pfizer 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 obtained regulatory approval. We expect that any revenue we generate in the foreseeable future will fluctuate from year to year as a result of the timing and amount of milestones and other payments from our collaboration agreements with AbbVie, Amgen, BMS, ImmunoGen and any other collaboration partners, and as a result of the fluctuations in the research and development expenses we incur in the performance of assigned activities under these agreements.

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

Research and Development Expenses

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

We expect our research and development expenses to increase substantially in absolute dollars in the future as we advance our product candidates through clinical trials, initiate additional clinical trials, and pursue regulatory approval of our product candidates. For example, we commenced enrollment of our Phase 1/2 clinical trial of CX-072, our candidate directed against PD-L1, for cancer and treated our first patient in January 2017, and our Phase 1/2 clinical trial of CX-2009, our PDC candidate directed against CD-166, for cancer and treated our first patient in June 2017. In June 2018, we commenced enrollment of our Phase 1/2 clinical trial for CX-2029, our CD71 Probody Drug Conjugate being developed in collaboration with AbbVie. 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 (the "SEC") and the Sarbanes-Oxley Act of 2002 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 to operate as a public company and as we advance our product candidates through clinical development, which will also increase our general and administrative expenses.

Interest Income

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

Other Expense

Other expense consists primarily of changes to currency exchange rates.

Provision for (Benefit from) Income Taxes

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

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

Results of Operations

For the Three and Six Months Ended June 30, 2019 and 2018.

Revenues

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
	(in thousands)			(in thousands)		
Total revenues	\$ 9,013	\$ 21,338	\$ (12,325)	\$ 38,498	\$ 35,522	\$ 2,976

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
	(in thousands)			(in thousands)		
AbbVie	\$ 1,382	\$ 10,763	\$ (9,381)	\$ 4,330	\$ 13,434	\$ (9,104)
Amgen	222	1,597	(1,375)	1,257	2,852	(1,595)
BMS	7,409	8,242	(833)	32,911	16,410	16,501
ImmunoGen	—	736	(736)	—	1,471	(1,471)
Pfizer	—	—	—	—	1,355	(1,355)
Total Revenue	\$ 9,013	\$ 21,338	\$ (12,325)	\$ 38,498	\$ 35,522	\$ 2,976

The decrease in revenue of \$12.3 million for the three months ended June 30, 2019 compared to the corresponding period in 2018 was primarily due to the \$21 million milestone payment (net of the associated sublicense fee of \$4 million) earned in May 2018 under the CD71 Co-Development and Licensing Agreement with AbbVie (the “CD71 Agreement”), of which \$9.9 million was recognized in the second quarter of 2018, reflecting the percentage completed-to-date of the project related to this milestone.

The increase in revenue of \$3.0 million for the six months ended June 30, 2019 compared to the corresponding period in 2018 was primarily due to the accelerated recognition of revenue of \$17.4 million related to the termination of certain targets under our Collaboration and License Agreement with BMS (the “BMS Agreement”) in the first quarter of 2019, which amount was partially offset by a decrease in revenue from AbbVie related to the \$21 million milestone payment (net of the associated sublicense fee of \$4 million) earned in May 2018 under the CD71 Agreement with AbbVie, of which \$9.9 million was recognized in the second quarter of 2018, as well as decreases in revenue from Amgen, ImmunoGen and Pfizer.

The decreases in revenue from Amgen of \$1.4 million and \$1.6 million for the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018 were due to lower percentages of completion progression in 2019 as a result of the change in estimate of the related project costs and research service period during the current periods.

The decreases in revenue from ImmunoGen of \$0.7 million and \$1.5 million for the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018 were due to the completion of the related research term in June 2018 under our Research Collaboration Agreement with Immunogen (the “Immunogen Research Agreement”).

The decrease in revenue from Pfizer of \$1.3 million for the six months ended June 30, 2019 compared to the corresponding period in 2018 was due to termination of our Research Collaboration, Option and License Agreement with Pfizer Inc. in March 2018.

Operating Costs and Expenses

Research and Development Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
	(in thousands)			(in thousands)		
Research and development expenses	\$ 30,835	\$ 25,553	\$ 5,282	\$ 67,211	\$ 48,011	\$ 19,200

Research and development expenses increased \$5.3 million during the three months ended June 30, 2019 compared to the corresponding period in 2018. The increase was attributable to an increase of \$3.4 million associated with entering into the amendment to the license

agreement with UCSB (the “UCSB Agreement”) in the second quarter of 2019 (“Amendment No.3”) (representing the 150,000 shares of common stock issued for \$1.6 million, the upfront payment of \$1.0 million and the additional annual maintenance fee of \$0.8 million); an increase of \$0.8 million sublicense expense pertaining to the \$10.0 million milestone payment earned upon AbbVie’s selection of the second target in the second quarter of 2019 under the Amended and Restated Discovery Collaboration and License Agreement (as amended, the “Discovery Agreement”); an increase of \$2.4 million in personnel-related expenses due to an increase in headcount; an increase of \$0.5 million in clinical related expenses resulting from increased clinical trial activities and an increase of \$0.7 million in the allocation of information technology and facilities related expenses resulting from an increase in headcount; which amounts were partially offset by a decrease of \$2.3 million in laboratory contracts and services as a result of timing of manufacturing activities.

Research and development expenses increased \$19.2 million during the six months ended June 30, 2019 compared to the corresponding period in 2018. The increase was attributable to a \$5.0 million charge relating to the acquisition of technical know-how related to drug conjugate linker-toxin and CD3-based bispecific technologies during the first quarter of 2019, an increase of \$5.9 million in personnel-related expenses due to an increase in headcount, an increase of \$3.4 million associated with entering into Amendment No.3 to the UCSB Agreement in the second quarter of 2019; an increase of \$2.4 million in clinical related expenses resulting from increased clinical trial activities; an increase of \$1.5 million in the allocation of information technology and facilities related expenses resulting from an increase in headcount and an increase of \$0.7 million in laboratory supplies expenses.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
External costs incurred by product candidate (target):	(in thousands)			(in thousands)		
CX-072 (PD-L1)	\$ 6,860	\$ 5,321	\$ 1,539	\$ 12,305	\$ 9,395	\$ 2,910
CX-2009 (CD166)	1,937	4,425	(2,488)	7,380	7,045	335
CX-2029 (CD71)	2,657	2,654	3	5,755	4,760	995
Other wholly owned and partnered programs	1,300	1,836	(536)	3,120	5,119	(1,999)
General research and development expenses	6,304	2,845	3,459	14,427	4,981	9,446
	19,058	17,081	1,977	42,987	31,300	11,687
Internal Costs	11,777	8,472	3,305	24,224	16,711	7,513
Total research and development expenses	<u>\$ 30,835</u>	<u>\$ 25,553</u>	<u>\$ 5,282</u>	<u>\$ 67,211</u>	<u>\$ 48,011</u>	<u>\$ 19,200</u>

The increase in CX-072 expenses for the three months ended June 30, 2019 compared to the corresponding period of 2018 was primarily due to \$1.4 million in expenses pertaining to the start-up study costs for a planned clinical trial of CX-072. The decrease in CX-2009 expenses for the three months ended June 30, 2019 compared to the corresponding period of 2018 was primarily due to more drug production runs in 2018 in preparation for significant progression of CX-2009 clinical study trial activities. The decrease in “Other wholly owned and partnered programs” for the three months ended June 30, 2019 compared to the corresponding period of 2018 was primarily due to reduced costs relating to CX-188 following our indefinite postponement of further development of such program at the end of 2018. The increase in general research and development expenses for the three months ended June 30, 2019 compared to the corresponding period of 2018 was primarily due to the \$3.4 million associated with entering into Amendment No.3 to the UCSB Agreement in the second quarter of 2019. The increase in internal costs for the three months ended June 30, 2019 was primarily due to increase in personnel-related expenses and allocation of information technology and facilities-related expenses resulting from an increase in headcount.

The increases in CX-072, CX-2009 and CX-2029 costs for the six months ended June 30, 2019 compared to the corresponding period of 2018 was due primarily to increases in laboratory contracts and services and clinical trial expenses. The decrease in “Other wholly owned and partnered programs” for the six months ended June 30, 2019 compared to the corresponding period of 2018 was primarily due to reduced costs relating to CX-188 following our indefinite postponement of further development of such program at the end of 2018. The increase in general research and development expenses for the six months ended June 30, 2019 compared to the corresponding period of 2018 was primarily due to a \$5.0 million charge relating to the acquisition of technical know-how during the first quarter of 2019, and the \$3.4 million associated with entering into Amendment No.3 to the UCSB Agreement in the second quarter of 2019. The increase in internal costs for the six months ended June 30, 2019 was primarily due to increase in personnel-related expenses and allocation of information technology and facilities-related expenses resulting from an increase in headcount.

General and Administrative Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
	(in thousands)			(in thousands)		
General and administrative expenses	\$ 9,411	\$ 9,042	\$ 369	\$ 19,085	\$ 16,398	\$ 2,687

General and administrative expenses increased by \$0.4 million during the three months ended June 30, 2019 compared to the corresponding period in 2018. The increase was attributable to an increase of \$1.0 million in personnel-related expenses due to an increase in headcount; an increase of \$0.3 million for dues and subscriptions primarily related to software and other IT services and an increase of \$0.2 million in legal, tax and audit activities in the three months ended June 30, 2019; which amounts were partially offset by a decrease of \$0.5 million in consulting and contract services, and a decrease of \$0.7 million through increased expense allocation of information technology and facilities-related expenses to research and development due to an increase in research and development headcount.

General and administrative expenses increased by \$2.7 million during the six months ended June 30, 2019 compared to the corresponding period in 2018. The increase was attributable to an increase of \$2.8 million in personnel-related expense due to an increase in headcount; an increase of \$0.9 million in consulting and professional services primarily due to an increase in tax and audit activities in the first quarter of 2019 and an increase of \$0.5 million in dues and subscriptions expenses; which amounts were partially offset by a decrease of \$1.5 million through increased expense allocations for information technology and facilities-related expenses to research and development due to an increase in research and development headcount.

Interest Income and Other Expense

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
	(in thousands)			(in thousands)		
Interest income	\$ 2,361	\$ 1,540	\$ 821	\$ 4,856	\$ 2,915	\$ 1,941
Other income (expense), net	(88)	61	(149)	(149)	(79)	(70)
Total interest and other income	\$ 2,273	\$ 1,601	\$ 672	\$ 4,707	\$ 2,836	\$ 1,871

Interest Income

Interest income increased \$0.8 million and \$1.9 million during the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018. The increase was primarily attributable to an increase in interest income earned on our short-term investments due to an overall increase in our cash and cash equivalents position resulting from the common stock offering completed in July 2018.

Other Income (Expense), Net

Other expense increased \$0.2 million and \$0.1 million during the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018. The increase was primarily attributable to an increase in foreign currency losses resulting from the weakening of the U.S. dollar against the Euro and British Pound Sterling.

Provision For (Benefit From) Income Taxes

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
	(in thousands)			(in thousands)		
Provision for (benefit from) income taxes	\$ -	\$ 1,791	\$ (1,791)	\$ (6)	\$ 2,889	\$ (2,895)

Provision for income taxes decreased by \$1.8 million during the three months ended June 30, 2019 compared to the corresponding period in 2018. There was no income tax provision for the three months ended June 30, 2019 as we were in a taxable loss position and we had minimal changes in our unrealized gain on the available for sale debt securities. The income tax expense of \$1.8 million for the corresponding period in 2018 was generated as a result of a temporary difference in the recognition of revenue under tax and U.S. GAAP authoritative guidance, primarily due to revenue recognition for tax purposes in 2018 of the upfront payments received pursuant to the amendment to the BMS Agreement entered into in March 2017 (the "BMS Agreement").

Provision for income taxes decreased by \$2.9 million during the six months ended June 30, 2019 compared to the corresponding period in 2018. The income tax benefit of \$6,000 for the six months ended June 30, 2019 resulted from an unrealized gain on the available for sale securities recorded in other comprehensive income during the six months ended June 30, 2019. The income tax expense of \$2.9 million for the corresponding period in 2018 was generated as a result of a temporary difference in the recognition of revenue under tax and U.S. GAAP authoritative guidance, primarily due to revenue recognition for tax purposes in 2018 of the upfront payments received pursuant to the BMS Amendment entered into in March 2017.

Liquidity and Capital Expenditures

Sources of Liquidity

As of June 30, 2019, we had cash, cash equivalents and short-term investments of \$349.1 million and an accumulated deficit of \$358.1 million, compared to cash, cash equivalents and short-term investments of \$436.1 million and an accumulated deficit of \$315.0 million as of December 31, 2018. To date, we have financed our operations primarily through sales of our common stock in conjunction with the IPO and a subsequent stock offering, sales of our convertible preferred securities prior to our IPO and payments received under our collaboration agreements. In July 2018, we issued 5,867,347 shares of our common stock at a price of \$24.50 per share, which included 765,306 shares issued pursuant to the underwriters' exercise of their option to purchase additional shares of common stock, for net proceeds of \$134.6 million.

Based upon our current operating plan, we expect our existing capital resources will be sufficient to fund operations into 2021. However, if the anticipated operating results and future financing are not achieved in future periods, our planned expenditures may need to be reduced in order to extend the time period over which the then-available resources would be able to fund the operations. The amounts and timing of our actual expenditures depend on numerous factors, including the progress of our preclinical and clinical development efforts, the results of any clinical trials and other studies, our operating costs and expenditures and other factors described under the caption “Risk Factors” in this Quarterly Report on Form 10-Q. The cost and timing of developing our products, including CX-072, CX-2009 and CX-2029 are highly uncertain, are subject to substantial risks and many changes. As such, we may alter our expenditures as a result of contingencies such as the failure of one or all of our product candidates currently in clinical development, the acceleration of one or all of our product candidates in clinical development, the initiating of clinical trials for additional product candidates, the identification of a more promising product candidate in our research efforts or unexpected operating costs and expenditures. We will need to raise additional funds in the future. There can be no assurance, however, that such efforts will be successful or that, in the event that they are successful, the terms and conditions of such financing will be favorable to us.

Cash Flows

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

	Six Months Ended June 30,	
	2019	2018
	<i>(in thousands)</i>	
Net cash used in operating activities	\$ (87,682)	\$ (41,228)
Net cash used in investing activities	(11,666)	(6,736)
Net cash provided by financing activities	1,163	3,324
Net decrease in cash and cash equivalents	<u>\$ (98,185)</u>	<u>\$ (44,640)</u>

Cash Flows from Operating Activities

During the six months ended June 30, 2019, cash used in operating activities was \$87.7 million, which consisted of a net loss of \$43.1 million, adjusted by non-cash charges of \$12.2 million and a net decrease of \$56.8 million relating to the change in our net operating assets and liabilities. The non-cash charges primarily consist of \$10.6 million in stock-based compensation; \$1.6 million of common stock issued in connection with our entry into Amendment No.3 to the UCSB Agreement and \$1.3 million in depreciation and amortization expense; partially offset by \$1.4 million in accretion of discounts on our short-term investments. The change in our net operating assets and liabilities was primarily due to: (a) a decrease of \$28.5 million in deferred revenue resulting from the accelerated recognition of revenue of \$17.4 million related to the termination of certain targets under the BMS Agreement in the first quarter of 2019 and continued recognition of other deferred revenue from existing customers, partially offset by the additional \$10.0 million milestone payment due from AbbVie in June 2019, which payment was triggered by its selection of the second target under the Discovery Agreement; (b) a decrease of \$20.1 million in accrued liabilities and income tax payable due to payment of \$13.7 million for our 2018 estimated income tax liability, \$2.9 million in sublicense fee and \$3.5 million in other liabilities during the six months ended June 30, 2019; and (c) a decrease in cash flows of \$9.9 million from accounts receivable primarily related to the \$10.0 million milestone payment due from AbbVie upon its selection of the second target in June 2019. These decreases were partially offset by an increase of \$1.7 million in cash flows resulting from the decrease in prepaid expenses and other current assets.

During the six months ended June 30, 2018, cash used in operating activities was \$41.2 million, which consisted of a net loss of \$28.9 million, adjusted by non-cash charges of \$8.1 million and a net decrease of \$20.4 million in our net operating assets. The non-cash charges primarily consisted of \$7.8 million in stock-based compensation; \$0.9 million in depreciation and amortization expense, partially offset by \$0.6 million in accretion of discounts on our short-term investments. The change in our net operating assets and liabilities was primarily attributable to: (a) a net decrease in deferred revenue of \$14.3 million resulting from the recognition of \$35.3 million in upfront fees and milestone payments under ASC 606 pursuant to our collaboration agreements, offset by the \$21.0 million (net of the associated sublicense fee of \$4.0 million) of adjustment to deferred revenue resulting from the AbbVie CD71 milestone payment earned; (b) a net decrease in accounts receivable of \$15.0 million resulting from the \$25.0 million of billing to AbbVie for the CD71 milestone payment earned, offset by \$10.0 million from the payment we received from BMS for the IND filing of BMS-986249; and (c) a decrease of \$1.9 million in prepaid expenses and other current assets. These decreases were partially offset by an increase in accrued liabilities, income tax payable and other long-term liabilities of \$11.3 million resulting primarily from an increase in income tax liability.

Cash Flows from Investing Activities

During the six months ended June 30, 2019, cash used in investing activities was \$11.7 million, which consisted of \$101.6 million used in the purchase of short-term investments and \$2.2 million of capital expenditures used to purchase property and equipment. Such uses were partially offset by \$92.1 million in proceeds received upon the maturity of marketable securities.

During the six months ended June 30, 2018, cash used in investing activities was \$6.7 million, which consisted of \$99.6 million used in purchases of short-term investments and \$1.6 million of capital expenditures used to purchase property and equipment. Such decrease was partially offset by \$94.5 million in proceeds received upon the maturity of marketable securities.

Cash Flows from Financing Activities

During the six months ended June 30, 2019 and 2018, cash provided by financing activities primarily consisted of proceeds from the exercise of stock options and employee stock purchases under the employee stock purchase plan.

Contractual Obligations

Following our entry into Amendment No. 3 to the UCSB Agreement in April 2019, we are obligated to pay an additional annual license maintenance fee of \$750,000 from April 2019 through 2031. See Part I- Item 1. Notes to Condensed Financial Statements, Note 7 for further details.

Segment Information

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

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily relate to interest rate risks. We had cash, cash equivalents and short-term investments of \$349.1 million as of June 30, 2019 and cash, cash equivalents and short-term investments of \$436.1 million as of December 31, 2018, which consists of bank deposits, money market funds and U.S. government bonds. Such interest-bearing instruments carry a degree of interest rate risk; however, historical fluctuations of interest income have not been significant.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate exposure. We have not historically been exposed to material risks due to changes in interest rates. Based on our investment positions as of June 30, 2019, a hypothetical 100 basis point change in interest rates would not have material effect in the fair value of the portfolio. Any changes would only be realized if we sold the investments prior to maturity.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2019, the end of the period covered by this Quarterly Report on Form 10-Q. Management’s assessment of internal control over financial reporting was conducted using the criteria defined in the *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based upon such evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of such date.

Changes in Internal Controls Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recent fiscal quarter ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

Risks Related to Our Business

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

We are a clinical-stage biopharmaceutical company with a limited operating history, developing a novel class of therapeutic antibody product candidates, based on our proprietary biologic Probody technology platform. Since our inception, we have devoted our resources to the development of Probody therapeutics. We have had significant operating losses since our inception. As of June 30, 2019 and December 31, 2018, we had an accumulated deficit of \$358.1 million and \$315.0 million, respectively. Substantially all of our losses have resulted from expenses incurred in connection with our research and development programs and from general and administrative costs associated with our operations.

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

Furthermore, we have never generated any revenue from product sales, and have not obtained regulatory approval for any of our product candidates. We also do not expect to generate any revenue from product sales for the foreseeable future, and we expect to continue to incur significant operating losses for the foreseeable future due to the cost of research and development, preclinical studies and clinical trials and the regulatory approval process for our product candidates. We expect our net losses to increase substantially as we continue clinical development of our lead programs and advance additional programs into clinical development. In particular, we expect our losses to increase substantially as we continue to enroll patients in our ongoing Phase 1/2 clinical trials of CX-072, our candidate directed against PD-L1, CX-2009, our PDC candidate directed against CD-166, CX-2029, and our PDC candidate directed against CD71 in collaboration with AbbVie Inc., and as we advance into later trials and new trials for other 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 collaborators, successfully developing product candidates, obtaining regulatory approvals to market and commercialize product candidates, manufacturing any approved products on commercially reasonable terms, establishing a sales and marketing organization or suitable third-party alternatives for any approved product and raising sufficient funds to finance business activities. If we, or our collaborators, are unable to develop our technologies and commercialize one or more of our product candidates or if sales revenue from any product candidate that receives approval is insufficient, we will not achieve profitability, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

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

The development of biopharmaceutical product candidates is capital-intensive. To date we have used substantial funds to develop our technology and product candidates and will require significant funds to conduct our ongoing clinical trials as well as to further our research and development, preclinical testing and future clinical trials of additional product candidates, to seek regulatory approvals for our product

candidates and to manufacture and market any products that are approved for commercial sale. In addition, we have incurred and will continue to incur additional costs associated with operating as a public company.

As of June 30, 2019, we had \$349.1 million in cash, cash equivalents and short-term investments. We believe that our existing capital resources will be sufficient to fund our planned operations into 2021. Our future capital requirements and the period for which we expect our existing resources to support our operations may vary significantly from what we expect. Our monthly spending levels vary based on our ongoing clinical trials, new and ongoing research and development and other corporate activities. For example, we expect our monthly spending to increase substantially as we continue to enroll patients in our ongoing Phase 1/2 clinical trials of CX-072, CX-2009, and CX-2029, and as we advance into later trials and new trials for other programs. Because the length of time and activities associated with conducting our clinical trials and successfully researching and developing our product candidates is highly uncertain, we are unable to estimate the actual funds we will require for development and, once any product candidate is approved, any subsequent marketing and commercialization activities.

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

- the scope, timing and progress of our ongoing clinical trials as well as any other preclinical and clinical development activities;
- the number, size and type of clinical trials and preclinical studies that we may be required to complete for our product candidates, as well as the cost and time of such studies and trials;
- the number, scope and prioritization of preclinical and clinical programs we decide to pursue;
- the time and cost necessary to produce clinical supplies of our product candidates;
- the time and cost necessary to scale our manufacturing capabilities following regulatory approval and commercial launch of any product candidates.
- the progress of the development efforts of parties with whom we have entered or may in the future enter into collaborations and research and development agreements;
- the timing and amount of payments we may receive or are obligated to pay under our collaboration agreements and license agreements;
- our ability to maintain our current licenses and research and development programs and to establish new collaboration arrangements;
- the costs involved in prosecuting and enforcing patent and other intellectual property claims;
- the cost and timing of regulatory approvals; and
- our efforts to enhance operational systems and hire additional personnel, including personnel to support development and commercialization of our product candidates and satisfy our obligations as a public company.

If we are unable to obtain funding on a timely basis or on acceptable terms, we may have to delay, reduce or terminate our research and development programs and preclinical studies or clinical trials, limit strategic opportunities or undergo reductions in our workforce or other corporate restructuring activities. We also could be required to seek funds through arrangements with collaborators or others that may require us to relinquish rights to some of our technologies or product candidates that we would otherwise pursue on our own. We do not expect to realize revenue from sales of products or royalties from licensed products in the foreseeable future, if at all, and unless and until our product candidates are clinically tested, approved for commercialization and successfully marketed. To date, we have financed our operations primarily through sales of our common stock, sale of our convertible preferred securities prior to our IPO and payments received under our collaboration agreements, including, most recently, the Collaboration and License Agreement that we entered into with Amgen in September 2017. 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.

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

As is the case with all oncology drugs, our product candidates in clinical development or preclinical development have a high risk of failure. We commenced enrollment of our Phase 1/2 clinical trial of CX-072, our candidate directed against PD-L1, for cancer and treated our first patient in January 2017. We also initiated our Phase 1/2 clinical trial of CX-2009, our PDC candidate directed against CD-166, for cancer in June 2017, and initiated our Phase 1/2 clinical trial of CX-2029, our PDC candidate directed against CD71 in collaboration with AbbVie, for cancer in June 2018. In addition, Bristol-Myers Squibb Company (“BMS”) commenced enrollment of a Phase 1/2 clinical trial for BMS-986249, a Probody therapeutic directed against CTLA-4, in 2018. It is impossible to predict when or if any of our or our partner’s product candidates will prove effective and safe in humans or will receive regulatory approval. Before obtaining marketing approval from regulatory authorities for the sale of any product candidate, we or our partners must complete extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Commencement of clinical trials for programs beyond CX-072, CX-2009, CX-2029 and BMS-986249 is subject to finalizing the trial design and filing an IND or similar filing with the FDA or similar foreign regulatory authority. In addition, even if we file our IND or comparable submissions in other jurisdictions for these or other product candidates, the FDA or other regulatory authorities could disagree that we have satisfied their requirements to commence our clinical trials or disagree with our study design, which may require us to complete additional preclinical studies or amend our protocols or impose stricter conditions on the commencement of clinical trials and may delay our ability to begin Phase 1 clinical trials, causing an increase in the amount of time and expense required to develop our product candidates. As a result of the foregoing, the research and development, preclinical studies and clinical testing of any product candidate is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the development process.

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

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

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

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

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

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

- negative or inconclusive results from our clinical trials, the clinical trials of our collaborators or the clinical trials of others for product candidates similar to ours, leading to a decision or requirement to conduct additional preclinical testing or clinical trials or abandon a program;
- product-related side effects experienced by participants in our clinical trials, the clinical trials of our collaborators or by individuals using drugs or therapeutic biologics similar to our product candidates;
- delays in submitting INDs or comparable foreign applications or delays or failure in obtaining the necessary approvals from regulators to commence a clinical trial, or a suspension or termination of a clinical trial once commenced;
- conditions imposed by the FDA or comparable foreign authorities regarding the scope or design of our clinical trials;
- delays in enrolling research subjects in clinical trials;
- high drop-out rates of research subjects;
- inadequate supply or quality of product candidate components or materials or other supplies necessary for the conduct of our clinical trials or the clinical trials of our collaborators;
- greater than anticipated clinical trial costs;
- delay in the development or approval of companion diagnostic tests for our product candidates;
- unfavorable FDA or other regulatory agency inspection and review of a clinical trial site;
- failure of our third-party contractors or investigators to comply with regulatory requirements or otherwise meet their contractual obligations in a timely manner, or at all;
- delays and changes in regulatory requirements, policy and guidelines, including the imposition of additional regulatory oversight around clinical testing generally or with respect to our technology in particular; or
- varying interpretations of data by the FDA and similar foreign regulatory agencies.

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

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

Our product candidates may cause undesirable side effects that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any.

Undesirable side effects caused by our product candidates could cause us, our collaborators or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other regulatory authorities. As is the case with all oncology drugs, there may be immediate or late side effects associated with the use of our product candidates (e.g. CX-072, CX-2009 and CX-2029). For example, in June 2018 we announced initial clinical data on CX-072 at the Annual Meeting of the American Society of Clinical Oncology (“ASCO”) and in February 2019 we announced updated clinical data regarding CX-072 (which data was updated in June 2019 at ASCO) and our first clinical data on CX-2009. While CX-072 has generally been well tolerated to date, there can be no guaranty that unexpected adverse events will not occur later in this trial or in other trials involving our product candidates or the product candidates of our collaborators. The data described at ASCO show that the administration of monotherapy CX-072 was generally well tolerated with the majority of treatment-related adverse events (“TRAEs”) as Grade 1/2. However, Grade 3/4 TRAEs were reported in two patients (neutropenia and thrombocytopenia in a patient with thymic cancer (3 mg/kg) and transaminase elevation in a patient with breast cancer (30 mg/kg)) but both events were successfully managed with therapeutic intervention including steroids and discontinuation of CX-072. In addition, the results showed that the administration of CX-072 in combination with ipilimumab was generally well tolerated with the majority of TRAEs as Grade 1/2. Of the 16 treated patients, five (31%) reported a Grade 3/4 TRAE, a rate similar to that reported previously for 3 mg/kg ipilimumab monotherapy. These events included: Grade 3 colitis (n=1), Grade 3 dyspnea/pneumonitis (n=1), Grade 3 headache/Grade 3 hyponatremia (n=1), and Grade 3 amylase/Grade 4 lipase (n=1). A Grade 3 TRAE in one patient was designated as non-treatment related post data cutoff. A dose limiting toxicity of Grade 3 dyspnea was reported in one patient. On October 22, 2018, we presented follow-up data at the 2018 Annual Meeting of the European Society of Medical Oncology in Munich, Germany. In this presentation, we also disclosed initial data on immune related adverse events (irAE) and infusion related reactions (IRR). Of the 46 patients treated, 3 (7%) developed Grade 3/4 irAEs and 2 (4%) developed Grade 3/4 IRRs. Of the 20 patients treated in the combination with ipilimumab, 2 (10%) developed Grade 3/4 irAEs and 0 (0%) developed Grade 3/4 IRRs.

In February 2019, we announced updated data on the ongoing monotherapy clinical trial for CX-072 focused on our dose expansion cohort of 10 mg/kg. While the safety data we reported at 10 mg/kg is trending toward a similar or better profile than data presented previously, that rate may change with time as more patients are enrolled in the ongoing studies. We also reported at the 10 mg/kg dose an anti-drug antibody (“ADA”) rate of approximately 62%. The rate across all dose levels, including lower dose levels in our trial, is approximately 77% at the data cutoff. We do not believe this ADA is impacting our ability to reach targeted drug exposures. However, we cannot provide assurance that it will not later limit drug exposure or cause severe adverse events.

In February 2019, we announced data on the ongoing clinical trial for CX-2009. While CX-2009 has been generally well tolerated to date, 23 / 76 (30.3%) patients experienced a Grade 3/4 TRAE. The most common adverse event observed was ocular toxicity, an anticipated toxicity associated with the DM4 payload. Other Grade 3/4 TRAEs included liver function test abnormalities, gastrointestinal disorders and nervous system disorders.

The results of our future clinical trials or the clinical trials of our collaborators could reveal a high and unacceptable severity of adverse side effects and it is possible that patients enrolled in such clinical trials could respond in unexpected ways. For instance, our Phase 1/2 clinical trial of CX-072 is being conducted in patients with advanced cancers, including metastatic or locally advanced unresectable solid tumors or lymphomas, who have failed other approved therapies for their disease, and as such, it may be difficult to establish safety and efficacy in this type of patient population. In addition, certain arms of our clinical trial of CX-072 enroll patients with tumor types that are not known to be responsive to PD-L1 agents and therefore may be less likely to show effectiveness. Because certain PD-1 and PD-L1 agents are already approved for the treatment of some tumor types, we cannot test CX-072 on those tumor types and will not be able to obtain clinical information about how CX-072 acts in these tumors. Comparing safety and efficacy of CX-072 against other PD-L1 or PD-1 antibodies (either in development or in the market) may be difficult since our Phase 1/2 study is enrolling a different patient population than other studies. Furthermore, a portion of our Phase 1/2 clinical trial of CX-072 includes the administration of CX-072 in combination with Yervoy (ipilimumab) or Zelboraf (vemurafenib), which could exacerbate immune system related adverse events, cause increased toxicity or otherwise lead to unexpected adverse events. The Phase 1/2 clinical trial of BMS-986249 being conducted by BMS includes the administration of the product candidate at relatively high dosage levels, which could further exacerbate such risks. In our Phase 1/2 clinical trials of CX-2009 and

CX-2029, we are targeting CD-166 and CD71, respectively, targets that are broadly expressed on normal tissue, which could create unacceptable toxicity or fail to result in anti-tumor activity. For instance, CD71, which is a metabolic protein with high levels of expression in healthy tissues, and the consequences of targeting such protein in humans are unknown. Any future clinical trials of our product candidates could face similar or heightened risks depending on the modality.

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

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

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

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

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

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

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

- the size and nature of the target patient population;
- the eligibility criteria for the clinical trial;
- the design of the clinical trial;
- the availability of an appropriate genomic screening test;

- the perceived risks and benefits of the product candidate under study;
- the efforts to facilitate timely enrollment in clinical trials;
- the patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment; and
- the proximity and availability of clinical trial sites for prospective patients.

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

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

We plan to continue to develop a pipeline of product candidates using our proprietary Probody platform. We believe that product candidates (including cancer immunotherapies, PDCs and bispecific antibodies) identified with our product discovery platform may offer an improved therapeutic approach by taking advantage of unique conditions in the tumor microenvironment, thereby reducing the dose-limiting toxic effects associated with traditional antibody products, which can also attack healthy tissue. However, the scientific research that forms the basis of our efforts to develop product candidates based on our Probody platform is ongoing, including the research resulting from our ongoing Phase 1/2 clinical trials for CX-072, CX-2009 and CX-2029.

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

biologic or product developed on a novel platform, we have a limited understanding of the immunogenicity profile of Probody therapeutics. As a result, our Probody product candidates may trigger immune responses, such as ADA, that may inhibit the ability of the antibody to reach the target tissue, inhibit the ability of the antibody to bind to its target, cause adverse side effects in humans or cause hypersensitivity reactions. For example, we reported in February 2019 that in our ongoing CX-072 trial at the 10 mg/kg dose, the anti-drug antibody (“ADA”) rate was approximately 62%. Across all dose levels, including lower dose levels in our trial, the rate is approximately 77% at the data cutoff. We do not believe ADA is impacting our ability to reach targeted drug exposures. However, we cannot provide assurance that it will not later limit drug exposure or cause severe adverse events. Problems that are specific to our Probody platform may have an unfavorable impact on all of our product candidates. As a result, we may never succeed in developing a marketable product and we may never become profitable, which would cause the value of our common stock to decline.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Substantially all of our revenue to date has been derived from our existing collaboration agreements, including, most recently, the Amgen Agreement that we entered into with Amgen in September 2017, and a significant portion of our future revenue and cash resources is expected to be derived from these agreements or other similar agreements we may enter into in the future. Revenue from research and development collaborations depend upon continuation of the collaborations, reimbursement of development costs, the achievement of milestones and royalties, if any, derived from future products developed from our research. If we are unable to successfully advance the development of our product candidates or achieve milestones, revenue and cash resources from milestone payments under our collaboration agreements will be substantially less than expected.

In addition, to the extent that any of our collaborators were to terminate a collaboration agreement, we may decide to independently develop these product candidates to the extent we retain development rights. Such development could include funding preclinical or clinical trials, assuming marketing and distribution costs and defending intellectual property rights. Alternatively, in certain instances, we may choose to abandon product candidates altogether. For instance, in March 2018, Pfizer terminated the collaboration agreement we had entered into with them in May 2013, and in January 2019, BMS terminated its programs for three targets it had selected under our agreement with them. Any of the foregoing could result in a change to our business plan and have a material adverse effect on our business, financial condition, results of operations and prospects. If a collaboration is terminated, we would not be eligible to receive the milestone, royalty or other payments that would have been payable under the collaboration agreement.

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

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

- our available capital resources or capital constraints we experience;
- the rate of progress, costs and results of our clinical trials and research and development activities, including the extent of scheduling conflicts with participating clinicians and collaborators;
- our ability to identify and enroll patients who meet clinical trial eligibility criteria;
- our receipt of approvals by the FDA and other regulatory authorities and the timing thereof;
- other actions, decisions or rules issued by regulators;

- our ability to access sufficient, reliable and affordable supplies of materials used in the manufacture of our product candidates;
- our ability to manufacture and supply clinical trial materials to our clinical sites on a timely basis;
- the efforts of our collaborators with respect to the commercialization of our products; and
- the securing of, costs related to, and timing issues associated with, product manufacturing as well as sales and marketing activities.

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

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

Since commencing operations, we have entered into several collaboration agreements, including the Amgen Agreement that we entered into with Amgen in September 2017. From time to time, we may consider strategic transactions, such as additional collaborations, acquisitions of companies, asset purchases and out- or in-licensing of product candidates or technologies. In particular, we will evaluate and, if strategically attractive, seek to enter into additional collaborations, including with major biotechnology or biopharmaceutical companies. The competition for collaborators is intense, and the negotiation process is time-consuming and complex. Any new collaboration may be on terms that are not optimal for us, and we may not be able to maintain any new collaboration if, for example, development or approval of a product candidate is delayed, sales of an approved product candidate do not meet expectations or the collaborator terminates the collaboration. Any such collaboration, or other strategic transaction, may require us to incur non-recurring or other charges, increase our near- and long-term expenditures and pose significant integration or implementation challenges or disrupt our management or business. These transactions would entail numerous operational and financial risks, including exposure to unknown liabilities, disruption of our business and diversion of our management's time and attention in order to manage a collaboration or develop acquired products, product candidates or technologies, incurrence of substantial debt or dilutive issuances of equity securities to pay transaction consideration or costs, higher than expected collaboration, acquisition or integration costs, write-downs of assets or goodwill or impairment charges, increased amortization expenses, difficulty and cost in facilitating the collaboration or combining the operations and personnel of any acquired business, impairment of relationships with key suppliers, manufacturers or customers of any acquired business due to changes in management and ownership and the inability to retain key employees of any acquired business. Accordingly, although there can be no assurance that we will undertake or successfully complete any transactions of the nature described above, any transactions that we do complete may be subject to the foregoing or other risks and have a material and adverse effect on our business, financial condition, results of operations and prospects. The termination by a collaborator of a collaboration may cause a decrease in the price of our stock. Conversely, any failure to enter any additional collaboration or other strategic transaction that would be beneficial to us could delay the development and potential commercialization of our product candidates and have a negative impact on the competitiveness of any product candidate that reaches market.

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

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

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

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

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

We rely on third-party contract manufacturers to manufacture our clinical trial and preclinical study product supplies. Most of our clinical trial manufacturing contractors and suppliers are our sole source for their respective manufacturing and supplies. Failure of any of these contractors could put our ability to have clinical trial material available when needed. This could result in a substantial delay of our clinical trials. For example, for each of CX-072 CX-2009 and CX-2029, our manufacturing supply chain includes several contract manufacturers, and failure by any of these manufacturers could result in interruptions of our clinical studies. We do not own manufacturing facilities for producing such supplies and do not have any long term contracts and we do not currently have an alternative to any of our third-party contract manufacturers. There can be no assurance that our preclinical and clinical development product supplies will not be limited, interrupted, or of satisfactory quality or continue to be available at acceptable prices. In particular, any replacement of any of our third-party contract manufacturers could require significant effort and expertise because there may be a limited number of qualified replacements. In addition, we may encounter issues with transferring technology to a new third-party manufacturer, and we may encounter regulatory delays if we need to move the manufacturing of our products from one third-party manufacturer to another. For example, we were dependent on ImmunoGen under our collaboration for certain steps in the manufacturing of clinical quantities of CX-2009. At the end of 2018, ImmunoGen closed their clinical manufacturing facility in Norwood, MA. This site provided clinical manufacturing support for the CX-2009 program. We have initiated the transfer of the drug substance manufacturing process from ImmunoGen to CMO, where we have an existing relationship and which has expertise in the manufacture of antibody drug conjugates at a clinical and commercial scale. To date, the manufacturing transfer process is still ongoing and has not yet been completed. However, there can be no assurances that we will not experience a disruption to the supply of CX-2009 in connection with such transfer or that the transfer will be successful.

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, such as one of our manufacturers going out of business, we may be forced to manufacture the materials ourselves, for which we currently do not have the capabilities or resources, or enter into an agreement with another third party, which we may not be able to do on reasonable terms, if at all. In some cases, the technical skills or technology required to manufacture our product candidates may be unique or proprietary to the original manufacturer and we may have difficulty transferring such skills or technology to another third party and a feasible alternative may not exist. These factors would increase our reliance on such manufacturer or require us to obtain a license from such manufacturer in order to have another third party manufacture our product candidates. If we are required to change manufacturers for any reason, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. The delays

associated with the verification of a new manufacturer could negatively affect our ability to develop product candidates in a timely manner or within budget.

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

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

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

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

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

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

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

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

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

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

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

- the diversion of our management’s attention to integration of operations and corporate and administrative infrastructures; and
- any unanticipated liabilities for activities of or related to the acquired business or its operations, products or product candidates.

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

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

Because we have limited financial and managerial resources, we focus on specific product candidates, including CX-072, CX-2009 and CX-2029. 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 product candidates. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate.

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

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

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

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

We believe that while our Probody platform, its associated intellectual property and our scientific and technical know-how, give us a competitive advantage in this space, competition from many sources remains. The clinical development pipeline for cancer includes small molecules, antibodies and therapies from a variety of groups. In addition, numerous compounds are in clinical development for cancer treatment. As a result, our success will partially depend on our ability to develop and protect therapeutics that are safer and more effective than competing products. Our commercial opportunity and success will be reduced or eliminated if competing products that are safer, more effective, or less expensive than the therapeutics we develop or if we are unable to utilize our Probody therapeutic technology to differentiate our Probody therapeutics from the products of our competitors. For instance, if any of our lead product candidates, including CX-072, CX-2009 and CX-2029 are approved, they will compete with a range of therapeutic treatments that are either in development or currently marketed. A variety of oncology drugs and therapeutic biologics are currently on the market or in clinical development. The market for

immunotherapies like CX-072 is, in particular, highly competitive and the field is changing quickly. Given the amount of time required to successfully develop and obtain regulatory approval for each of our product candidates, it is therefore possible that by the time we obtain any such approval, if ever, and commence sales, we may no longer be able to differentiate such product candidate from those of our competitors.

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

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

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

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

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

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

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

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

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

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

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

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

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

We are exposed to the risk of fraud or other misconduct by our employees or independent contractors. Misconduct by these parties could include intentional failures to comply with FDA regulations, provide accurate information to the FDA, comply with manufacturing standards we may establish, comply with federal and state data privacy, security, fraud and abuse, and other healthcare laws and regulations, report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Activities subject to these laws could also involve the improper use or misrepresentation of information obtained in the course of clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation. It is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we

take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. Additionally, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a material and adverse effect on our business, financial condition, results of operations and prospects, including the imposition of significant fines or other sanctions.

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

Our information technology and other internal infrastructure systems and those of our CROs and contractors and consultants, including corporate firewalls, servers, leased lines and connection to the Internet, face the risk of systemic failure and may be vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Such events could cause interruptions of our operations. For instance, the loss of data from any current or future clinical trial or data from any preclinical studies involving our product candidates could result in delays in our development and regulatory filing efforts and significantly increase our costs. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data, or inappropriate disclosure of confidential or proprietary information, we could incur liability, recovery of our data could take a prolonged period of time, and the development of our research or product candidates could be delayed.

Cybersecurity breaches could expose us to liability, damage our reputation, compromise our confidential information or otherwise adversely affect our business.

We maintain sensitive company data on our computer networks, including our intellectual property and proprietary business information. We face a number of threats to our networks from unauthorized access, security breaches and other system disruptions. Despite our security measures, our infrastructure may be vulnerable to attacks by hackers or other disruptive problems. Any such security breach may compromise information stored on our networks and may result in significant data losses or theft of our intellectual property or proprietary business information. A cybersecurity breach could adversely affect our reputation and could result in other negative consequences, including disruption of our internal operations, increased cyber security protection costs, lost revenues or litigation.

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

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

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

Our current operations are located in our facilities in South San Francisco, California. Any unplanned event, such as flood, fire, explosion, earthquake, extreme weather condition, medical epidemics, power shortage, telecommunication failure or other natural or manmade accidents or incidents that result in us being unable to fully utilize our facilities, or the manufacturing facilities of our third-party contract manufacturers, may have a material and adverse effect on our ability to operate our business, particularly on a daily basis, and have significant negative consequences on our financial and operating conditions. Loss of access to these facilities may result in increased costs, delays in the development of our product candidates or interruption of our business operations. Earthquakes or other natural disasters could further disrupt our operations and have a material and adverse effect on our business, financial condition, results of operations and prospects. If a natural disaster, power outage or other event occurred that prevented us from using all or a significant portion of our headquarters, that

damaged critical infrastructure, such as our research facilities or the manufacturing facilities of our third-party contract manufacturers, or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time. The disaster recovery and business continuity plans we have in place may prove inadequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans, which, could have a material and adverse effect on our business. As part of our risk management policy, we maintain insurance coverage at levels that we believe are appropriate for our business. However, in the event of an accident or incident at these facilities, we cannot assure you that the amounts of insurance will be sufficient to satisfy any damages and losses. If our facilities, or the manufacturing facilities of our third-party contract manufacturers, are unable to operate because of an accident or incident or for any other reason, even for a short period of time, any or all of our research and development programs may be harmed. Any business interruption may have a material and adverse effect on our business, financial condition, results of operations and prospects.

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

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

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

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

Recent U.S. tax legislation and future changes to applicable U.S. or foreign tax laws and regulations may have a material adverse effect on our business, financial condition and results of operations.

We are subject to income and other taxes in the U.S. and foreign jurisdictions. Changes in laws and policy relating to taxes or trade may have an adverse effect on our business, financial condition and results of operations. For example, the U.S. government recently enacted significant tax reform, and certain provisions of the new law may adversely affect us. Changes include, but are not limited to, a federal corporate tax rate decrease from 34% to 21% for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a more generally territorial system, and a one-time transition tax on the mandatory deemed repatriation of foreign earnings. The legislation is unclear in many respects and could be subject to potential amendments and technical corrections and will be subject to interpretations and implementing regulations by the Treasury and Internal Revenue Service, any of which could mitigate or increase certain adverse effects of the legislation. In addition, it is unclear how these U.S. federal income tax changes will affect state and local taxation. Generally, future changes in applicable U.S. or foreign tax laws and regulations, or their interpretation and application could have an adverse effect on our business, financial conditions and results of operations.

Risks Related to Intellectual Property

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

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

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

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

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

- Others will not or may not be able to make, use or sell compounds that are the same as or similar to our product candidates but that are not covered by the claims of the patents that we own or license.
- We or our licensors, or our collaborators are the first to make the inventions covered by each of our issued patents and pending patent applications that we own or license.

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

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

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

As the field of antibody and immunoregulatory therapeutics matures, patent applications are being processed by national patent offices around the world. There is uncertainty about which patents will issue, and, if they do, as to when, to whom, and with what claims. In addition, third parties may attempt to invalidate our intellectual property rights. Even if our rights are not directly challenged, disputes could lead to the weakening of our intellectual property rights. Our defense against any attempt by third parties to circumvent or invalidate our intellectual property rights could be costly to us, could require significant time and attention of our management and could have a material and adverse effect on our business, financial condition, results of operations and prospects or our ability to successfully compete.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Government Regulation

We may be unable to obtain or be delayed in obtaining U.S. or foreign regulatory approval and, as a result, unable or delayed in being able 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 and therapeutic biologics. Rigorous preclinical testing and clinical trials and an extensive regulatory approval process are required to be successfully completed in the U.S. and in many foreign jurisdictions before a new drug or therapeutic biologic can be marketed. Satisfaction of these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. It is possible that none of the product candidates we may develop will obtain the regulatory approvals necessary for us or our existing or future collaborators to begin selling them.

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

Because the product candidates we are developing may represent a new class of therapeutic biologics, the FDA and its foreign counterparts have not yet established any definitive policies, practices or guidelines in relation to these product candidates. While we believe the product candidates that we are currently developing are regulated as therapeutic biologics that are subject to requirements for review and approval of a BLA by the FDA's Center for Drug Evaluation and Research ("CDER"), the FDA could decide to regulate them as drugs that are subject to requirements for review and approval of an NDA by CDER or as biological products that are subject to requirements for review and approval of a BLA by the FDA's Center for Biologics Evaluation and Research ("CBER"). 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 therapeutic biologics, and the FDA's standards, especially regarding product safety, appear to have become more stringent.

Any delay or failure in obtaining required approvals could have a material and adverse effect on our ability to generate revenues from the particular product candidate for which we are seeking approval. Furthermore, any regulatory approval to market a product may be subject to limitations on the approved uses for which we may market the product or the labeling or other restrictions. In addition, the FDA has the authority to require a risk evaluation and mitigation strategies (“REMS”) plan as part of 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.

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

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

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

The FDA’s policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. For example, in December 2016, the 21st Century Cures Act, or “Cures Act”, was signed into law. The Cures Act, among other things, is intended to modernize the regulation of drugs and biologics and to spur innovation, but its ultimate implementation is unclear. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability, which would adversely affect our business.

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

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

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

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. The current Presidential Administration and U.S. Congress will likely continue to seek to modify, repeal, or otherwise invalidate all, or certain provisions of, the ACA. Since taking office, President Trump has continued to support the repeal of all or portions of the ACA. On October 12, 2017, President Trump issued an executive order that expands the use of association health plans and allows anyone to purchase short-term health plans that provide temporary, limited insurance. This executive order also calls for the halt of federal payments to health insurers for cost-sharing reductions previously available to lower-income Americans to afford coverage. There is still uncertainty with respect to the impact this executive order could have on coverage and reimbursement for healthcare items and services covered by plans that were authorized by the ACA. In addition, the Tax Cuts and Jobs Act was enacted, which, among other things, removes penalties for not complying with the Affordable Care Act’s individual mandate to carry health insurance. On January 22, 2018, President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain mandated fees under the Affordable Care Act, including the so-called “Cadillac” tax on certain high cost employer-sponsored insurance plans, the annual fee imposed on certain health insurance providers based on market share, and the medical device excise tax on non-exempt medical devices. Congress may consider other legislation to repeal or replace other elements of the Affordable Care Act. It is uncertain the extent to which any such changes may impact our business or financial condition.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted to reduce healthcare expenditures. The Budget Control Act of 2011, among other things, included aggregate reductions of Medicare payments to providers of 2% per fiscal year. These reductions went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2027 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, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. If federal spending is further reduced, anticipated budgetary shortfalls may also impact the ability of relevant agencies, such as the FDA or the National Institutes of Health to continue to function at current levels. Amounts allocated to federal grants and contracts may be reduced or eliminated. These reductions may also impact the ability of relevant agencies to timely review and approve research and development, manufacturing, and marketing activities, which may delay our ability to develop, market and sell any products we may develop.

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

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

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

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

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind to induce or reward either the referral of an individual for, or the purchase, or order or recommendation of, any good or service, for which payment may be made under federal and state healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- the U.S. federal False Claims Act, which imposes criminal and civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent, knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim, or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government. In addition, the government may assert that a claim including items and services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;
- the U.S. federal Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), which imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services; similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (“HITECH”), which imposes obligations on certain covered entity healthcare providers, health plans, and healthcare clearinghouse as well as their business associates that perform certain services involving the use or disclosure of individually identifiable health information, including mandatory contractual terms, with respect to safeguarding the privacy, security, and transmission of individually identifiable health information, and require notification to affected individuals and regulatory authorities of certain breaches of security of individually identifiable health information;
- The new EU General Data Protection Regulation (“GDPR”) which came into effect on May 25, 2018 and imposes obligations and restrictions on how we collect and use personal data relating to individuals located in the EU (including health data), and introduces fines of up to 4% total worldwide annual turnover or up to €20 million (whichever is higher) for non-compliance with its requirements. The GDPR also provides that EU member states may make their own further laws and regulations limiting the processing of special categories of personal data such as genetic, biometric or health data;

- the U.S. federal legislation commonly referred to as Physician Payments Sunshine Act, enacted as part of the ACA, and its implementing regulations, which requires certain manufacturers of drugs, devices, biologics and medical supplies that are reimbursable under Medicare, Medicaid, or the Children’s Health Insurance Program to report annually to the CMS information related to certain payments and other transfers of value to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by the physicians described above and their immediate family members; and
- analogous state laws and regulations, such as state anti-kickback and false claims laws that may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug and therapeutic biologics manufacturers to report information related to payments to physicians and other healthcare providers or marketing expenditures and pricing information; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

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

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

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

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

Even if we receive marketing and commercialization approval of a product candidate, we will be subject to continuing regulatory requirements, including in relation to adverse patient experiences with the product and clinical results that are reported after a product is made commercially available, both in the U.S. and any foreign jurisdiction in which we seek regulatory approval. The FDA has significant post-market authority, including the authority to require labeling changes based on new safety information and to require post-market studies or clinical trials to evaluate safety risks related to the use of a product or to require withdrawal of the product from the market. The FDA also

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

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

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

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

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

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

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

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

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

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

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

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

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

Our ability to commercialize any products successfully also will depend in part on the extent to which coverage and reimbursement for these products and related treatments will be available from government authorities, private health insurers and other organizations. Even if we succeed in bringing one or more products to the market, these products may not be considered cost-effective, and the amount reimbursed for any products may be insufficient to allow us to sell our products on a competitive basis. Because our programs are in the early stages of development, we are unable at this time to determine their cost effectiveness or the likely level or method of reimbursement. Increasingly, the third-party payors who reimburse patients or healthcare providers, such as government and private insurance plans, are requiring that drug companies provide them with predetermined discounts from list prices, and are seeking to reduce the prices charged or the amounts reimbursed for biopharmaceutical products. If the price we are able to charge for any products we develop, or the reimbursement provided for such products, is inadequate in light of our development and other costs, our return on investment could be adversely affected. There may be significant delays in obtaining reimbursement for newly-approved drugs or therapeutic biologics, and coverage may be more limited than the purposes for which the drug or therapeutic biologic is approved by the FDA or similar regulatory authorities outside of the United States. Moreover, eligibility for reimbursement does not imply that any drug or therapeutic biologic will be reimbursed in all cases or at a rate that

covers our costs, including research, development, manufacture, sale and distribution. Interim reimbursement levels for new drugs or therapeutic biologics, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may be based on payments allowed for lower-cost drugs or therapeutic biologics that are already reimbursed, may be incorporated into existing payments for other services and may reflect budgetary constraints or imperfections in Medicare data. Net prices for drugs or therapeutic biologics may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs or therapeutic biologics from countries where they may be sold at lower prices than in the U.S. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement rates. Our inability to promptly obtain coverage and adequate reimbursement rates from both government-funded and private payors for new drugs or therapeutic biologics that we develop and for which we obtain regulatory approval could have a material and adverse effect on our operating results, our ability to raise capital needed to commercialize products and our financial condition.

A Breakthrough Therapy Designation by the FDA for any of 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 for any of our product candidates 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 and therapeutic biologics for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the FDA may designate a drug or therapeutic biologic as an orphan drug if it is a drug or therapeutic biologic intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals 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 or therapeutic biologic will be recovered from sales in the United States. In the United States, Orphan Drug Designation entitles a party to financial incentives such as opportunities for grant funding toward clinical trial costs, tax advantages and user-fee waivers. In addition, if a product that has Orphan Drug Designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications, including a full NDA or BLA, to market the same product for the same indication for seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity or where the manufacturer is unable to assure sufficient product quantity.

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

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

Risks Related to Ownership of Our Common Stock

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

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

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

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

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

Our stock price is volatile. Since our initial public offering (“IPO”), our stock had high and low sales prices in the range of \$9.01 and \$35.00 per share. The market price for our common stock may be influenced by many factors, including the other risks described in this section titled “Risk Factors” and the following:

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

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.

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.

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

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

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

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

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

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

As of June 30, 2019, our executive officers, directors, holders of 5% or more of our capital stock based on publicly available filings made with the SEC and their respective affiliates beneficially owned approximately 30% of our outstanding common stock. Therefore, these stockholders have the ability to influence us through this ownership position. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that our stockholders may feel are in their best interest.

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

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

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

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

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

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

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

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and provide a management report on the internal control over financial reporting. If we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We evaluate our internal controls systems to allow management to report on the effectiveness of the operation of our internal controls. Based on our market capitalization at June 30, 2018, we ceased to be an emerging growth company at December 31, 2018 and, accordingly, were required to deliver an opinion from our independent registered public accounting firm on the effectiveness of our internal controls over financial reporting in our 2018 Annual Report and will be required to do so for future annual reports.

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

fail to meet our reporting obligations or cause investors to lose confidence in our reported financial information, which could have a negative effect on our stock price.

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

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

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

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

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

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

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

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

Recent Sales of Unregistered Equity Securities

As previously disclosed in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, filed with the Securities and Exchange Commission on May 9, 2019, on April 2, 2019, we entered into Amendment No.3 to the UCSB Agreement with UCSB to adjust and clarify certain sublicense terms (the "Amendment No.3"). In connection with the entry into Amendment No.3, we issued to UCSB 150,000 shares of CytomX common stock, pursuant to a Securities Issuance Agreement, dated April 2, 2019, by and between CytomX and UCSB. See Part I- Item 1. Notes to Condensed Financial Statements, Note 7. The issuance of shares described in the preceding sentence was deemed to be exempt from registration under Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering.

Use of Proceeds

None

Repurchases of Shares or of Company Equity Securities

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

None

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1	Amended and Restated Certificate of Incorporation.	8-K	10/19/2015	3.1	
3.2	Amended and Restated Bylaws.	8-K	10/19/2015	3.2	
4.1	Reference is made to Exhibits 3.1 through 3.2.				
4.2	Specimen Common Stock Certificate	S-1/A	9/28/2015	4.1	
4.3	Amended and Restated Investors' Rights Agreement dated as of June 12, 2015, by and among CytomX Therapeutics, Inc. and the investors named therein.	S-1	8/28/2015	4.2	
10.1†	Amended and Restated Discovery Collaboration and License Agreement, dated as of June 28, 2019, by and between CytomX Therapeutics, Inc., and AbbVie Ireland Unlimited Company.				X
10.2†	Amendment No.3 to Exclusive License Agreement effective as of April 2, 2019, by and between CytomX Therapeutics, Inc. and The Regents of the University of California.	10-Q	5/9/2019	10.6	
10.3#	Consulting Agreement effective as of May 15, 2019, by and between CytomX Therapeutics, Inc. and Debanjan Ray.	10-Q	5/9/2019	10.7	
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).				X
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).				X
32.1*	Certification of Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350).				X
32.2*	Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350).				X
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				X

Indicates a management contract or compensatory plan.

† Certain confidential portions of this exhibit (indicated by asterisks) have been omitted from this exhibit.

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CytomX Therapeutics, Inc.

Date: August 7, 2019

By: _____
/s/ Sean A. McCarthy
Sean A. McCarthy, D. Phil.
President, Chief Executive Officer and Director
(Principal Executive Officer and Principal Financial Officer)

Date: August 7, 2019

By: _____
/s/ Robin Knifsend
Robin Knifsend
Vice President of Finance
(Principal Accounting Officer)

[***] Certain information in this document has been excluded pursuant to Regulation S-K, Item 601(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

Confidential

EXECUTION COPY

AMENDED AND RESTATED DISCOVERY COLLABORATION AND LICENSE AGREEMENT

between

CYTOMX THERAPEUTICS, INC.

and

ABBVIE IRELAND UNLIMITED COMPANY

Dated as of June 28, 2019

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DISCOVERY COLLABORATION AND LICENSE AGREEMENT

This Amended and Restated Discovery Collaboration and License Agreement (the “**Agreement**”) is made and entered into as of June 28, 2019 with an effective date of April 21, 2016 (the “**Effective Date**”) by and between CytomX Therapeutics, Inc., a corporation organized under the laws of Delaware (“**Licensor**”), and AbbVie Ireland Unlimited Company, an unlimited company organized under the laws of Ireland (“**AbbVie**”). Licensor and AbbVie are sometimes referred to herein individually as a “**Party**” and collectively as the “**Parties**.”

RECITALS

WHEREAS, Licensor controls certain intellectual property rights with respect to Probodies (as defined herein) in the Territory (as defined herein);

WHEREAS, Licensor and AbbVie desire to collaborate in the research and development of Discovery Probodies (as defined herein) in accordance with the terms and conditions set forth below; and

WHEREAS, Licensor wishes to grant a license to AbbVie, and AbbVie wishes to take, a license under such intellectual property rights to research and develop Discovery Probodies and to research, develop and commercialize AbbVie Probodies (as defined herein), Discovery PDCs (as defined herein) and Licensed Products (as defined herein) in the Territory (as defined herein), in each case in accordance with the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual promises and conditions hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, do hereby agree as follows:

ARTICLE 1 DEFINITIONS

Unless otherwise specifically provided herein, the following terms shall have the following meanings:

1.1 “**AbbVie**” has the meaning set forth in the preamble hereto.

1.2 “**AbbVie Background Know-How**” means all Information that is [***].

1.3 “**AbbVie Background Patents**” means all Patents that are [***].

1.4 “**AbbVie Indemnitees**” has the meaning set forth in Section 12.2.

1.5 “**AbbVie In-License Agreement**” means any existing agreements and any agreement entered into during the Term between AbbVie and a Third Party under which payments by AbbVie or its Affiliates are required for intellectual property covering the Development, Manufacture, or Commercialization of any AbbVie Probody, Discovery PDC or Licensed Product, including any agreement entered into pursuant to Section 8.6, as such agreements may be amended from time-to-time.

1.6 “**AbbVie Probody**” means a Discovery Probody targeting the AbbVie Probody Target for which AbbVie has not exercised the Option to Develop and Commercialize

Discovery PDCs pursuant to Section 4.3.1. For the purpose of clarity, if AbbVie exercises the Option to Develop and Commercialize Discovery PDCs pursuant to Section 4.3.1, any Discovery Proboddy deemed to be an AbbVie Proboddy prior to the date of such exercise shall no longer be deemed an AbbVie Proboddy from such date.

1.7 “**AbbVie Proboddy Target**” means the [***].

1.8 “**AbbVie Program Know-How**” means all Program Know-How [***].

1.9 “**AbbVie Program Patents**” means Program Patents that are [***].

1.10 “**Acceptance**” means, with respect to a Drug Approval Application, receipt of written notice from the applicable Regulatory Authority indicating that such Drug Approval Application has been accepted for filing and further review.

1.11 “**Accepted Target**” has the meaning set forth in Section 2.1.4

1.12 “**Accounting Standards**” means, with respect to a Party, that such Party shall maintain records and books of accounts in accordance with United States Generally Accepted Accounting Principles.

1.13 “**Acquisition**” means, with respect to a Party, a merger, acquisition (whether of all of the stock or all or substantially all of the assets of a Person or any operating or business division of a Person) or similar transaction by or with the Party, other than a Change in Control of the Party.

1.14 “**ADR**” has the meaning set forth in Section 14.7.1.

1.15 “**Adverse Ruling**” has the meaning set forth in Section 13.2.1.

1.16 “**Affiliate**” means, with respect to a Party, any Person that, directly or indirectly, through one (1) or more intermediaries, controls, is controlled by or is under common control with such Party. For purposes of this definition, “control” and, with correlative meanings, the terms “controlled by” and “under common control with” means (a) the possession, directly or indirectly, of the power to direct the management or policies of a Person, whether through the ownership of voting securities, by contract relating to voting rights or corporate governance, or otherwise; or (b) the ownership, directly or indirectly, of more than fifty percent (50%) of the voting securities or other ownership interest of a Person (or, with respect to a limited partnership or other similar entity, its general partner or controlling entity). The Parties acknowledge that in the case of certain entities organized under the laws of certain countries outside of the United States, the maximum percentage ownership permitted by law for a foreign investor may be less than fifty percent (50%), and that in such case such lower percentage shall be substituted in the preceding sentence, provided that such foreign investor has the power to direct the management or policies of such entity.

1.17 “**Agreement**” has the meaning set forth in the preamble hereto.

1.18 “**Alliance Manager**” has the meaning set forth in Section 3.2.5.

1.19 “**Announced Reserved Program**” means the publicly announced internal programs of Licensor or its Affiliates as of the Effective Date that are set forth on Schedule 1.19 and involve a Proboddy that binds with the Target set forth on Schedule 1.19.

1.20 “Antibody(ies)” means:

1.20.1 an immunoglobulin (Ig) molecule, generally comprising four (4) polypeptide chains, two (2) heavy (H) chains and two (2) light (L) chains, or an equivalent Ig homologue thereof (e.g., a camelid nanobody, which comprises only a heavy chain, or single domain antibodies (dAbs) which can be either heavy or light chain); including full length functional mutants, variants, or derivatives thereof (including but not limited to chimeric, veneered, humanized antibodies, fully human equivalents (e.g. created by guided selection or similar technology)), which retain the essential epitope binding features of an Ig molecule, and including dual specific, bispecific, multispecific, and dual variable domain immunoglobulins; Immunoglobulin molecules can be of any class (e.g., IgG, IgE, IgM, IgD, IgA, and IgY), or subclass (e.g., IgG1, IgG2, IgG3, IgG4, IgA1, and IgA2) and allotype; or

1.20.2 a molecule comprising at least one (1) polypeptide chain that is not full length, including (a) a Fab fragment, which is a monovalent fragment consisting of the variable light (VL), variable heavy (VH), constant light (CL) and constant heavy 1 (CH1) domains; (b) a F(ab')₂ fragment, which is a bivalent fragment comprising two (2) Fab fragments linked by a disulfide bridge at the hinge region; (c) a heavy chain portion of an Fab (Fd) fragment, which consists of the VH and CH1 domains; (d) a variable fragment (Fv) fragment, which consists of the VL and VH domains of a single arm of an antibody, (e) a domain antibody (dAb) fragment, which comprises a single variable domain; (f) an isolated complementarity determining region (CDR); (g) a Single Chain Fv Fragment; (h) a diabody, which is a bivalent, bispecific antibody in which VH and VL domains are expressed on a single polypeptide chain, but using a linker that is too short to allow for pairing between the two (2) domains on the same chain, thereby forcing the domains to pair with the complementarity domains of another chain and creating two (2) antigen binding sites; and (i) a linear antibody, which comprises a pair of tandem Fv segments (VH-CH1-VH-CH1) which, together with complementarity light chain polypeptides, form a pair of antigen binding regions; and (j) other non-full length portions of heavy and/or light chains, or mutants, variants, or derivatives thereof, alone or in any combination.

1.21 “Antibody Criteria” means the criteria with respect to a Discovery Antibody set forth on Schedule 1.21.

1.22 “Applicable Law” means federal, state, local, national and supra-national laws, statutes, rules, and regulations, including any rules, regulations, guidelines, or other requirements of the Regulatory Authorities, major national securities exchanges or major securities listing organizations, that may be in effect from time to time during the Term and applicable to a particular activity or country or other jurisdiction hereunder.

1.23 “Audit Arbitrator” has the meaning set forth in Section 7.14.

1.24 “Bankruptcy Code” has the meaning set forth in Section 13.5.1.

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

1.26 “Biosimilar Application” has the meaning set forth in Section 8.3.3.

1.27 “Biosimilar Competition” has the meaning set forth in Section 7.6.3(a).

1.28 “**Biosimilar Product**” means, on a country-by-country basis, a biologic product (a) whose licensing, approval, or marketing authorization relies in whole or in part on a prior approval, licensing or marketing authorization granted any Licensed Product, (b) whose licensing, approval, or marketing authorization relies in whole or in part on any data generated in support of a prior approval, licensing, or marketing authorization granted any Licensed Product; or (c) is determined by the FDA or other Regulatory Authority outside of the United States to be interchangeable with a Licensed Product, as set forth at 42 USC 262(k)(4) or other analogous Applicable Law outside of the United States. A Licensed Product licensed, marketed, sold, manufactured, or produced by AbbVie, its Affiliates or Sublicensees will not constitute a Biosimilar Product

1.29 “**BLA**” has the meaning set forth in the definition of “Drug Approval Application.

1.30 “**Blocking Third Party Payload IP**” means [***].

1.31 “**Blocking Third Party Platform IP**” means [***].

1.32 “**Board of Directors**” has the meaning set forth in the definition of “Change in Control.”

1.33 “**Breaching Party**” has the meaning set forth in Section 13.2.1.

1.34 “**Business Day**” means a day other than a Saturday or Sunday on which banking institutions in New York, New York are open for business.

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

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

1.37 “[***]” means [***].

1.38 “[***]” has the meaning set forth in Section 2.1.5.

1.39 “**CD71 Agreement**” means the CD71 Co-Development and License Agreement dated as of the date hereof by and between the Parties.

1.40 “**Centralized Approval Procedure**” means the procedure through which a MAA filed with the EMA results in a single marketing authorization valid throughout the European Union.

1.41 “**Change in Control**,” with respect to a Party, shall be deemed to have occurred if any of the following occurs after the Effective Date:

1.41.1 any “person” or “group” (as such terms are defined below) (a) is or becomes the “beneficial owner” (as defined below), directly or indirectly, of shares of capital stock or other interests (including partnership interests) of such Party then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of the directors, managers or similar supervisory positions (“**Voting Stock**”) of such Party representing fifty percent (50%) or more of the total voting power of all outstanding classes of Voting Stock of such Party or (b) has the power, directly or indirectly, to elect a majority of the members of the Party’s board of directors, or similar governing body (“**Board of Directors**”); or

1.41.2 such Party enters into a merger, consolidation or similar transaction with another Person (whether or not such Party is the surviving entity) and as a result of such merger, consolidation or similar transaction (a) the members of the Board of Directors of such Party immediately prior to such transaction constitute less than a majority of the members of the Board of Directors of such Party or such surviving Person immediately following such transaction or (b) the Persons that beneficially owned, directly or indirectly, the shares of Voting Stock of such Party immediately prior to such transaction cease to beneficially own, directly or indirectly, shares of Voting Stock of such Party representing at least a majority of the total voting power of all outstanding classes of Voting Stock of the surviving Person in substantially the same proportions as their ownership of Voting Stock of such Party immediately prior to such transaction; or

1.41.3 such Party sells or transfers to any Third Party, in one (1) or more related transactions, properties or assets representing all or substantially all of such Party’s assets to which this Agreement relates; or

1.41.4 the holders of capital stock of such Party approve a plan or proposal for the liquidation or dissolution of such Party.

For the purpose of this definition of Change in Control, (a) “person” and “group” have the meanings given such terms under Section 13(d) and 14(d) of the United States Securities Exchange Act of 1934 and the term “group” includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the said Act; (b) a “beneficial owner” shall be determined in accordance with Rule 13d-3 under the aforesaid Act; and (c) the terms “beneficially owned” and “beneficially own” shall have meanings correlative to that of “beneficial owner.”

1.42 “**Clinical Data**” means all Information with respect to any AbbVie Probody, Discovery PDC or Licensed Product and made, collected, or otherwise generated under or in connection with Clinical Studies or Phase IV Studies, including any data (including raw data), reports, and results with respect thereto.

1.43 “**Clinical Studies**” means Phase 0, Phase I, Phase II, Phase III, and such other tests and studies in human subjects that are required by Applicable Law, or otherwise recommended by the Regulatory Authorities, to obtain or maintain Regulatory Approvals for a Licensed Product for one (1) or more Indications, including tests or studies that are intended to expand the Product Labeling for such Licensed Product with respect to such Indication.

1.44 “**Combination Product**” means a Licensed Product containing [***]. By way of example, and not meant to limit the foregoing definition, a Combination Product includes:

1.44.1 a Licensed Product that contains [***]; and

1.44.2 a Licensed Product that is [***].

1.45 “**Commercialization**” means any and all activities directed to the preparation for sale of, offering for sale of, or sale of an AbbVie Probody, Discovery PDC or Licensed Product, including activities related to marketing, promoting, distributing, importing and exporting such AbbVie Probody, Discovery PDC or Licensed Product, and, for purposes of setting forth the rights and obligations of the Parties under this Agreement, shall be deemed to include conducting Medical Affairs Activities and conducting Phase IV Studies, and interacting with Regulatory Authorities regarding any of the foregoing. When used as a verb, “**to Commercialize**” and “**Commercializing**” means to engage in Commercialization, and “**Commercialized**” has a corresponding meaning.

1.46 “**Commercially Reasonable Efforts**” means [***].

1.47 “**Competing Product**” means any product that is or contains a Restricted Discovery Antibody, Probody or PDC that binds to an Accepted Target.

1.48 “**Competitor**” means any Person that, [***].

1.49 “**Conduct**” means, with respect to any Clinical Study, to (a) sponsor, support or perform, directly or indirectly through a Third Party, such Clinical Study; or (b) provide to a Third Party funding for, or clinical supplies (including placebos) for use in, such Clinical Study.

1.50 “**Confidential Information**” means any Information or data provided orally, visually, in writing or other form by or on behalf of one (1) Party (or an Affiliate or representative of such Party) to the other Party (or to an Affiliate or representative of such Party) in connection with this Agreement, whether prior to (including under the Prior CDA), on, or after the Effective Date, including Information relating to the terms of this Agreement, any Discovery Probody, Discovery PDC or any Licensed Product (including the Regulatory Documentation), any Exploitation of any Discovery Probody, Discovery PDC or any Licensed Product, any know-how with respect thereto developed by or on behalf of the disclosing Party or its Affiliates (including AbbVie Background Know-How, AbbVie Program Know-How, Licensor Background Know-How and Licensor Program Know-How, as applicable), or the scientific, regulatory or business affairs or other activities of either Party. Notwithstanding the foregoing, (a) Joint Program Know-How shall be deemed to be the Confidential Information of both Parties, and both Parties shall be deemed to be the receiving Party and the disclosing Party with respect thereto, (b) all Regulatory Documentation owned by AbbVie pursuant to Section 4.8.1 and all Confidential Information related to AbbVie Program Know-How shall be deemed to be the Confidential Information of AbbVie, and AbbVie shall be deemed to be the disclosing Party and Licensor shall be deemed to be the receiving Party with respect thereto, and (c) all Confidential Information related to Licensor Program Know-How shall be deemed to be the Confidential Information of Licensor, and Licensor shall be deemed to be the disclosing Party and AbbVie shall be deemed to be the receiving Party with respect thereto.

1.51 “**Control**” means, with respect to any item of Information, Regulatory Documentation, material, Patent, or other property right, the possession of the right, whether directly or indirectly, and whether by ownership, license, covenant not to sue or otherwise (other

than by operation of the license and other grants in Sections 6.1 or 6.2), to grant a license, sublicense or other right (including the right to reference Regulatory Documentation) to or under such Information, Regulatory Documentation, material, Patent, or other property right as provided for herein without violating the terms of any agreement or other arrangement with any Third Party.

1.52 “**Corporate Names**” means the Trademarks and logos identified on Schedule 1.52 and such other names and logos as Licensor may designate in writing from time to time.

1.53 “**Default Notice**” has the meaning set forth in Section 13.2.1.

1.54 “**Delivery System**” has the meaning set forth in the definition of “Net Sales.”

1.55 “**Derived**” means in whole or in part obtained, developed, created, designed, derived or resulting from, based upon, containing, incorporating or otherwise generated from.

1.56 “**Development**” means all activities related to [***]. When used as a verb, “**Develop**” means to engage in Development. Development shall exclude [***]. For purposes of clarity, Development shall include [***].

1.57 “**Discovery Antibody**” has the meaning set forth in Section 4.1.

1.58 “**Discovery PDC**” means a PDC that, when activated, specifically binds to an Accepted Target.

1.59 “**Discovery PDC or AbbVie Probody Failure**” means, [***].

1.60 “**Discovery PDC Success Criteria**” means the success criteria with respect to a Discovery PDC set forth on Schedule 1.60.

1.61 “**Discovery Probody**” means a Probody that, when activated, specifically binds to an Accepted Target.

1.62 “**Discovery Probody Delivery Deadline**” means, on an Accepted Target-by-Accepted Target basis, (a) the date that is [***] after the date on which AbbVie delivers the Discovery Antibody sequence and other materials and data meeting the Antibody Criteria pursuant to Section 4.1 (whether for the initial Discovery Antibody or a replacement provided pursuant to Section 4.2(b) or Section 4.3.2(b)), (b) the date that is [***] after the JRC’s determination pursuant to Section 4.2 that a Discovery Probody does not meet the Discovery Probody Success Criteria and AbbVie’s selection, pursuant to Section 4.2(a), to have Licensor create a Discovery Probody based on the same Discovery Antibody, or (c) the date that is [***] after the JRC’s determination pursuant to Section 4.3.2 that a Discovery PDC does not meet the Discovery PDC Success Criteria and AbbVie’s selection, pursuant to Section 4.3.2(a), to have Licensor create a Discovery Probody based on the same Discovery Antibody, as applicable.

1.63 “**Discovery Probody Success Criteria**” means the criteria with respect to a Discovery Probody set forth on Schedule 1.63.

1.64 “**Discovery Research Plan**” means the research plan setting forth the activities (and timelines) for the conversion of Discovery Antibodies into Discovery Probodyes

and the conversion of Discovery Probodies into Discovery PDCs for each Accepted Target attached as Schedule 1.64, as the same may be amended from time to time in accordance with the terms hereof.

1.65 “**Dispute**” has the meaning set forth in Section 14.7.

1.66 “**Distributor**” has the meaning set forth in Section 6.4.

1.67 “**Divestiture**” means, [***]. When used as a verb, “**Divest**” and “**Divested**” means to cause a Divestiture.

1.68 “**Dollars**” or “**\$**” means United States Dollars.

1.69 “**Drug Approval Application**” means a Biologics License Application (a “**BLA**”) as defined in the FDCA, or any corresponding foreign application in the Territory, including, with respect to the European Union, a Marketing Authorization Application (a “**MAA**”) filed with the EMA pursuant to the Centralized Approval Procedure or with the applicable Regulatory Authority of a country in Europe with respect to the mutual recognition or any other national approval procedure.

1.70 “**Effective Date**” means the effective date of this Agreement as set forth in the preamble hereto.

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

1.72 “**E.U. Major Market Country**” means each of the following: [***].

1.73 “**European Union**” or “**E.U.**” means the economic, scientific, and political organization of member states known as the European Union, as its membership may be altered from time to time, and any successor thereto.

1.74 “**Existing Patents**” has the meaning set forth in Section 11.2.1.

1.75 “**Exploit**” or “**Exploitation**” means to make, have made, import, export, use, have used, sell, have sold, or offer for sale, including to Develop, Commercialize, register, modify, enhance, improve, Manufacture, have Manufactured, hold, or keep (whether for disposal or otherwise), or otherwise dispose of. Notwithstanding the foregoing, “**Exploit**” or “**Exploitation**” with respect to an AbbVie Probody, Discovery PDC or Licensed Product does not include [***].

1.76 “**FDA**” means the United States Food and Drug Administration and any successor agency(ies) or authority having substantially the same function.

1.77 “**FDCA**” means the United States Federal Food, Drug, and Cosmetic Act, 21 U.S.C. § 301 *et seq.*, as amended from time to time, together with any rules, regulations and requirements promulgated thereunder (including all additions, supplements, extensions, and modifications thereto).

1.78 “**Field**” means [***].

1.79 “**First Commercial Sale**” means, with respect to a Licensed Product and a country, the first sale for monetary value for use or consumption by the end user of such Licensed Product in such country after Regulatory Approval for such Licensed Product has been obtained in such country. [***]

1.80 “**Gatekeeper**” means an independent Third Party mutually agreeable to the Parties to be engaged by Licensor promptly, but in no case later than [***], following the Effective Date for the purpose of confirming whether Nominated Targets are on the list of Unavailable Targets, on mutually agreeable terms, including provisions relating to confidentiality.

1.81 “**Gatekeeper Notice**” has the meaning set forth in [Section 2.1.4](#).

1.82 “**GLP Tox Study**” means a toxicology study that is conducted in compliance with the then-current good laboratory practice standards promulgated or endorsed by the FDA, as defined in U.S. 21 C.F.R. Part 58 (as they may be updated from time to time) and is required to meet the requirements for filing an IND in the United States.

1.83 “**IMS**” has the meaning set forth in [Section 7.6.3\(a\)](#).

1.84 “**IND**” means an application filed with a Regulatory Authority for authorization to commence Clinical Studies, including (a) an Investigational New Drug Application as defined in the FDCA or any successor application or procedure filed with the FDA, (b) any equivalent of a United States IND in other countries or regulatory jurisdictions, (i.e., Clinical Trial Application (CTA)) and (c) all supplements, amendments, variations, extensions and renewals thereof that may be filed with respect to the foregoing.

1.85 “**Indemnification Claim Notice**” has the meaning set forth in [Section 12.3](#).

1.86 “**Indemnified Party**” has the meaning set forth in [Section 12.3](#).

1.87 “**Indication**” means each separate and distinct disease, disorder, illness, health condition, or interruption, cessation or disruption of a bodily function, system, tissue type or organ, for which Regulatory Approval is required.

1.88 “**Indirect Taxes**” has the meaning set forth in [Section 7.10](#).

1.89 “**Information**” means all knowledge of a technical, scientific, business and other nature, including know-how, technology, means, methods, processes, practices, formulae, instructions, skills, techniques, procedures, experiences, ideas, technical assistance, designs, drawings, assembly procedures, computer programs, apparatuses, specifications, data, results and other material, and other biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, pre-clinical, clinical, safety, manufacturing and quality control data and information, including study designs and protocols, reagents (e.g., plasmids, proteins, cell lines, assays and compounds) and biological methodology; in each case (whether or not confidential, proprietary, patented or patentable, of commercial advantage or not) in written, electronic or any other form now known or hereafter developed.

1.90 “**Initiation**” or “**Initiate**” means, with respect to a Clinical Study, the first dosing of the first human subject in such Clinical Study.

1.91 “**In-Licensed Patents**” has the meaning set forth in [Section 11.2.3](#).

1.92 “**Intellectual Property**” has the meaning set forth in [Section 13.5.1](#).

1.93 “**Internal Reserved Program**” means [***].

1.94 “**Joint Intellectual Property Rights**” means the Joint Program Know-How and Joint Program Patents.

1.95 “**Joint Program Know-How**” means all Program Know-How that is: (a) related to a Discovery Probody and not related exclusively to an AbbVie Probody, except to the extent exclusively related to the Licensor Platform or except to the extent exclusively related to the Discovery Antibody, or (b) is conceived, discovered, developed, or otherwise made jointly by or on behalf of AbbVie, or its Affiliates or sublicensees, on the one hand, and Licensor, or its Affiliates or sublicensees, on the other hand, but, in each case of clause (a) and (b), expressly excluding any AbbVie Program Know-How, Licensor Program Know-How, and Tools.

1.96 “**Joint Program Patents**” means Program Patents (a) related to a Discovery Probody and not related exclusively to an AbbVie Probody, except to the extent exclusively related to the Licensor Platform, or except to the extent exclusively related to the Discovery Antibody, or (b) conceived, discovered, developed, or otherwise made jointly by or on behalf of AbbVie, or its Affiliates or sublicensees, on the one hand, and Licensor, or its Affiliates or sublicensees, on the other hand, but, in each case of clause (a) and (b), expressly excluding any AbbVie Program Patents, Licensor Program Patents, and Tools.

1.97 “**Joint Research Committee**” or “**JRC**” has the meaning set forth in Section 3.1.1.

1.98 “**Knowledge**” means [***].

1.99 “**Licensed Product**” means any product comprising or containing an AbbVie Probody or Discovery PDC, [***], in any and all forms, presentations, delivery systems, dosages, strengths, and formulations.

1.100 “**Licensor**” has the meaning set forth in the preamble hereto.

1.101 “**Licensor Background Know-How**” means all Information that is Controlled by Licensor or any of its Affiliates on the Effective Date or during the Term, that is: [***].

1.102 “**Licensor Background Patents**” means all Patents, including those Patents identified on Schedule 11.2.1 that are: [***].

1.103 “**Licensor Indemnitees**” has the meaning set forth in Section 12.1.

1.104 “**Licensor In-License Agreement**” means the Exclusive License Agreement by and between the Regents of the University of California (acting through its Santa Barbara campus) the (“**UCSB Agreement**”) and Licensor, effective August 19, 2010, as amended, and any other agreement between Licensor and a Third Party under which AbbVie is granted a sublicense or other right under this Agreement as provided in Section 6.9.

1.105 “**Licensor Platform**” means Licensor’s proprietary Probody technology platform, including [***].

1.106 “**Licensor Program Know-How**” means all Program Know-How that is [***].

1.107 “**Licensor Program Patents**” means all Program Patents that are [***].

1.108 “**Licensor Prosecuted Infringement**” has the meaning set forth in Section 8.3.1(b).

1.109 “**Linker**” means a compound or other substance used to link a Payload to an Antibody or Probody.

1.110 “**Losses**” has the meaning set forth in Section 12.1.

1.111 “**MAA**” has the meaning set forth in the definition of Drug Approval Application.

1.112 “**Major Market**” means each of the [***].

1.113 “**Manufacture**” and “**Manufacturing**” means all activities related to the synthesis, making, production, processing, purifying, formulating, filling, finishing, packaging, labeling, shipping, and holding of the AbbVie Probody, Discovery PDC, any Licensed Product, or any intermediate thereof, including process development, process qualification and validation, scale-up, pre-clinical, clinical and commercial production and analytic development, product characterization, stability testing, quality assurance, and quality control.

1.114 “**Manufacturing Process**” has the meaning set forth in Section 5.7.2.

1.115 “**Manufacturing Technology Transfer**” has the meaning set forth in Section 5.7.2.

1.116 “**Markings**” has the meaning set forth in Section 5.6.

1.117 “**Mask**” means a [***].

1.118 “**Medical Affairs Activities**” means, with respect to any country or other jurisdiction in the Territory, the coordination of medical information requests and field based medical scientific liaisons with respect to AbbVie Probody, Discovery PDCs or Licensed Products, including activities of medical scientific liaisons and the provision of medical information services with respect to an AbbVie Probody, Discovery PDC or Licensed Product.

1.119 “**Mono Product**” has the meaning set forth in the definition of “Net Sales.”

1.120 “**Net Sales**” means, with respect to a Licensed Product for any period, [***]:

- (a) [***];
- (b) [***];
- (c) [***];
- (d) [***];
- (e) [***];
- (f) [***];
- (g) [***];
- (h) [***];
- (i) [***]; and
- (j) [***].

- 1.121 [***]
- (i) [***].
 - (ii) [***].
 - (iii) [***].
 - (iv) [***].

1.122 “Neutral” has the meaning set forth in Schedule 14.7.3.

1.123 “New Target” has the meaning set forth in Section 2.3.1.

1.124 “Nominated Target” has the meaning set forth in Section 2.1.4.

1.125 “Non-Breaching Party” has the meaning set forth in Section 13.2.1.

1.126 “Option” has the meaning set forth in Section 4.3.1.

1.127 “Other Active Ingredient” means any component that provides pharmacological activity or other direct therapeutic effect in the Field or that therapeutically affects the structure or any function of the body whereby such component: [***].

1.128 “Owned Patents” has the meaning set forth in Section 11.2.3.

1.129 “Party” and “Parties” has the meaning set forth in the preamble hereto.

1.130 “Party Development Activities” means Development activities conducted in support of obtaining or maintaining Regulatory Approval of a Licensed Product in a country or other jurisdiction in the Territory pursuant to the Discovery Research Plan.

1.131 “Patents” means (a) all national, regional and international patents and patent applications, including provisional patent applications, (b) all patent applications filed either from such patents, patent applications or provisional applications or from an application claiming priority from either of these, including divisionals, continuations, continuations-in-part, provisionals, converted provisionals, continued prosecution applications, (c) any and all patents that have issued or in the future issue from the foregoing patent applications ((a) and (b)), and (d) any and all extensions or restorations by existing or future extension or restoration mechanisms, including revalidations, reissues, re-examinations and extensions (including any supplementary protection certificates and the like) of the foregoing patents or patent applications ((a), (b), and (c)) .

1.132 “Payload” means (a) [***] compound, including [***] or (b) a compound that alone, or in combination with other compounds, has [***].

1.133 “PDC” or “Probody Drug Conjugate” means a Probody conjugated to a Payload using a Linker.

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

1.135 “**Phase 0**” means an exploratory, first-in-human trial conducted in accordance with the FDA 2006 Guidance on Exploratory Investigational New Drug Studies (or the equivalent in any country or other jurisdiction outside of the United States) and designed to expedite the development of therapeutic or imaging agents by establishing very early on whether the agent behaves in human subjects as was anticipated from pre-clinical studies.

1.136 “**Phase I**” means a human clinical trial of an AbbVie Probody, Discovery PDC or Licensed Product, the principal purpose of which is a preliminary determination of safety, tolerability, pharmacological activity or pharmacokinetics in healthy individuals or patients, and which may include expansion to estimate activity in a specific patient cohort, or similar clinical study prescribed by the Regulatory Authorities, including the trials referred to in 21 C.F.R. §312.21(a), as amended.

1.137 “**Phase II**” means a human clinical trial of a Licensed Product conducted in any country in the Territory (whether a standalone trial or a stage of a “Phase 1/2” clinical trial described in the protocol as the “Phase 2 portion”, or a stage of a “Phase 2/3” clinical trial described in the protocol as the “Phase 2 portion”) the principal purpose of which is (a) to evaluate the clinical efficacy, safety, pharmacodynamics or biological activity of such Product in the target patient population as its primary endpoint, or (b) determine anti-cancer activity in the applicable tumor type as its primary endpoint (as described in the protocol), in each case of clause (a) or (b), and is prospectively designed to generate sufficient data that may permit commencement of Phase III, or (c) that would otherwise satisfy the requirements of 21 C.F.R. § 312.21(b), or its foreign equivalent.

1.138 “**Phase III**” means a human clinical trial of a Licensed Product conducted in any country in the Territory (whether a standalone trial or a stage of a “Phase 2/3” clinical trial described in the protocol as the “Phase 3 portion”): (a) with a defined dose or a set of defined doses of such Licensed Product designed to establish statistically significant efficacy and safety of such Licensed Product for the purpose of enabling the preparation and submission of a BLA to the competent Regulatory Authorities in a country of the Territory, or (b) where the results of such clinical trial are intended (if successful) to be used to establish both safety and efficacy of such Licensed Product in patients which are the subject of such trial and serve as the basis for initial or supplemental Regulatory Approval of such Licensed Product, or (c) that would otherwise satisfy requirements of 21 CFR 312.21(c), or its foreign equivalent.

1.139 “**Phase IV Study**” means a post-marketing human clinical study: (a) for a Licensed Product with respect to any Indication as to which Regulatory Approval has been received or that is the subject of an investigator-initiated study program.

1.140 “**PHSA**” means the United States Public Health Service Act, as amended from time to time.

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

1.142 “**Prior CDA**” has the meaning set forth in [Section 14.9](#).

1.143 “**Probody**” means an Antibody that is linked to a Substrate and a Mask that is claimed by the Licensor Background Patents or the Program Patents or derives from, uses or is

made using the Licensor Background Know-How or Program Know-How; where such Antibody is not conjugated to a Payload using a Linker.

1.144 “**Product Information**” has the meaning set forth in [Section 10.1](#).

1.145 “**Product Infringement**” has the meaning set forth in [Section 8.3.1](#).

1.146 “**Product Labeling**” means, with respect to a Licensed Product in a country or other jurisdiction in the Territory, (a) the Regulatory Authority-approved full prescribing information for such Licensed Product for such country or other jurisdiction, including any required patient information, and (b) all labels and other written, printed, or graphic matter upon a container, wrapper, or any package insert utilized with or for such Licensed Product in such country or other jurisdiction.

1.147 “**Product Trademarks**” means the Trademark(s) to be used by AbbVie or its Affiliates or its or their respective Sublicensees for the Development or Commercialization of Licensed Products in the Territory and any registrations thereof or any pending applications relating thereto in the Territory (excluding, in any event, any trademarks, service marks, names or logos that include any corporate name or logo of the Parties or their Affiliates).

1.148 “**Program Know-How**” means all Information and inventions that are conceived, discovered, developed, or otherwise made by or on behalf of either Party or its Affiliates or sublicensees in connection with the work conducted under or in connection with this Agreement.

1.149 “**Program Patents**” mean all Patents that are conceived, discovered, developed, or otherwise made by or on behalf of either Party or its Affiliates or sublicensees in connection with the work conducted under or in connection with this Agreement.

1.150 “**Proposed Future In-Licensed Rights**” has the meaning set forth in [Section 6.9](#).

1.151 “**Proposed Target Information**” has the meaning set forth in [Section 2.1.3](#).

1.152 “**Publication Policies**” has the meaning set forth in [Section 10.5](#).

1.153 “**Regulatory Approval**” means, with respect to a country or other jurisdiction in the Territory, any and all approvals (including Drug Approval Applications), licenses, registrations, or authorizations of any Regulatory Authority necessary to Commercialize an AbbVie Probody, Discovery PDC or Licensed Product in such country or other jurisdiction, including, where applicable, (a) pricing or reimbursement approval in such country or other jurisdiction, (b) pre- and post-approval marketing authorizations (including any prerequisite Manufacturing approval or authorization related thereto), and (c) approval of Product Labeling.

1.154 “**Regulatory Authority**” means any applicable supra-national, federal, national, regional, state, provincial, or local governmental or regulatory authority, agency, department, bureau, commission, council, or other entities (e.g., the FDA, EMA and PMDA) regulating or otherwise exercising authority with respect to activities contemplated in this Agreement, including the Exploitation of the AbbVie Probody, Discovery PDC or Licensed Products in the Territory.

1.155 “**Regulatory Documentation**” means all (a) applications (including all INDs and Drug Approval Applications), registrations, licenses, authorizations, and approvals (including Regulatory Approvals), (b) correspondence and reports submitted to or received from Regulatory Authorities (including minutes and official contact reports relating to any communications with any Regulatory Authority) and all supporting documents with respect thereto, including all regulatory drug lists, advertising and promotion documents, adverse event files, and complaint files, and (c) Clinical Data and data contained or relied upon in any of the foregoing, in each case ((a),(b) and (c)) relating to an AbbVie Probody, Discovery PDC or Licensed Product.

1.156 “**Regulatory Exclusivity**” means, with respect to any country or other jurisdiction in the Territory, an additional market protection, other than Patent protection, granted by a Regulatory Authority in such country or other jurisdiction which confers an exclusive Commercialization period during which AbbVie or its Affiliates or Sublicensees have an exclusive right to market and sell an AbbVie Probody, Discovery PDC or Licensed Product in such country or other jurisdiction through a regulatory exclusivity right (e.g., new chemical entity exclusivity, new use or Indication exclusivity, new formulation exclusivity, orphan drug exclusivity, pediatric exclusivity, or any applicable data exclusivity).

1.157 “**Replaced Target**” has the meaning set forth in Section 2.3.1.

1.158 “**Restricted Discovery Antibody**” means [***].

1.159 “**Royalty Term**” means, with respect to each Licensed Product and each country or other jurisdiction in the Territory, the period beginning on the date of the First Commercial Sale of such Licensed Product in such country or other jurisdiction, and ending on the later to occur of (a) the expiration, invalidation or abandonment date of the last: (i) Licensor Background Patent, (ii) Licensor Program Patent, or (iii) AbbVie Program Patent that claims the molecular structure of a Discovery PDC or AbbVie Probody; any of which (i), (ii), or (iii) includes a Valid Claim that covers the manufacture, use or sale of such Licensed Product in such country or other jurisdiction, (b) the expiration of Regulatory Exclusivity in such country or other jurisdiction for such Licensed Product or (c) the tenth (10th) anniversary of the First Commercial Sale of such Licensed Product in such country or other jurisdiction.

1.160 “**Second Accepted Target Fee**” has the meaning set forth in Section 7.2.

1.161 “**Segregate**” means, [***].

1.162 “**Senior Officer**” means, with respect to Licensor, its President and Chief Executive Officer or his/her designee, and with respect to AbbVie, (a) for Development and Manufacturing, its Chief Scientific Officer or his/her designee and (b) for Commercialization matters, its Executive Vice President – Commercial Operations or his/her designee.

1.163 “**Sublicensee**” means a Third Party, other than a Distributor, that has been granted by AbbVie a right to sell, market, distribute and/or promote a Licensed Product under the grants in Section 6.1; and “Sublicense” shall mean an agreement or arrangement granting such rights. As used in this Agreement, “Sublicensee” shall not include a wholesaler or reseller of the Product who does not market or promote the Product.

1.164 “**Substitute Target**” has the meaning set forth in Section 2.2.

1.165 “Substrate” means [***].

1.166 “Target” means (a) a specific biological molecule that is identified by a GenBank accession number or similar information, or by its amino acid or nucleic acid sequence, (b) any naturally occurring mutant or allelic variant of a molecule disclosed in clause (a), including transcriptional and posttranscriptional isoforms (e.g., alternative splice variants), and post-translational modification variants (e.g., protein processing, maturation and glycosylation variants); and (c) truncated forms (including fragments thereof); in each case which have a biological function substantially identical to that of any biological molecules disclosed in clause (a).

1.167 “Target Acceptance Date” has the meaning set forth in Section 2.1.4.

1.168 “Target Exchange” has the meaning set forth in Section 2.3.

1.169 “Target Notice” has the meaning set forth in Section 2.1.4.

1.170 “Term” has the meaning set forth in Section 13.1.1.

1.171 “Terminated Target” has the meaning set forth in Section 13.8.

1.172 “Terminated Territory” means each Major Market with respect to which this Agreement is terminated by Licensor pursuant to Section 13.2.2, each country with respect to which this Agreement is terminated by AbbVie pursuant to Section 13.3.2, or, if this Agreement is terminated in its entirety, the entire Territory.

1.173 “Territory” means the entire world.

1.174 “Third Party” means any Person other than Licensor, AbbVie and their respective Affiliates.

1.175 “Third Party Claims” has the meaning set forth in Section 12.1.

1.176 “Third Party Manufacturers” has the meaning set forth in Section 5.7.2.

1.177 “Third Party Provider” has the meaning set forth in Section 4.7.

1.178 “Tools” means any Patents, Program Know-How, Program Patents, or Information or other intellectual property right covering methods, processes, materials and tools to the extent generally applicable to the discovery of Masks or Substrates, or assays of the activity relating to such discovery, including the cleavage of Substrates, thereof. As of the Effective Date, the Patents among the Tools consist of the Patents listed in Schedule 1.178.

1.179 “Trademark” means any word, name, symbol, color, designation or device or any combination thereof that functions as a source identifier, including any trademark, trade dress, brand mark, service mark, trade name, brand name, logo, business symbol or domain names, whether or not registered.

1.180 “Unavailable Target” has the meaning set forth in Section 2.1.2.

1.181 [***]

1.182 “United States” or “U.S.” means the United States of America and its territories and possessions (including the District of Columbia and Puerto Rico).

1.183 “Valid Claim” means a claim of any issued and unexpired Patent whose validity, enforceability, or patentability has not been affected by any of the following: (a) irretrievable lapse, abandonment, revocation, dedication to the public, or disclaimer; or (b) a holding, finding, or decision of invalidity, unenforceability, or non-patentability by a court, governmental agency, national or regional patent office, or other appropriate body that has competent jurisdiction, such holding, finding, or decision being final and unappealable or unappealed within the time allowed for appeal.

1.184 “Voting Stock” has the meaning set forth in the definition of “Change in Control.”

1.185 “Withholding Party” has the meaning set forth in Section 7.9.

1.186 “Working Group” has the meaning set forth in Section 3.5.

ARTICLE 2 TARGET NOMINATION AND EXCHANGE

2.1 Target Nomination.

2.1.1 Subject to this ARTICLE 2, AbbVie has the right to select a total of up to two (2) Targets as Accepted Targets under this Agreement for purposes of Development and Commercialization of AbbVie Probodies, Discovery PDCs and Licensed Products. The first such Target must be initially nominated by AbbVie no later than the [***] anniversary of the Effective Date and the second such Target must initially be nominated by AbbVie no later than [***] following the Effective Date.

2.1.2 Licensor and the Gatekeeper shall maintain an up-to-date list of unavailable Targets (“Unavailable Targets”) until the commencement of a GLP Tox Study of an AbbVie Probody or Discovery PDC for the last existing Accepted Target. The list of Unavailable Targets shall be limited to [***]. Licensor shall notify the Gatekeeper promptly, but in no event later than [***], if any Targets that were unavailable pursuant to subclauses (a), (b), (c) or (d) of this Section 2.1.2 become available for any reason, including [***]. Upon receipt of such notification, the Gatekeeper shall remove such Targets from the Unavailable Targets list.

2.1.3 At AbbVie’s discretion, for no more than [***] Targets per Calendar Year, prior to nomination of a Target (whether pursuant to Section 2.1.4, 2.2 or 2.3), AbbVie may disclose such Target to Licensor’s Alliance Manager and request in writing that Licensor’s Alliance Manager provide in writing existing Information that is Controlled by Licensor or its Affiliates, and not subject to any obligations of confidentiality to any Third Party to the extent such Information relates to the expression of the Target on tumor compared to normal cells, expression of the Target on various tumors, and internalization propensity of Target (the “Proposed Target Information”). If AbbVie makes such a request, and provided that such Target is not on the list of Unavailable Targets, Licensor shall promptly make such Proposed Target Information available to AbbVie’s Alliance Manager. Upon AbbVie’s request, Licensor shall also consider in good faith providing additional existing Information that is Controlled by Licensor or its Affiliates to the extent such Information is related to the proposed Target and would be useful to AbbVie in its evaluation of whether to nominate such Target. Upon written request from AbbVie, Licensor shall make Licensor’s Alliance Manager (or his/her designee) available to discuss such Proposed Target

Information. Unless and until such Target becomes an Accepted Target pursuant to this Agreement, any Proposed Target Information will be Confidential Information of Licensor; provided that in the event such Target becomes an Accepted Target pursuant to this Agreement, then such Proposed Target Information for such Accepted Target shall be used in accordance with the terms and conditions of this Agreement, including the confidentiality obligations set forth in ARTICLE 10. In the event that AbbVie requests such Proposed Target Information pursuant to this Section 2.1.3, AbbVie shall have no obligation to nominate the Target as an Accepted Target pursuant to Section 2.1.4. Notwithstanding anything herein to the contrary, in no way shall AbbVie's request for Proposed Target Information be deemed to be a nomination or reservation of the Target as an Accepted Target until such Target is formally nominated in accordance with the terms and conditions set forth in Section 2.1.4.

2.1.4 To nominate a Target, AbbVie shall provide the Gatekeeper with a confidential written description of each Target (the "**Nominated Target**") proposed for selection as an Accepted Target, including, to the extent available, the NCBI Entrez Gene Symbol and NCBI RefSeq accession number (Gene ID) for such Target (the "**Target Notice**"). Within [***] following the Gatekeeper's receipt of the Target Notice with respect to a Nominated Target, the Gatekeeper shall verify whether such Nominated Target is on the list of Unavailable Targets and notify AbbVie in writing ("**Gatekeeper Notice**") whether such proposed Target is or is not on the Unavailable Target list. If the Gatekeeper Notice indicates that the Nominated Target is not on the Unavailable Target list, the Nominated Target shall automatically be accepted as a Target ("**Accepted Target**") on the date of AbbVie's receipt of such notice (the "**Target Acceptance Date**"), and the Parties will have all rights and obligations hereunder in connection with such Accepted Target (including exclusivity in accordance with Section 6.8) as of the Target Acceptance Date. If the Gatekeeper Notice indicates that the Nominated Target is on the Unavailable Target list, then (a) if such Nominated Target is subsequently removed from the list of Unavailable Targets and at that time two Targets are not Accepted Targets, the Gatekeeper shall provide written notice to AbbVie within [***] of such Nominated Target's removal therefrom and (b) AbbVie shall have the right to nominate an alternative Nominated Target (or the same Nominated Target, if it becomes available) in accordance with this Section 2.1.4 on or prior to the later of (i) the deadline set forth in Section 2.1.1 or (ii) the date that is [***] after AbbVie's receipt of such Gatekeeper Notice notwithstanding the deadline set forth in Section 2.1.1. In the event that one or more Third Parties has requested the same Unavailable Target and such Target is subsequently removed from the list of Unavailable Targets, the Gatekeeper will use reasonable best efforts to send notice to AbbVie and any such Third Party(ies) at the same time. In all cases, Licensor acknowledges and agrees that if AbbVie is the first Person to submit a Target Notice for a Target, AbbVie will be granted rights to such Target.

2.1.5 Notwithstanding Sections 2.1.3 and 2.1.4 to the contrary, AbbVie hereby nominates [***] as the second Target, [***]. The Target Acceptance Date for [***] shall be deemed to be June 28, 2019, upon which date [***] shall automatically be accepted as an Accepted Target. For the purpose of clarity, the Target nomination and acceptance exception hereunder is only applicable to [***] and, for all other Targets, [***], the requirements of Sections 2.1.3 or 2.1.4 shall apply as applicable.

2.2 [***]

- 2.3 [***]
- 2.3.1 [***]
- 2.3.2 [***]

ARTICLE 3
COLLABORATION MANAGEMENT

3.1 Joint Research Committee.

3.1.1 Formation. As soon as practical, but no later than [***], after the first Target Acceptance Date, the Parties shall establish a joint research committee (the “**Joint Research Committee**” or “**JRC**”). The JRC shall consist of [***] representatives from [***], each with the requisite experience and seniority to enable such person to make decisions on behalf of the Parties with respect to the issues falling within the jurisdiction of the JRC. From time to time, each Party may substitute one (1) or more of its representatives to the JRC on written notice to the other Party. The JRC shall be chaired on an annual rotating basis by a JRC representative of either AbbVie or Licensor, as applicable, with [***] providing the first such chairperson.

3.1.2 Specific Responsibilities. The JRC shall develop the strategies for and oversee the research and discovery related activities relating to the conversion of Discovery Antibodies into Discovery Probodyes and the conjugation of Discovery Probodyes into Discovery PDCs in accordance with the Discovery Research Plan, and shall serve as a forum for the coordination of such activities. In particular, the JRC shall:

- (a) periodically (no less often than quarterly) review and serve as a forum for discussing the Discovery Research Plan, and review and approve amendments thereto;
- (b) serve as a forum for discussion of results from the conduct of activities under the Discovery Research Plan;
- (c) for each Accepted Target, serve as a forum for determining if a Discovery Antibody has met the Antibody Criteria;
- (d) for each Accepted Target, serve as a forum for determining if the Discovery Probody Success Criteria and Discovery PDC Success Criteria have been met;
- (e) establish secure access methods (such as secure databases) for each Party to access research and discovery and other JRC related Information as contemplated under this Agreement;
- (f) determine whether a Discovery PDC or AbbVie Probody Failure has occurred;
- (g) perform such other functions as are set forth herein or as the Parties may mutually agree in writing, except where in conflict with any provision of this Agreement.

3.1.3 Disbandment. Upon completion of the Discovery Research Plan for a given Accepted Target, the JRC shall have no further responsibilities or authority under this

Agreement with respect to that Accepted Target and the associated Discovery Probodies, Discovery PDCs and Licensed Products. Once the Discovery Research Plan has been completed for the second Accepted Target (or, if a second Target is not nominated prior to the deadline set forth in Section 2.1.1, the first Accepted Target), the JRC shall have no further responsibilities or authority under this Agreement with respect to that second Accepted Target and the associated Discovery Probodies, Discovery PDCs and Licensed Products. Once the Discovery Research Plan has been completed for both the first Accepted Target and, if applicable, second Accepted Target and all of AbbVie's rights to perform a Target Exchange or to nominate a Substitute Target have expired or been exercised, the JRC will be considered fully dissolved by the Parties. Additionally, in the event of an Acquisition by Licensor or Change in Control of Licensor, in each case, involving a Competitor, AbbVie shall have the right at any time and for any reason, effective upon written notice, to disband the JRC pursuant to Section 14.2.2.

3.2 General Provisions Applicable to JRC.

3.2.1 Meetings and Minutes. The JRC shall meet quarterly, or in each case as otherwise agreed to by the Parties, with the location of such meetings alternating between locations designated by Licensor and locations designated by AbbVie. The chairperson of the JRC shall be responsible for calling meetings on no less than [***] notice. Each Party shall make all proposals for agenda items and shall provide all appropriate information with respect to such proposed items at least [***] in advance of the applicable meeting; *provided*, that under exigent circumstances requiring input by the JRC, a Party may provide its agenda items to the other Party within a shorter period of time in advance of the meeting, or may propose that there not be a specific agenda for a particular meeting, so long as the other Party consents to such later addition of such agenda items or the absence of a specific agenda for such meeting. The chairperson of the JRC shall prepare and circulate for review and approval of the Parties minutes of each meeting within [***] after the meeting. The Parties shall agree on the minutes of each meeting promptly, but in no event later than the next meeting of the JRC. If the Parties cannot agree on the content of the minutes, the objecting Party shall append a notice of objection with the specific details of the objection to the proposed minutes.

3.2.2 Procedural Rules. The JRC shall have the right to adopt such standing rules as shall be necessary for its work, to the extent that such rules are not inconsistent with this Agreement. A quorum of the JRC shall exist whenever there is present at a meeting at least one (1) representative appointed by each Party. Representatives of the Parties on the JRC may attend a meeting either in person or by telephone, video conference or similar means in which each participant can hear what is said by, and be heard by, the other participants. Representation by proxy shall be allowed. The JRC shall take action by [***] of the representatives present at a meeting at which a quorum exists, with each Party having a [***], or by a written resolution signed by at least one (1) representative appointed by each Party. Employees or consultants of either Party that are not representatives of the Parties on the JRC may attend meetings of the JRC; *provided*, that such attendees (i) shall not vote or otherwise participate in the decision-making process of the JRC, and (ii) are bound by obligations of confidentiality and non-disclosure equivalent to those set forth in ARTICLE 10.

3.2.3 JRC Dispute Resolution. If the JRC cannot, or does not, reach consensus on an issue at a meeting or within a period of [***] thereafter or such other period as

the Parties may agree, then the dispute shall first be referred to the Senior Officers of the Parties, who shall confer in good faith on the resolution of the issue. Any final decision mutually agreed to by the Senior Officers shall be conclusive and binding on the Parties. If the Senior Officers are not able to agree on the resolution of any such issue within [***] after such issue was first referred to them, then:

- (a) [***]
- (b) [***]
- (c) [***]

3.2.4 Limitations on Authority. Each Party shall retain the rights, powers, and discretion granted to it under this Agreement and no such rights, powers, or discretion shall be delegated to or vested in the JRC unless such delegation or vesting of rights is expressly provided for in this Agreement or the Parties expressly so agree in writing. The JRC shall not have the power to amend, modify, or waive compliance with this Agreement, which may only be amended or modified as provided in Section 14.9 or compliance with which may only be waived as provided in Section 14.11.

3.2.5 Alliance Manager. Each Party shall appoint an individual to be the point of contact within each Party (the “**Alliance Manager**”) with responsibility for facilitating communication between the Parties for all matters between meetings of the JRC, including communication between the Parties regarding the Discovery Activities and Party Development Activities. The Alliance Manager of each Party may be a member of the JRC. If the Alliance Manager of each Party is not a JRC member, then the Alliance Manager may attend JRC meetings as a non-voting participant. The Alliance Manager shall facilitate resolution of potential and pending issues and potential disputes to enable the JRC to try to reach consensus and avert escalation of such issues or potential disputes, if possible.

3.3 Discontinuation of Participation on the JRC. Subject to Sections 3.1.3, and 14.2.2, the JRC shall continue to exist until the Parties mutually agreeing to disband the JRC.

3.4 Interactions Between a JRC and Internal Teams. **The Parties recognize that each Party possesses an internal structure (including various committees, teams and review boards) that will be involved in administering such Party’s activities under this Agreement. Nothing contained in this Article shall prevent a Party from making routine day-to-day decisions relating to the conduct of those activities for which it has a performance or other obligations hereunder, in each case in a manner consistent with the then-current applicable plan and the terms and conditions of this Agreement.**

3.5 Working Groups. From time to time, the JRC may establish and delegate duties to sub-committees or directed teams (each, a “**Working Group**”) on an “as-needed” basis to oversee particular projects or activities (for example, joint project team, joint finance group, and/or joint intellectual property group). Each such Working Group shall be constituted and shall operate as the JRC determines; provided that each Working Group shall have equal representation from each Party, unless otherwise mutually agreed. Working Groups may be established on an ad hoc basis for purposes of a specific project or on such other basis as the JRC may determine. Each Working Group and its activities shall be subject to the oversight, review and approval of, and shall report to, the JRC that formed said Working Group. In no event shall the authority of the

Working Group exceed that specified for the JRC that formed the Working Group to this Article. All decisions of a Working Group shall be by consensus. Any disagreement between the designees of AbbVie and Licensor on a Working Group shall be referred to the JRC that formed the Working Group for resolution.

3.6 Expenses. Each Party shall be responsible for all travel and related costs and expenses for its members and other representatives to attend meetings of, and otherwise participate on, a Committee or other Working Group.

ARTICLE 4 DEVELOPMENT AND REGULATORY

4.1 Antibody Sequence Delivery. For each Accepted Target, AbbVie will use Commercially Reasonable Efforts to deliver to Licensor the sequence of an Antibody Controlled by AbbVie that specifically binds to such Accepted Target and that AbbVie believes meets the Antibody Criteria (the “**Discovery Antibody**”), together with related materials and data as set forth in the Discovery Research Plan. Following such delivery, Licensor will promptly evaluate whether such Discovery Antibody meets the Antibody Criteria in accordance with the Discovery Research Plan and the timeline set forth therein. If the JRC determines that a Discovery Antibody does not meet the Antibody Criteria, the JRC will promptly provide AbbVie with written notice identifying the deficiencies and AbbVie may, in its sole discretion and upon written notice to Licensor, elect to either (a) select a new Discovery Antibody for the existing Accepted Target or (b) select a Substitute Target pursuant to Section 2.2. Following AbbVie’s selection, this Section 4.1 will apply with respect to the new Discovery Antibody.

4.2 Creation of Discovery Probodies. For each Accepted Target (including any Substitute Target or New Target), following delivery by AbbVie of the sequence for a Discovery Antibody meeting the Antibody Criteria, Licensor will use Commercially Reasonable Efforts to create Discovery Probodies containing the Discovery Antibody in accordance with the Discovery Research Plan and the timeline set forth therein. As further detailed in the Discovery Research Plan, for each Accepted Target Licensor will deliver to AbbVie by the Discovery Probody Delivery Deadline sequences, materials and data for all Discovery Probodies that Licensor believes meet the Discovery Probody Success Criteria. Following AbbVie’s receipt of the foregoing, AbbVie will promptly evaluate whether the Discovery Probody Success Criteria have been met, and the JRC shall determine whether such Discovery Probody Success Criteria have been met. If the JRC determines that the Discovery Probody Success Criteria have not been met by the Discovery Probody Delivery Deadline AbbVie may, in its sole discretion, (a) provide written notice to Licensor identifying the deficiencies and Licensor will use Commercially Reasonable Efforts to create new Discovery Probodies containing the same Discovery Antibody previously used for such Accepted Target by the new Discovery Probody Delivery Deadline and submit the sequences, materials and data for such Discovery Probodies to AbbVie in accordance with this Section 4.2, (b) provide Licensor with the sequence, materials and data of a new Discovery Antibody for such Accepted Target that meets the Antibody Criteria pursuant to Section 4.1 and Licensor will use Commercially Reasonable Efforts to create new Discovery Probodies containing the new Discovery Antibody for such Accepted Target by the new Discovery Probody Delivery Deadline and submit the sequences, materials and data for such Discovery Probodies to

AbbVie in accordance with this [Section 4.2](#) or (c) select a Substitute Target pursuant to [Section 2.2](#).

4.3 Optional Development of AbbVie Probodies; Creation of Discovery PDCs.

4.3.1 Licensor hereby grants AbbVie an option to Develop and Commercialize either Discovery PDCs or, subject to CytomX's prior written consent (which may be granted or withheld in CytomX's sole discretion) as to AbbVie's ability to Develop an AbbVie Probody targeting [***], AbbVie Probodies with respect to the AbbVie Probody Target (the "**Option**"). Such Option may be exercised by AbbVie in its sole discretion. The Option shall be deemed to be exercised upon AbbVie's filing, and acceptance by the FDA, of an IND for either a Discovery PDC or an AbbVie Probody to the AbbVie Probody Target, subject to CytomX's prior written consent (which may be granted or withheld in CytomX's sole discretion) as to AbbVie's ability to Develop an AbbVie Probody targeting [***]. Upon exercise of the Option, (a) the rights and obligations set forth in this Agreement shall apply to (i) Discovery PDCs, to the extent such IND contemplates investigation of a Discovery PDC, or (ii) AbbVie Probodies, to the extent such IND contemplates investigation of an AbbVie Probody, and (b) the Option shall expire with respect to (i) Discovery PDCs, to the extent such IND contemplates investigation of an AbbVie Probody, or (ii) AbbVie Probodies, to the extent such IND contemplates investigation of a Discovery PDC. For the purpose of clarity, to the extent that the AbbVie exercises the Option to Develop and Commercialize Discovery PDCs, AbbVie's rights to Develop and Commercialize AbbVie Probodies targeting such AbbVie Probody Target shall cease, and the terms and conditions of this Agreement relating to Discovery Probodies as a component of, or precursor to, such Discovery PDCs shall remain in full force and effect.

4.3.2 For each Accepted Target, following AbbVie's receipt of Discovery Probody sequences, materials and data pursuant to [Section 4.2](#) and the JRC's determination that the Discovery Probody Success Criteria have been met by the Discovery Probody Delivery Deadline, with respect to the AbbVie Probody Target, AbbVie may elect to generate Discovery PDCs for such Accepted Target. Upon AbbVie's election to generate such Discovery PDCs, AbbVie shall use Commercially Reasonable Efforts to create at least one Discovery PDC containing a Discovery Probody generated by Licensor in accordance with the Discovery Research Plan. Following AbbVie's generation (or attempted generation) of such Discovery PDC, AbbVie will evaluate whether the Discovery PDC Success Criteria have been met, and the JRC shall determine whether such Discovery Probody Success Criteria have been met. If the JRC determines that the Discovery PDC Success Criteria have not been met, AbbVie may, in its sole discretion, (a) provide written notice to Licensor identifying the deficiencies and Licensor will, as soon as reasonably practicable (but in no case later than the new Discovery Probody Delivery Deadline), create new Discovery Probodies containing the same Discovery Antibody previously used for such Accepted Target and submit the sequences, materials and data for such Discovery Probodies to AbbVie in accordance with [Section 4.2](#), (b) provide Licensor with the sequence, materials and data of a new Discovery Antibody for such Accepted Target that meets the Antibody Criteria pursuant to [Section 4.1](#) and Licensor will, as soon as reasonably practicable (but in no case later than the new Discovery Probody Delivery Deadline), create new Discovery Probodies containing the new Discovery Antibody for such Accepted Target and submit the sequences, materials and data for

such Discovery Probodies to AbbVie in accordance with Section 4.2(c) select a Substitute Target pursuant to Section 2.2.

4.4 Development of AbbVie Probodies, Discovery PDCs and Licensed Products. For each Accepted Target, following the applicable Target Acceptance Date, except for Licensor's responsibilities in the conduct of the Discovery Research Plan, AbbVie shall have the sole right to Develop and Manufacture (and shall control all aspects of Development and Manufacturing), including seeking Regulatory Approvals for, AbbVie Probodies, Discovery PDCs and Licensed Products in the Field and in the Territory and, for clarity, Licensor and its Affiliates shall have no right to do so. For each Accepted Target, following the creation of the applicable AbbVie Probody or Discovery PDCs, AbbVie shall use Commercially Reasonable Efforts to Develop a Licensed Product for at least one Indication for use in each Major Market. AbbVie shall have the right to satisfy its diligence obligations under this Section 4.4 through its Affiliates or Sublicensees. [***]

4.5 Supply of Technology for Development Purposes. On an Accepted Target-by-Accepted Target basis:

(a) Licensor shall, and shall cause its Affiliates to, without additional compensation, disclose and make available to AbbVie, in whatever form AbbVie may reasonably request, Regulatory Documentation, Licensor Background Know-How, Licensor Program Know-How, Joint Program Know-How, and any other Information claimed or covered by any Licensor Background Patent, Licensor Program Patent or Joint Program Patent, in each case to the extent relating to the Discovery Probodies (including sequence information), promptly following the creation of the Discovery Probodies pursuant to Section 4.2, and otherwise promptly after the development, making conception or reduction to practice of such Information. Notwithstanding the foregoing, Licensor shall have no obligation to provide any Tools to AbbVie.

(b) Licensor, at its sole cost and expense, shall provide AbbVie with reasonable assistance required in order to transfer to AbbVie the Regulatory Documentation, Licensor Background Know-How, Licensor Program Know-How, Joint Program Know-How, and other Information required to be produced pursuant to clause (a) above, in each case in a timely manner, and shall assist AbbVie with respect to the Exploitation of any AbbVie Probody, any Discovery PDC and any Licensed Products. Without prejudice to the generality of the foregoing, if visits of Licensor's representatives to AbbVie's facilities are reasonably requested by AbbVie for purposes of transferring the Regulatory Documentation, Licensor Background Know-How, Licensor Program Know-How, Joint Program Know-How, or other Information to AbbVie or for purposes of AbbVie acquiring expertise on the practical application of such Information or assisting on issues arising during such Exploitation, Licensor shall send appropriate representatives to AbbVie's facilities for reasonable time periods.

4.6 Expenses. Except as expressly set forth in this Agreement, each Party shall bear all costs and expenses associated with the Development activities for which such Party is responsible under this Agreement and the Discovery Research Plan.

4.7 Subcontracting. Each Party shall have the right to subcontract any of its Party Development Activities to a Third Party (a "**Third Party Provider**"); *provided*, that Licensor must (a) furnish AbbVie with advanced written notice thereof, which notice shall specify

the work to be subcontracted, (b) secure AbbVie's prior written consent to such Third Party Provider and the activities to be subcontracted (including consent through designating Third Party Providers in the Discovery Research Plan approved by AbbVie) and (c) obtain a written undertaking from the Third Party Provider that it shall be subject to the applicable terms and conditions of this Agreement, including the confidentiality provisions of ARTICLE 10. Licensor shall include AbbVie in any discussions and negotiations with any such Third Party Provider and shall follow AbbVie's instructions with respect to any decision pertaining to Licensor's arrangement with such Third Party.

4.8 Regulatory Matters.

4.8.1 Regulatory Activities.

(a) As between the Parties, AbbVie shall have the sole right to prepare, obtain, and maintain the Drug Approval Applications (including the setting of the overall regulatory strategy therefor), other Regulatory Approvals and other submissions, and to conduct communications with the Regulatory Authorities, for AbbVie Probodies, Discovery PDCs or Licensed Products in the Territory (which shall include filings of or with respect to INDs and other filings or communications with the Regulatory Authorities). Licensor shall support AbbVie, as may be reasonably necessary, in obtaining Regulatory Approvals for the Licensed Products, and in the activities in support thereof, including providing necessary documents or other materials required by Applicable Law to obtain Regulatory Approvals, in each case in accordance with the terms and conditions of this Agreement and the Discovery Research Plan.

(b) All Regulatory Documentation (including all Regulatory Approvals and Product Labeling) relating to the AbbVie Probodies, Discovery PDCs or Licensed Products with respect to the Territory shall be owned by, and shall be the sole property and held in the name of, AbbVie or its designated Affiliate, Sublicensee or designee. Licensor shall duly execute and deliver, or cause to be duly executed and delivered, such instruments and shall do and cause to be done such acts and things, including the filing of such assignments, agreements, documents, and instruments, as may be necessary under, or as AbbVie may reasonably request in connection with, or to carry out more effectively the purpose of, or to better assure and confirm unto AbbVie its rights under, this Section.

4.8.2 Recalls. AbbVie shall make every reasonable effort to notify Licensor promptly following its determination that any event, incident, or circumstance has occurred that may result in the need for a recall, market suspension, or market withdrawal of a Licensed Product in the Territory, and shall include in such notice the reasoning behind such determination, and any supporting facts. AbbVie (or its Sublicensee) shall have the right to make the final determination whether to voluntarily implement any such recall, market suspension, or market withdrawal in the Territory. If a recall, market suspension, or market withdrawal is mandated by a Regulatory Authority in the Territory, AbbVie (or its Sublicensee) shall initiate such a recall, market suspension, or market withdrawal in compliance with Applicable Law. For all recalls, market suspensions or market withdrawals undertaken pursuant to this Section 4.8.2, AbbVie (or its Sublicensee) shall be solely responsible for the execution thereof, and Licensor shall reasonably cooperate in all such recall efforts. Subject to ARTICLE 12, (i) in the event that a recall, market suspension, or market withdrawal resulted from a Party's or its Affiliate's breach of its obligations hereunder, or from such Party's or its Affiliate's negligence or willful

misconduct, such Party shall bear the expense of such recall, market suspension, or market withdrawal and (ii) with respect to any recall, market suspension, or market withdrawal not covered by clause (i), AbbVie shall be responsible for all costs of such recall, market suspension, or market withdrawal.

4.9 Compliance. Licensor shall perform or cause to be performed, any and all of its Party Development Activities under the Discovery Research Plan in good scientific manner and in compliance with all Applicable Law.

4.10 Records.

4.10.1 Each of Licensor and AbbVie shall, and shall ensure that its Third Party Providers, maintain records in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, and in compliance with Applicable Law, which shall be complete and accurate and shall properly reflect all work done and results achieved in the performance of its designated Party Development Activities which shall record only such activities and shall not include or be commingled with records of activities outside the scope of this Agreement. Such records shall be retained by Licensor or AbbVie, as the case may be, for at least [***] after the termination of this Agreement, or for such longer period as may be required by Applicable Law. Upon request, Licensor shall provide copies of the records it has maintained pursuant to this Section 4.10.1 to AbbVie.

4.10.2 AbbVie shall have the right, during normal business hours and upon reasonable notice, to inspect and copy all records of Licensor maintained pursuant to Section 4.10.1. AbbVie shall maintain such records and the information disclosed therein in confidence in accordance with ARTICLE 10.

**ARTICLE 5
COMMERCIALIZATION**

5.1 In General. AbbVie (itself or through its Affiliates or Sublicensees) shall have the sole right to Commercialize AbbVie Probodies, Discovery PDCs and Licensed Products in the Territory at its own cost and expense.

5.2 Diligence. On an Accepted Target-by-Accepted Target basis, AbbVie shall use Commercially Reasonable Efforts to Commercialize one Licensed Product in each Major Market following receipt of Regulatory Approval therefor in such Major Market; *provided*, that such obligation is expressly conditioned upon Licensor's and its Affiliates' performing their respective obligations hereunder. Licensor acknowledges and agrees that, in addition to the foregoing, (A) AbbVie shall have the right to satisfy its diligence obligations hereunder through its Affiliates or Sublicensees [***].

5.3 Statements and Compliance with Applicable Law. AbbVie shall, and shall cause its Affiliates to, comply with all Applicable Law with respect to the Commercialization of Licensed Products.

5.4 Booking of Sales; Distribution. AbbVie shall have the sole right to invoice and book sales, establish all terms of sale (including pricing and discounts) and warehousing, and distribute the Licensed Products in the Territory and to perform or cause to be performed all related

services. AbbVie shall handle all returns, recalls, or withdrawals, order processing, invoicing, collection, distribution, and inventory management with respect to the Licensed Products in the Territory.

5.5 Product Trademarks. Subject to Section 5.6, AbbVie shall have the sole right to determine and own the Product Trademarks to be used with respect to the Exploitation of the Licensed Products on a worldwide basis. Licensor shall not, and shall not permit its Affiliates to, (a) use in their respective businesses, any Trademark that is confusingly similar to, misleading or deceptive with respect to or that dilutes any (or any part) of the Product Trademarks, and (b) do any act which endangers, destroys, or similarly affects, in any material respect, the value of the goodwill pertaining to the Product Trademarks. Licensor agrees, and shall cause its Affiliates, to conform (i) to the customary industry standards for the protection of Product Trademarks for products and such guidelines of AbbVie with respect to manner of use (as provided in writing by AbbVie) of the Product Trademarks, and (ii) to maintain the quality standards of AbbVie with respect to the goods sold and services provided in connection with such Product Trademarks. Licensor shall not, and shall not permit its Affiliates to, attack, dispute, or contest the validity of or ownership of such Product Trademark anywhere in the Territory or any registrations issued or issuing with respect thereto.

5.6 Markings. To the extent required by Applicable Law in a country or other jurisdiction in the Territory, the promotional materials, packaging, and Product Labeling for the Licensed Products used by AbbVie and its Affiliates in connection with the Licensed Products in such country or other jurisdiction shall contain (a) the Corporate Name of Licensor, and (b) the logo and corporate name of the manufacturer (if other than AbbVie or an Affiliate) (collectively, the “**Markings**”).

5.7 Commercial Supply of AbbVie Probodies, Discovery PDCs or Licensed Products.

5.7.1 Commercial Supply of AbbVie Probodies, Discovery PDCs or Licensed Products. As between the Parties, AbbVie shall have the sole right, at its expense, to Manufacture (or have Manufactured) and supply AbbVie Probodies, Discovery PDCs and Licensed Products for commercial sale in the Territory by AbbVie and its Affiliates and Sublicensees.

5.7.2 Manufacturing Technology Transfer Upon AbbVie’s Request. AbbVie shall have the right, at any time and from time to time after the Effective Date, to require Licensor to effect a full transfer to AbbVie or its designee (which designee may be an Affiliate or a Third Party manufacturer, and which Third Party manufacturer may be a backup manufacturer or a second manufacturer of AbbVie Probody, Discovery PDC or Licensed Product) of all Licensor Background Know-How, Licensor Program Know-How and Joint Program Know-How relating to the then-current process necessary or useful for the Manufacture of the Discovery Probodies, (the “**Manufacturing Process**”) and to implement the Manufacturing Process at facilities designated by AbbVie (such transfer and implementation, as more fully described in this Section 5.7.2, the “**Manufacturing Technology Transfer**”). Licensor shall provide, and shall cause its Third Party manufacturers that have manufactured Discovery Probodies (“**Third Party Manufacturers**”) to provide, all reasonable assistance requested by AbbVie to enable AbbVie (or its Affiliate or designated Third Party manufacturer, as applicable) to implement the

Manufacturing Process at the facilities designated by AbbVie. If requested by AbbVie, such assistance shall include facilitating the entering into of agreements with applicable Third Party Manufacturers relating to Discovery Probodies. Without limitation to the foregoing, in connection with each Manufacturing Technology Transfer, Licensor shall, and shall cause its Third Party Manufacturers to:

(a) make available to AbbVie (or its Affiliate or designated Third Party manufacturer, as applicable) from time to time as AbbVie may request, all Manufacturing-related Licensor Background Know-How, Licensor Program Know-How, Joint Program Know-How, Information and materials relating to the Manufacturing Process, and all documentation constituting material support, performance advice, shop practice, standard operating procedures, specifications as to materials to be used and control methods, that are reasonably necessary or useful to enable AbbVie (or its Affiliate or designated Third Party manufacturer, as applicable) to use and practice the Manufacturing Process;

(b) cause all appropriate employees and representatives of Licensor and its Affiliates and all appropriate employees and representatives of its Third Party Manufacturers to meet with employees or representatives of AbbVie (or its Affiliate or designated Third Party manufacturer, as applicable) at the applicable manufacturing facility at mutually convenient times to assist with the working up and use of the Manufacturing Process and with the training of the personnel of AbbVie (or its Affiliate or designated Third Party manufacturer, as applicable) to the extent reasonably necessary or useful to enable AbbVie (or its Affiliate or designated Third Party manufacturer, as applicable) to use and practice the Manufacturing Process;

(c) Without limiting the generality of clause (b) above, cause all appropriate analytical and quality control laboratory employees and representatives of Licensor and its Affiliates and all appropriate analytical and quality control employees and representatives of its Third Party Manufacturers to meet with employees or representatives of AbbVie (or its Affiliate or designated Third Party manufacturer, as applicable) at the applicable manufacturing facility and make available all necessary equipment, at mutually convenient times, to support and execute the transfer of all applicable analytical methods and the validation thereof (including, all applicable Licensor Background Know-How, Licensor Program Know-How, Joint Program Know-How, methods, validation documents and other documentation, materials and sufficient supplies of all primary and other reference standards);

(d) take such steps as are reasonably necessary or useful to assist in reasonable respects AbbVie (or its Affiliate or designated Third Party manufacturer, as applicable) in obtaining any necessary licenses, permits or approvals from Regulatory Authorities with respect to the Manufacture of Discovery Probodies at the applicable facilities; and

(e) provide such other assistance as AbbVie (or its Affiliate or designated Third Party manufacturer, as applicable) may reasonably request to enable AbbVie (or its Affiliate or designated Third Party manufacturer, as applicable) to use and practice the Manufacturing Process and otherwise to Manufacture Discovery Probodies

5.7.3 Subsequent Manufacturing Technology Transfer. Without limiting the foregoing, in the event that Licensor makes any invention, discovery, or improvement relating to the Manufacture of a Discovery Probody, a Discovery PDC or a Licensed Product after

Licensors has conducted a technology transfer pursuant to Section 5.7.2, Licensors shall, promptly disclose such invention, discovery, or improvement to AbbVie, and shall, at AbbVie's request and at AbbVie's sole cost and expense, perform technology transfer with respect to such invention, discovery, or improvement in the same manner as provided in Section 5.7.2.

ARTICLE 6 GRANT OF RIGHTS

6.1 Grants to AbbVie.

6.1.1 Upon the Effective Date, Licensors (on behalf of itself and its Affiliates) hereby grants to AbbVie, on an Accepted Target-by-Accepted Target basis:

(a) an exclusive (including with regard to Licensors and its Affiliates, except as provided in Section 6.6) license (or sublicense), with the right to grant sublicenses in accordance with Section 6.3, under the Licensors Background Patents, the Licensors Program Patents, the Licensors Background Know-How, the Licensors Program Know-How and Licensors's interests in the Joint Program Patents and the Joint Program Know-How, to (a) characterize and test Discovery Probodies; (b) use Discovery Probodies to Manufacture and Develop Discovery PDCs and (c) Exploit the AbbVie Probodies, Discovery PDCs and Licensed Products in the Field in the Territory;

(b) an exclusive (including with regard to Licensors and its Affiliates, except as provided in Section 6.6) license and right of reference, with the right to grant sublicenses and further rights of reference in accordance with Section 6.3, under the Regulatory Approvals and any other Regulatory Documentation that Licensors or its Affiliates may Control with respect to the Discovery Probodies, Discovery PDCs or Licensed Products as necessary for purposes of Exploiting the AbbVie Probodies, Discovery PDCs and Licensed Products in the Field in the Territory; and

(c) subject to Section 8.1.6, a non-exclusive license, with the right to grant sublicenses in accordance with Section 6.3, to use (a) Licensors's Corporate Names solely as required to Exploit the AbbVie Probodies, Discovery PDCs or Licensed Products in the Field in the Territory, or (b) the trademark "Probody" to Exploit the AbbVie Probodies, Discovery PDCs or Licensed Products in the Field in the Territory, and in each case for no other purpose.

6.1.2 The grants set forth in Section 6.1.1 will automatically come into full force and effect on the Target Acceptance Date for such Accepted Target without any further action required by either Party under this Agreement.

6.2 Grants to Licensors.

6.2.1 Upon the Effective Date, AbbVie grants to Licensors, on an Accepted Target-by-Accepted Target basis, a non-exclusive, royalty-free license, without the right to grant sublicenses (other than to permitted subcontractors of Licensors in accordance with Section 4.7), under the AbbVie Background Patents, AbbVie Background Know-How, AbbVie Program Patents, and AbbVie Program Know-How, claiming or covering Discovery Antibodies, to Develop and Manufacture the Discovery Probodies in the Territory solely for purposes of performing its obligations as set forth in, and subject to, the Discovery Research Plan.

6.2.2 The grants set forth in Section 6.2.1 will automatically come into full force and effect on the Target Acceptance Date for such Accepted Target without any further action required by either Party under this Agreement.

6.3 Sublicenses. AbbVie shall have the right to grant sublicenses (or further rights of reference), through multiple tiers of sublicensees, under the licenses and rights of reference granted in Section 6.1, to its Affiliates and other Persons; *provided* that AbbVie shall remain responsible for its obligations under this Agreement and shall be responsible for the performance of the relevant Sublicensee, and any such sublicenses shall be consistent with the terms and conditions of this Agreement.

6.4 Distributorships. AbbVie shall have the right, in its sole discretion, to appoint its Affiliates, and AbbVie and its Affiliates shall have the right, in their sole discretion, to appoint any other Persons, in the Territory or in any country or other jurisdiction of the Territory, to distribute, market, and sell the Licensed Products (with or without packaging rights), in circumstances where the Person purchases its requirements of Licensed Products from AbbVie or its Affiliates. Where AbbVie or its Affiliates appoints such a Person and such Person is not an Affiliate of AbbVie, that Person shall be a “**Distributor**” for purposes of this Agreement. The term “**packaging rights**” in this Section means the right for the Distributor to package Licensed Products supplied in unpackaged bulk form into individual ready-for-sale packs.

6.5 Co-Promotion Rights. For purposes of clarity, AbbVie and its Affiliates shall have the right, in their sole discretion, to co-promote the Licensed Products with any other Person(s), or to appoint one (1) or more Third Parties to promote the Licensed Products without AbbVie in all or any part of the Territory.

6.6 Retention of Rights.

6.6.1 Notwithstanding the exclusive licenses granted to AbbVie pursuant to Section 6.1, Licensor retains the right to practice under the Licensor Background Patents, the Licensor Program Patents, the Licensor Background Know-How, the Licensor Program Know-How, Licensor’s interests in the Joint Program Patents and the Joint Program Know-How, Regulatory Approvals and any other Regulatory Documentation solely to perform (and to sublicense Third Parties to perform as permitted hereunder) its obligations under this Agreement. Except as expressly provided herein, Licensor grants no other right or license, including any rights or licenses to the Licensor Background Patents, the Licensor Program Patents, the Licensor Background Know-How, the Licensor Program Know-How, the Regulatory Documentation, the Licensor Corporate Names, or any other Patent, Other Active Ingredient or intellectual property rights not otherwise expressly granted herein.

6.6.2 Except as expressly provided herein, AbbVie grants no other right or license, including any rights or licenses to the AbbVie Background Patents, the AbbVie Program Patents, the AbbVie Background Know-How, the AbbVie Program Know-How, the Regulatory Documentation, or any other Patent or intellectual property rights not otherwise expressly granted herein.

6.7 Confirmatory Patent License. Licensor shall if requested to do so by AbbVie immediately enter into confirmatory license agreements in the form or substantially the form reasonably requested by AbbVie for purposes of recording the licenses granted under this

Agreement with such patent offices in the Territory as AbbVie considers appropriate. Until the execution of any such confirmatory licenses, so far as may be legally possible, Licensor and AbbVie shall have the same rights in respect of the Licensor Background Patents, Licensor Program Patents and Joint Program Patents and be under the same obligations to each other in all respects as if the said confirmatory licenses had been executed.

6.8 Exclusivity with Respect to the Territory.

6.8.1 Licensor Covenant.

(a) Licensor shall not, and shall cause its Affiliates not to, on an Accepted Target-by-Accepted Target basis, beginning on the applicable Target Acceptance Date until the termination or expiration of this Agreement with respect to the applicable Accepted Target (including by Target Exchange or replacement with a Substitute Target), (a) directly or indirectly, whether alone or together with a Third Party, Develop for any purpose a Discovery Probody, Discovery PDC or Licensed Products for any purpose, except as otherwise expressly provided in the Discovery Research Plan, (b) directly or indirectly, develop, commercialize or manufacture any Competing Product in any country or other jurisdiction in the Territory, or (c) license, authorize, appoint, or otherwise enable any Third Party to directly or indirectly, develop, commercialize or manufacture any Competing Product in any country or other jurisdiction in the Territory.

(b) [***].

6.9 In-License Agreements. During the Term, neither Licensor nor any of its Affiliates shall, without AbbVie's prior written consent, enter into any agreement with a Third Party related to Information, Regulatory Documentation, material, Patents, or other intellectual other property rights directed primarily to Discovery Probodies, Discovery PDCs or Licensed Products. Subject to Section 8.6, if Licensor or any of its Affiliates are a party to a license, sublicense or other agreement for additional rights, with the right to sublicense, that is relevant to (i.e., not directed primarily to) Discovery Probodies, Discovery PDCs or Licensed Products, or as permitted in the aforementioned sentence, then Licensor shall inform AbbVie and shall provide AbbVie with a copy of such license, sublicense, or other agreement ("**Proposed Future In-Licensed Rights**"). If AbbVie notifies Licensor in writing that it wishes to be bound by and/or assume the rights and obligations of the Proposed Future In-Licensed Rights as they apply to AbbVie and this Agreement, then the Proposed Future In-Licensed Rights shall automatically be included in the Licensor Background Patents and/or Licensor Background Know-How (as applicable) hereunder and AbbVie agrees to abide by all applicable terms and conditions of such license, sublicense or other agreement, as it relates to AbbVie and this Agreement. The amounts payable under any Licensor In-License Agreements and Proposed Future In-Licensed Rights shall be the responsibility of one or both of the Parties as follows:

6.9.1 [***];

6.9.2 [***]; and

6.9.3 Other than as set forth in Sections 6.9.1 or 6.9.2 above, Licensor shall be solely responsible for and shall bear all upfront payments, milestone payments, royalties and other amounts payable to any Third Party in respect of any Proposed Future In-Licensed Rights; provided, that if AbbVie notifies Licensor in writing that it wishes to be bound by and/or

assume certain rights and obligations of any Proposed Future In-Licensed Rights and such Proposed Future In-Licensed Rights are automatically included in the Licensor Background Patents and/or Licensor Background Know-How (as applicable) hereunder, then AbbVie shall be responsible for [***] (but not any other payments) that are payable to any Third Party under the provisions of any such Licensor In-License Agreement that contains such Proposed Future In-Licensed Rights to the extent that such [***] specifically pertain to the Exploitation of an AbbVie Probody, Discovery PDC or Licensed Product by AbbVie or its Affiliates (excluding the portion of any such [***] that are payable under such Licensor In-License Agreement based on the cumulative effect of the Exploitation of an AbbVie Probody, Discovery PDC or Licensed Product by AbbVie or its Affiliates combined with the Exploitation of any other compounds or products by Licensor, its Affiliates or any Third Party). Licensor shall be solely responsible for any other amounts that are payable under such Licensor In-License Agreement.

6.10 Reverse Engineering. During the Term and for a period of [***] following the termination of this Agreement, Licensor hereby covenants and agrees that it shall not, and shall cause its Affiliates to not, for itself or themselves, (a) Develop, Commercialize or Manufacture in any country in the Territory, any Antibody or pharmaceutical product containing or encoding any Antibody, in each case that includes or contains an Antibody sequence provided by AbbVie or its Affiliates to Licensor or its Affiliates hereunder, or (b) reverse engineer any Antibody or pharmaceutical product containing or encoding any Antibody, in each case that includes or contains an Antibody sequence provided by AbbVie or its Affiliates to Licensor or its Affiliates hereunder.

ARTICLE 7 PAYMENTS AND RECORDS

7.1 Upfront Payment. No later than [***] following the Effective Date, AbbVie shall pay Licensor a one-time upfront amount equal to Ten Million Dollars (**\$10,000,000**). Such payment shall be noncreditable against any other payments due hereunder.

7.2 Second Accepted Target Fee. Subject to the terms and conditions set forth in this Agreement, within [***] after the Target Acceptance Date for a second Accepted Target, if any (that is not a Substitute Target or a New Target), AbbVie will pay Licensor a one-time fee of Ten Million Dollars (\$10,000,000) (the “**Second Accepted Target Fee**”); provided, that if, under the CD71 Agreement, (a) AbbVie has determined that Licensor has not met the Preclinical POC Success Criteria prior to the Preclinical POC Success Criteria Deadline (as each such term is defined in the CD71 Agreement), and (b) pursuant to Section 3.1.3(c) and Section 13.3.1 of the CD71 Agreement, AbbVie terminates the CD71 Agreement following the conclusion of the Cessation Period (as such terms are defined in the CD71 Agreement), then no Second Accepted Target Fee shall be required and AbbVie may nominate a second Accepted Target under this Agreement for no additional consideration.

7.3 Development Milestones. In partial consideration of the rights granted by Licensor to AbbVie hereunder and subject to the terms and conditions set forth in this Agreement, AbbVie shall pay to Licensor a milestone payment within [***] after the achievement of each of the following milestones for the first Licensed Product for each Accepted Target, calculated as follows:

- 7.3.1 [***];
- 7.3.2 [***]; and
- 7.3.3 [***].

On an Accepted Target-by-Accepted Target basis, if a development milestone set forth in this Section 7.3 for a Licensed Product becomes due before an earlier listed development milestone for such Licensed Product, then the earlier listed development milestone shall become payable upon the achievement of the later listed development milestone.

Each milestone payment in this Section 7.3 shall be payable only upon the first achievement of such milestone for each Accepted Target and no amounts shall be due for subsequent or repeated achievements of such milestone, whether for the same or a different Licensed Product targeting such Accepted Target. The maximum aggregate amount payable by AbbVie pursuant to this Section 7.3 for each Accepted Target is [***] and for all Accepted Targets is [***].

7.4 Regulatory Milestones. In partial consideration of the rights granted by Licensor to AbbVie hereunder and subject to the terms and conditions set forth in this Agreement, AbbVie shall pay to Licensor a milestone payment within [***] after the achievement of each of the following milestones for the first Licensed Product for each Accepted Target, calculated as follows:

- 7.4.1 [***];
- 7.4.2 [***];
- 7.4.3 [***];
- 7.4.4 [***];
- 7.4.5 [***]; and
- 7.4.6 [***].

Each milestone payment in this Section 7.4 shall be payable only upon the first achievement of such milestone for each Accepted Target and no amounts shall be due for subsequent or repeated achievements of such milestone, whether for the same or a different Licensed Product targeting such Accepted Target. The maximum aggregate amount payable by AbbVie pursuant to this Section 7.4 for each Accepted Target is [***] and for all Accepted Targets is [***].

7.5 Sales-Based Milestones. In partial consideration of the rights granted by Licensor to AbbVie hereunder and subject to the terms and conditions set forth in this Agreement, AbbVie shall pay to Licensor the following milestone payments due within [***] after the end of the Calendar Year in which such milestone was achieved for the first Licensed Product for each Accepted Target, calculated as follows:

- 7.5.1 [***];
- 7.5.2 [***]; and

7.5.3 [***].

Each milestone payment in this Section 7.5 shall be payable only upon the first achievement of such milestone for each Accepted Target and no amounts shall be due for subsequent or repeated achievements of such milestone, whether for the same or a different Licensed Product targeting such Accepted Target. The maximum aggregate amount payable by AbbVie pursuant to this Section for each Accepted Target is [***] and for all Accepted Targets is [***].

7.6 Royalties.

7.6.1 Royalty Rates. As further consideration for the rights granted to AbbVie hereunder, subject to Section 7.6.3, commencing upon the First Commercial Sale of a Licensed Product in the Territory, on a Licensed Product-by-Licensed Product basis, AbbVie shall pay to Licensor a royalty on Net Sales of each Licensed Product in the Territory (excluding Net Sales of each Licensed Product in any country or other jurisdiction in the Territory for which the Royalty Term for such Licensed Product in such country or other jurisdiction has expired) during each Calendar Year at the following rates:

Net Sales in the Territory of all Licensed Products containing the same AbbVie Probody or Discovery PDC, as applicable, in a Calendar Year	Royalty Rate
[***]	[***]
[***]	[***]
[***]	[***]

The royalty tiers set forth in the table above shall apply separately to Licensed Products [***]. For example, if [***] during a Calendar Year are [***], and [***] are [***] during such Calendar Year, the Net Sales for both Licensed Products shall bear a royalty rate of [***].

7.6.2 Royalty Term. AbbVie shall have no obligation to pay any royalty with respect to Net Sales of any Licensed Product in any country or other jurisdiction after the Royalty Term for such Licensed Product in such country or other jurisdiction has expired.

7.6.3 Reductions. Notwithstanding the foregoing:

(a) in the event that in any country or other jurisdiction in the Territory during the Royalty Term for a Licensed Product there is Biosimilar Competition resulting in [***];

(b) AbbVie shall be entitled to deduct from any royalties, milestones or other amounts payable hereunder with respect to a country or other jurisdiction [***] of all upfront payments, milestone payments, royalties and other amounts paid under AbbVie In-License Agreements with respect to such country or other jurisdiction except to the extent such AbbVie Third Party Payments constitute royalties under any agreement in which AbbVie obtained a right or license to Exploit an Other Active Ingredient (for which the Net Sales calculation under this Agreement excluded the value of such Other Active Ingredient); and provided further that (i) AbbVie has the right to deduct [***] of all payments by AbbVie in connection with Blocking

Third Party Platform IP and (B) AbbVie shall be responsible for [***] of all payments by AbbVie in connection with Blocking Third Party Payload IP;

(c) in the event that a court or a governmental agency of competent jurisdiction requires AbbVie or any of its Affiliates or Sublicensees to grant a compulsory license to a Third Party permitting such Third Party to make and sell a Licensed Product in a country or other jurisdiction in the Territory, then, for the purposes of calculating the royalties payable with respect to such Licensed Product under Section 7.6.1, [***] of Net Sales of such Licensed Product in such country or other jurisdiction shall be disregarded;

(d) in the event that, and in such case from and after the date on which, a Licensed Product is Exploited in a country or other jurisdiction and is not covered by a Valid Claim of a Licensor Background Patent or Licensor Program Patent that covers the Manufacture, use or sale of a Licensed Product in such country or other jurisdiction, the royalty rate set forth in Section 7.6.1 with respect to such country or other jurisdiction (for purposes of calculations under Section 7.6.1), each shall be reduced by [***]; and

(e) AbbVie shall have the right to deduct costs in accordance with Section 8.3.7, 8.4 and 8.5.6.

(f) Notwithstanding anything to the contrary in this Section 7.6.3, in no event will the royalties payable to Licensor under this Section 7.6 be reduced to less than [***] of the royalties set forth in Sections 7.6.1 and any balance of such deductions then remaining would be carried over to subsequent [***] and applied against any royalties due with respect to such subsequent [***]. Notwithstanding the foregoing, the foregoing limitation on current reductions of the royalty rate below [***] shall not apply to (i) Section 7.6.3(b)(i), or (ii) deductions in accordance with Section 8.3.7, 8.4 (relating to Blocking Third Party Platform IP), and Section 8.5.6.

(g) The Parties acknowledge and agree that the royalty payments (including the royalty rates and term for such royalty payments) set forth in ARTICLE 7 are to be made in consideration for the licenses and rights granted by Licensor to AbbVie with respect to both the Patents and Know-How, and have been agreed to by the Parties for the purpose of reflecting and advancing their mutual convenience, including the ease of calculation of such royalties and the payment of such royalties by AbbVie to Licensor.

7.7 Royalty Payments and Reports. AbbVie shall calculate all amounts payable to Licensor pursuant to Section 7.6 at the end of each Calendar Quarter, which amounts shall be converted to Dollars, in accordance with Section 7.8. AbbVie shall pay to Licensor the royalty amounts due with respect to a given Calendar Quarter within [***] after the end of such Calendar Quarter. Each payment of royalties due to Licensor shall be accompanied by a statement of the amount of Net Sales of each Licensed Product in each country or other jurisdiction in the Territory during the applicable Calendar Quarter (including such amounts expressed in local currency and as converted to Dollars) and a calculation of the amount of royalty payment due on such Net Sales for such Calendar Quarter.

7.8 Mode of Payment; Offsets. All payments to either Party under this Agreement shall be made by deposit of Dollars in the requisite amount to such bank account as the receiving Party may from time to time designate by notice to the paying Party. For the purpose

of calculating any sums due under, or otherwise reimbursable pursuant to, this Agreement (including the calculation of Net Sales expressed in currencies other than Dollars), a Party shall convert any amount expressed in a foreign currency into Dollar equivalents using its, its Affiliate's or Sublicensee's standard conversion methodology consistent with Accounting Standards. AbbVie shall have the right to offset any payment that is owed by Licensor but not paid against any payments owed by AbbVie, if any, under this Agreement.

7.9 Withholding Taxes. Where any sum due to be paid to either Party hereunder is subject to any withholding or similar tax, the Parties shall use their commercially reasonable efforts to do all such acts and things and to sign all such documents as will enable them to take advantage of any applicable double taxation agreement or treaty. In the event there is no applicable double taxation agreement or treaty, or if an applicable double taxation agreement or treaty reduces but does not eliminate such withholding or similar tax, the payor shall remit such withholding or similar tax to the appropriate government authority, deduct the amount paid from the amount due to payee and secure and send to payee the best available evidence of such withholding or similar tax. If withholding or similar taxes are paid to a government authority, each Party will provide the other such assistance as is reasonably required to obtain a refund of the withheld or similar taxes, or obtain a credit with respect to such taxes paid. In the event that a government authority retroactively determines that a payment made by a Party to the other pursuant to this Agreement should have been subject to withholding or similar (or to additional withholding or similar) taxes, and such Party (the "**Withholding Party**") remits such withholding or similar taxes to the government authority, the Withholding Party will have the right (a) to offset such amount, including any interest and penalties that may be imposed thereon (except to the extent any such interest or penalties result from the negligence of the Withholding Party), against future payment obligations of the Withholding Party under this Agreement, (b) to invoice the other Party for such amount (which shall be payable by the other Party within [***] of its receipt of such invoice) or (c) to pursue reimbursement by any other available remedy.

7.10 Indirect Taxes. All payments are exclusive of value added taxes, sales taxes, consumption taxes and other similar taxes (the "**Indirect Taxes**"). If any Indirect Taxes are chargeable in respect of any payments, the paying Party shall pay such Indirect Taxes at the applicable rate in respect of such payments following receipt, where applicable, of an Indirect Taxes invoice in the appropriate form issued by the receiving Party in respect of those payments. The Parties shall issue invoices for all amounts payable under this Agreement consistent with Indirect Tax requirements and irrespective of whether the sums may be netted for settlement purposes. If the Indirect Taxes originally paid or otherwise borne by the paying Party are in whole or in part subsequently determined not to have been chargeable, all necessary steps will be taken by the receiving Party to receive a refund of these undue Indirect Taxes from the applicable governmental authority or other fiscal authority and any amount of undue Indirect Taxes repaid by such authority to the receiving Party will be transferred to the paying Party within [***] of receipt. In the event that a government authority retroactively determines that a payment made by the paying Party to the receiving Party pursuant to this Agreement should have been subject to Indirect Taxes, and the receiving Party is required to remit such Indirect Taxes to the government authority, the receiving Party will have the right (a) to invoice the paying Party for such amount (which shall be payable by the paying Party within [***] of its receipt of such invoice) or (b) to pursue reimbursement by any other available remedy.

7.11 Interest on Late Payments. If any payment due to either Party under this Agreement is not paid when due, then such paying Party shall pay interest thereon (before and after any judgment) at an annual rate (but with interest accruing on a daily basis) of [***], such interest to run from the date on which payment of such sum became due until payment thereof in full together with such interest.

7.12 Financial Records. AbbVie shall, and shall cause its Affiliates to, keep complete and accurate books and records pertaining to Net Sales of Licensed Products in sufficient detail to calculate all amounts payable hereunder and to verify compliance with its obligations under this Agreement. Such books and records shall be retained by AbbVie and its Affiliates until the later of (a) [***] after the end of the period to which such books and records pertain, and (b) the expiration of the applicable tax statute of limitations (or any extensions thereof), or for such longer period as may be required by Applicable Law.

7.13 Audit. At the request of Licensor, AbbVie shall, and shall cause its Affiliates to, permit an independent public accounting firm of nationally recognized standing designated by Licensor and reasonably acceptable to AbbVie, at reasonable times during normal business hours and upon reasonable notice, to audit the books and records maintained pursuant to Section 7.12 to ensure the accuracy of all reports and payments made hereunder. Such examinations may not (a) be conducted for any Calendar Quarter more than [***] after the end of such quarter, (b) be conducted more than once in any [***] period (unless a previous audit during such [***] period revealed an underpayment with respect to such period) or (c) be repeated for any Calendar Quarter. The accounting firm shall disclose to Licensor only whether the reports are correct or not, and the specific details concerning any discrepancies. No other Confidential Information of the audited Party shall be shared. Except as provided below, the cost of this audit shall be borne by Licensor, unless the audit reveals a variance of more than [***] from the reported amounts, in which case AbbVie shall bear the cost of the audit. Unless disputed pursuant to Section 7.14 below, if such audit concludes that (i) additional amounts were owed by AbbVie, AbbVie shall pay the additional amounts, with interest from the date originally due as provided in Section 7.11, or (ii) excess payments were made by AbbVie, Licensor shall reimburse such excess payments, in either case ((i) or (ii)), within [***] after the date on which such audit is completed by the Licensor.

7.14 Audit Dispute. In the event of a dispute with respect to any audit under Section 7.13, Licensor and AbbVie shall work in good faith to resolve the disagreement. If the Parties are unable to reach a mutually acceptable resolution of any such dispute within [***], the dispute shall be submitted for resolution to a certified public accounting firm jointly selected by each Party's certified public accountants or to such other Person as the Parties shall mutually agree (the "**Audit Arbitrator**"). The decision of the Audit Arbitrator shall be final and the costs of such arbitration as well as the initial audit shall be borne between the Parties in such manner as the Audit Arbitrator shall determine. Not later than [***] after such decision and in accordance with such decision, AbbVie shall pay the additional amounts, with interest from the date originally due as provided in Section 7.10, or Licensor shall reimburse the excess payments, as applicable.

7.15 Confidentiality. Licensor shall treat all information subject to review under this ARTICLE 7 in accordance with the confidentiality provisions of ARTICLE 10 and the Parties shall cause the Audit Arbitrator to enter into a reasonably acceptable confidentiality

agreement with AbbVie obligating such firm to retain all such financial information in confidence pursuant to such confidentiality agreement.

7.16 Diagnostic or Veterinary Products. The development milestones, regulatory milestones, sales-based milestones and royalties in Sections 7.3, 7.4, 7.5, and 7.6 shall not apply to Development and Commercialization of AbbVie Probody, Discovery PDCs or Licensed Products for diagnostic or veterinary use, or for uses solely for screening patients who have been diagnosed with a disease, state, or condition for eligibility to be treated for such disease, state, or condition with an AbbVie Probody, Discovery PDC or Licensed Product, as applicable, or for monitoring patients who are or have been treated with an AbbVie Probody, Discovery PDC or Licensed Product, as applicable. In the event that an AbbVie Probody, Discovery PDC or Licensed Product, as applicable, is Developed for any such purposes, the Parties shall negotiate a downward adjustment to royalties for the sale of such Licensed Product that reflects the commercial potential of such Licensed Product and standard commercial terms in the industry for diagnostic or veterinary products, as applicable.

7.17 No Other Compensation. Each Party hereby agrees that the terms of this Agreement fully define all consideration, compensation and benefits, monetary or otherwise, to be paid, granted or delivered by one (1) Party to the other Party in connection with the transactions contemplated herein. Neither Party previously has paid or entered into any other commitment to pay, whether orally or in writing, any of the other Party's employees, directly or indirectly, any consideration, compensation or benefits, monetary or otherwise, in connection with the transaction contemplated herein.

ARTICLE 8 INTELLECTUAL PROPERTY

8.1 Ownership of Intellectual Property.

8.1.1 Licensor Ownership. As between the Parties, Licensor shall own all right, title and interest in and to any and all Licensor Background Patents, Licensor Background Know-How, Licensor Program Patents and Licensor Program Know-How.

8.1.2 AbbVie Ownership. As between the Parties, AbbVie or an Affiliate designated by AbbVie shall own and retain all right, title, and interest in and to any and all AbbVie Background Patents, AbbVie Background Know-How, AbbVie Program Patents and AbbVie Program Know-How.

8.1.3 Ownership of Joint Program Patents and Joint Program Know-How. Subject to Section 4.8.1(b), as between the Parties, each Party shall own an equal, undivided interest in any and all Joint Program Patents and Joint Program Know-How. Within [***], each Party shall disclose to the other Party in writing, and shall cause its Affiliates, its licensees and sublicensees to so disclose, the development, making, conception or reduction to practice of any Joint Program Know-How or Joint Program Patents. Subject to the licenses and rights of reference granted under Sections 6.1 and 6.2 and Licensor's exclusivity obligations hereunder, each Party shall have the right to Exploit the Joint Intellectual Property Rights without a duty of seeking consent or accounting to the other Party.

8.1.4 United States Law. The determination of whether Information and inventions are conceived, discovered, developed, or otherwise made by a Party for the purpose of allocating proprietary rights (including Patent, copyright or other intellectual property rights) therein, shall, for purposes of this Agreement, be made in accordance with Applicable Law in the United States as such law exists as of the Effective Date irrespective of where such conception, discovery, development or making occurs.

8.1.5 Assignment Obligation.

(a) Each Party shall cause all Persons who perform activities for such Party under this Agreement to be under an obligation to assign (or, if such Party is unable to cause such Person to agree to such assignment obligation despite such Party using commercially reasonable efforts to negotiate such assignment obligation, provide a license under) their rights in any Information and inventions resulting therefrom to such Party, except where Applicable Law requires otherwise and except in the case of governmental, not-for-profit and public institutions which have standard policies against such an assignment (in which case a suitable license, or right to obtain such a license, shall be obtained).

(b) AbbVie will promptly disclose to Licensor in writing, the conception, discovery, development or making of any Licensor Program Know-How or Licensor Program Patents by Persons who perform activities for AbbVie under this Agreement. AbbVie, for itself and on behalf of its Affiliates, hereby assigns (and to the extent such assignment can only be made in the future hereby agrees to assign), to Licensor all its right, title and interest in and to any Licensor Program Know-How and its right, title and interest in and to Licensor Program Patents. AbbVie will execute and record assignments and other necessary documents consistent with such ownership.

(c) Licensor will promptly disclose to AbbVie in writing, the conception, discovery, development or making of any AbbVie Program Know-How or AbbVie Program Patents by Persons who perform activities for Licensor under this Agreement. Licensor, for itself and on behalf of its Affiliates, hereby assigns (and to the extent such assignment can only be made in the future hereby agrees to assign), to AbbVie all its right, title and interest in and to any AbbVie Program Know-How and its right, title and interest in and to AbbVie Program Patents. Licensor will execute and record assignments and other necessary documents consistent with such ownership.

(d) Each Party will promptly disclose to the other Party in writing, the conception, discovery, development or making of any Joint Program Know-How or Joint Program Patents by Persons who perform activities for it under this Agreement. Each Party, for itself and on behalf of its Affiliates, hereby assigns (and to the extent such assignment can only be made in the future hereby agrees to assign), to the other Party such right, title and interest in and to any Joint Program Know-How and Joint Program Patents as is necessary to achieve the joint ownership set forth in Section 8.1.3. Each party will execute and record assignments and other necessary documents consistent with such ownership.

8.1.6 Ownership of Corporate Names. As between the Parties, Licensor shall retain all right, title and interest in and to its Corporate Names.

8.2 Maintenance and Prosecution of Patents.

8.2.1 Patent Cooperation. During the term of the Agreement, a patent attorney or agent (the “Patent Representatives”) from each of Licensor and AbbVie shall meet regularly, in person or by teleconference, to coordinate and discuss Patent filings, prosecution and maintenance of the Licensor Program Patents, AbbVie Program Patents, and Joint Program Patents. Each Party’s Patent Representative also may include such Party’s outside patent counsel in any such meeting. The Patent Representatives shall review and coordinate responsibilities and obligations in connection with Patents arising from the performance of the activities under this Agreement by either Party or jointly by the Parties, their Affiliates or, in each such case, Third Parties acting on their behalf. The Patent Representatives may attend JRC quarterly meetings (as mutually agreed by the Parties). The Patent Representatives shall have no decision making authority, and shall serve primarily as a forum for communication and coordination of activities between the Parties with respect to the matters described in this Section 8.2.1.

8.2.2 Patent Prosecution and Maintenance of Licensor Background Patents. Licensor shall have the sole right, but not the obligation, through the use of internal or outside counsel, to prepare, file, prosecute, and maintain the Licensor Background Patents worldwide, at Licensor’s sole cost and expense. Licensor shall keep AbbVie informed regarding each Licensor Background Patent that Licensor is prosecuting, and shall provide copies to AbbVie of all material communications from any patent office, and copies of all material correspondence sent to such patent offices by or on behalf of Licensor.

8.2.3 Patent Prosecution and Maintenance of Licensor Program Patents. In consultation with AbbVie, Licensor shall have the right, but not the obligation, through the use of internal or outside counsel, to prepare, file, prosecute, and maintain the Licensor Program Patents worldwide, at Licensor’s sole cost and expense. Licensor shall keep AbbVie fully informed of all steps with regard to the preparation, filing, prosecution, and maintenance of Licensor Program Patents, including by providing AbbVie with a copy of material communications to and from any patent authority in the Territory regarding such Licensor Program Patents, and by providing AbbVie drafts of any material filings or responses to be made to such patent authorities in the Territory sufficiently in advance of submitting such filings or responses so as to allow for a reasonable opportunity for AbbVie to review and comment thereon. Licensor shall consider in good faith the requests and suggestions of AbbVie with respect to such Licensor drafts and with respect to strategies for filing and prosecuting the Licensor Program Patents in the Territory. Notwithstanding the foregoing, Licensor shall promptly inform AbbVie of any adversarial patent office proceeding or sua sponte filing, including a request for, or filing or declaration of, any interference, opposition, or reexamination relating to any Licensor Program Patents in the Territory. The Parties shall thereafter consult and cooperate to determine a course of action with respect to any such proceeding in the Territory relating to a Discovery Probody and Licensor shall consider in good faith all comments, requests and suggestions provided by AbbVie.

8.2.4 Patent Prosecution and Maintenance of AbbVie Background Patents, AbbVie Program Patents and Joint Program Patents. AbbVie shall have the right, but not the obligation, to prepare, file, prosecute, and maintain the AbbVie Background Patents, AbbVie Program Patents and the Joint Program Patents worldwide, at AbbVie’s sole cost and expense. AbbVie shall keep Licensor fully informed of all steps with regard to the preparation,

filing, prosecution, and maintenance of Joint Program Patents and AbbVie Program Patents, including by providing Licensor with a copy of material communications to and from any patent authority in the Territory regarding such Joint Program Patents and AbbVie Program Patents, and by providing Licensor drafts of any material filings or responses to be made to such patent authorities in the Territory sufficiently in advance of submitting such filings or responses so as to allow for a reasonable opportunity for Licensor to review and comment thereon. AbbVie shall consider in good faith the requests and suggestions of Licensor with respect to such AbbVie drafts and with respect to strategies for filing and prosecuting the Joint Program Patents and AbbVie Program Patents in the Territory. In the event that AbbVie decides not to prepare, file, prosecute, or maintain a Joint Program Patent in a country or other jurisdiction in the Territory, AbbVie shall provide reasonable prior written notice to Licensor of such intention (which notice shall, in any event, be given no later than [***] prior to the next deadline for any action that may be taken with respect to such Joint Program Patent in such country or other jurisdiction), and Licensor shall thereupon have the option, in its sole discretion, to assume the control and direction of the preparation, filing, prosecution, and maintenance of such Joint Program Patent at its expense in such country or other jurisdiction. Upon Licensor's written acceptance of such option, Licensor shall assume the responsibility and control for the preparation, filing, prosecution, and maintenance of such specific Joint Program Patent. In such event, AbbVie shall reasonably cooperate with Licensor in such country or other jurisdiction as provided under Section 8.2.5. Notwithstanding the foregoing, AbbVie shall promptly inform Licensor of any adversarial patent office proceeding or sua sponte filing, including a request for, or filing or declaration of, any interference, opposition, or reexamination relating to any AbbVie Program Patents or Joint Program Patents in the Territory. The Parties shall thereafter consult and cooperate to determine a course of action with respect to any such proceeding in the Territory relating to a Discovery Probodly and AbbVie shall consider in good faith all comments, requests and suggestions provided by Licensor.

8.2.5 Cooperation. The Parties agree to cooperate fully in the preparation, filing, prosecution, and maintenance of the Licensor Program Patents, AbbVie Program Patents, and Joint Program Patents in the Territory under this Agreement. Cooperation shall include:

(a) without limiting any other rights and obligations of the Parties under this Agreement, cooperating with respect to the timing, scope and filing of such Patents to preserve and enhance the patent protection for AbbVie Probodies, Discovery PDCs and Licensed Products, including the manufacture and use thereof.

(b) executing all papers and instruments, or requiring its employees or contractors to execute such papers and instruments, so as to (i) effectuate the ownership of intellectual property set forth in Section 8.1.1, 8.1.2 and 8.1.3; (ii) enable the other Party to apply for and to prosecute Patent applications in the Territory; and (iii) obtain and maintain any Patent extensions, supplementary protection certificates, and the like with respect to the Licensor Program Patents, AbbVie Program Patents and Joint Program Patents in the Territory, in each case ((i), (ii), and (iii)) to the extent provided for in this Agreement;

(c) consistent with this Agreement, assisting in any license registration processes with applicable governmental authorities that may be available in the Territory for the protection of a Party's interests in this Agreement; and

(d) promptly informing the other Party of any matters coming to such Party's attention that may materially affect the preparation, filing, prosecution, or maintenance of any such Patents in the Territory.

8.2.6 Patent Term Extension and Supplementary Protection Certificate. AbbVie shall be responsible for making decisions regarding patent term extensions, including supplementary protection certificates and any other extensions that are now or become available in the future, wherever applicable, for AbbVie Background Patents, AbbVie Program Patents and Joint Program Patents in any country or other jurisdiction. AbbVie shall have the responsibility of applying for any extension or supplementary protection certificate with respect to such Patents in the Territory. AbbVie shall keep Licensor fully informed of its efforts to obtain such extension or supplementary protection certificate. Licensor shall provide prompt and reasonable assistance, as requested by AbbVie, including by taking such action as patent holder as is required under any Applicable Law to obtain such patent extension or supplementary protection certificate. AbbVie shall pay all expenses in regard to obtaining the extension or supplementary protection certificate in the Territory.

8.2.7 Patent Listings.

(a) AbbVie shall have the sole right to make all filings with Regulatory Authorities in the Territory with respect to AbbVie Background Patents, AbbVie Program Patents and Joint Program Patents, including as required or allowed (i) in the United States, in the FDA's Orange Book if in the future legislation employs the Orange Book for biologics, or its alternative, and (ii) outside the United States, under the national implementations of Article 10.1(a)(iii) of Directive 2001/EC/83 or other international equivalents. Licensor shall cooperate with AbbVie's reasonable requests in connection therewith, including meeting any submission deadlines, to the extent required or permitted by Applicable Law.

(b) The Parties will negotiate in good faith regarding filings with Regulatory Authorities in the Territory with respect to Licensor Background Patents and Licensor Program Patents, including as required or allowed (i) in the United States, in the FDA's Orange Book if in the future legislation employs the Orange Book for biologics, or its alternative, and (ii) outside the United States, under the national implementations of Article 10.1(a)(iii) of Directive 2001/EC/83 or other international equivalents.

8.3 Enforcement of Patents.

8.3.1 Enforcement of Licensor Program Patents.

(a) Each Party shall promptly notify the other Party in writing of any alleged or threatened infringement of the Licensor Background Patents by a Third Party in respect of a Competing Product or Licensor Program Patent (regardless of whether or not related to a Competing Product) in the Territory and of which such Party becomes aware (including alleged or threatened infringement based on the development, commercialization, or an application to market a product containing a Discovery Probody, Discovery PDC or any Licensed Product in the Territory (the "**Product Infringement**")).

(b) With respect to any Product Infringement in the Territory, Licensor shall have the first right, but not the obligation, to prosecute any Product Infringement in the Territory involving any Licensor Program Patents (the “**Licensor Prosecuted Infringements**”) at its sole expense and Licensor shall retain control of the prosecution of such claim, suit or proceeding. In the event Licensor prosecutes any Licensor Prosecuted Infringement, AbbVie shall have the right to join as a party to such claim, suit, or proceeding in the Territory and participate with its own counsel at its own expense; *provided* that Licensor shall retain control of the prosecution of such claim, suit, or proceeding. During any such claim, suit, or proceeding, Licensor shall: (i) provide AbbVie with drafts of all official papers and statements (whether written or oral) prior to their submission in such claim, suit, or proceeding, in sufficient time to allow AbbVie to review, consider and substantively comment thereon; (ii) allow AbbVie the opportunity to participate in the preparation of witnesses and other participants in such claim, suit, or proceeding at its own expense; and (iii) not settle any such claim, suit, or proceeding except in a manner that it believes in good faith is in the best interests of the Discovery Probodies, Discovery PDCs or Licensed Products. If Licensor does not take commercially reasonable steps to prosecute a Licensor Prosecuted Infringement (A) within [***] following the first notice provided above with respect to the Licensor Prosecuted Infringement, or (B) provided such date occurs after the first such notice of the Licensor Prosecuted Infringement is provided, [***] before the time limit, if any, set forth in appropriate laws and regulations for filing of such actions, whichever comes first, then AbbVie may prosecute the Licensor Prosecuted Infringement at its own expense.

8.3.2 Enforcement of AbbVie Background Patents, AbbVie Program Patents and Joint Program Patents.

(a) Each Party shall promptly notify the other Party in writing of any alleged or threatened infringement of the AbbVie Background Patents in respect of a Competing Product, the AbbVie Program Patents or the Joint Program Patents by a Third Party in the Territory and of which such Party becomes aware (including alleged or threatened infringement based on the development, commercialization, or an application to market a product containing a Discovery Probody, Discovery PDC or any Licensed Product in the Territory).

(b) AbbVie shall have the sole right, but not the obligation, to prosecute any Product Infringement in the Territory involving any AbbVie Background Patents and AbbVie Program Patents in the Territory at its sole expense and AbbVie shall retain control of the prosecution of such claim, suit or proceeding. During any such claim, suit, or proceeding, to enforce any AbbVie Program Patents, AbbVie shall: (i) provide Licensor with drafts of all official papers and statements (whether written or oral) prior to their submission in such claim, suit, or proceeding, in sufficient time to allow Licensor to review, consider and substantively comment thereon; (ii) allow Licensor the opportunity to participate in the preparation of witnesses and other participants in such claim, suit, or proceeding at its own expense; and (iii) not settle any such claim, suit, or proceeding except in a manner that it believes in good faith is in the best interests of the AbbVie Probodies, Discovery PDCs and Licensed Products.

(c) AbbVie shall have the first right, but not the obligation, to prosecute any such infringement of Joint Program Patents in the Territory at its sole expense and AbbVie shall retain control of the prosecution of such claim, suit or proceeding. In the event AbbVie prosecutes any such infringement, Licensor shall have the right to join as a party to such

claim, suit or proceeding in the Territory and participate with its own counsel at its own expense; *provided* that AbbVie shall retain control of the prosecution of such claim, suit or proceeding. If AbbVie does not take commercially reasonable steps to prosecute the alleged or threatened infringement in the Territory with respect to such Joint Program Patents (i) within [***] following the first notice provided above with respect to such alleged infringement, or (ii) provided such date occurs after the first such notice of infringement is provided, [***] before the time limit, if any, set forth in appropriate laws and regulations for filing of such actions, whichever comes first, then Licensor may prosecute the alleged or threatened infringement in the Territory at its own expense.

8.3.3 Patent Exclusivity Listings. If either Party receives a copy of an application submitted to the FDA under subsection (k) of Section 351 of the PHSA (a “**Biosimilar Application**”) naming a Licensed Product as a reference product or otherwise becomes aware that such a Biosimilar Application has been filed (such as in an instance described in Section 351(l)(9)(C) of the PHSA), either Party shall, within [***], notify the other Party so that the other Party may seek permission to view the application and related confidential information from the filer of the Biosimilar Application under Section 351(l)(1)(B)(iii) of the PHSA. If either Party receives any equivalent or similar certification or notice in any other jurisdiction in the Territory, either Party shall, within [***], notify and provide the other Party with copies of such communication. Regardless of the Party that is the “reference product sponsor” for purposes of such Biosimilar Application, (a) AbbVie shall have the sole right to designate pursuant to Section 351(l)(1)(B)(ii) of the PHSA the outside counsel and in-house counsel who shall receive confidential access to the Biosimilar Application; (b) AbbVie shall have the sole right to list any AbbVie Background Patent, AbbVie Program Patent and Joint Program Patents (and, with the agreement of Licensor, any Licensor Background Patents or Licensor Program Patents), insofar as they claim or cover the applicable Licensed Product as required pursuant to Section 351(l)(3)(A), Section 351(l)(5)(b)(i)(II), or Section 351(l)(7) of the PHSA, to respond to any communications with respect to such lists from the filer of the Biosimilar Application, and to negotiate with the filer of the Biosimilar Application as to whether to utilize a different mechanism for information exchange than that specified in Section 351(l) of the PHSA; and (c) AbbVie shall have the sole right to identify Patents or respond to communications under any equivalent or similar listing in any other jurisdiction in the Territory. If required pursuant to Applicable Law, Licensor shall prepare such lists and make such responses at AbbVie’s direction. Licensor shall (i) provide to AbbVie, within [***] of AbbVie’s request, all Information, including a correct and complete list of Licensor Background Patents or Licensor Program Patents covering any Licensed Product, that is necessary or reasonably useful to enable AbbVie to make such lists and communications with respect to the Licensor Background Patents or Licensor Program Patents, and (ii) cooperate with AbbVie’s reasonable requests in connection therewith, including meeting any submission deadlines, in each case, to the extent required or permitted by Applicable Law. AbbVie shall (A) reasonably consult with Licensor prior to identifying any Licensor Background Patents or Licensor Program Patents to a Third Party as contemplated by this Section 8.3.3 and shall consider in good faith Licensor’s advice and suggestions with respect thereto, and (B) notify Licensor of any such lists or communications promptly after they are made.

8.3.4 Conduct of Patent Litigation Under the Biologics Price Competition and Innovation Act. Notwithstanding anything to the contrary in this Section 8.3, AbbVie shall have the first right to bring an action for infringement of the Licensor Program

Patents, AbbVie Background Patents, AbbVie Program Patents or Joint Program Patents as required under Section 351(l)(6) of the PHSA following the agreement on a list of patents for litigation under Section 351(l)(4) or exchange of Patent lists pursuant to Section 351(l)(5)(B) of such act, or as required following any equivalent or similar certification or notice in any other jurisdiction. The Parties' rights and obligations with respect to the foregoing legal actions shall be as set forth in Sections 8.3.1 through 8.3.5; *provided*, that within [***] of reaching agreement on a list of Patents for litigation under Section 351(l)(4) or exchange of Patent lists pursuant to Section 351(l)(5)(B), AbbVie shall notify Licensor as to whether or not it elects to prosecute such infringement. Either Party shall, within [***], notify and provide the other Party with copies of any notice of commercial marketing provided by the filer of a Biosimilar Application pursuant to Section 351(l)(8)(A) of the PHSA, or any equivalent or similar certification or notice in any other jurisdiction. Thereafter, the Party controlling any Patent infringement litigation pursuant to this Section 8.3.4 shall have the first right to seek an injunction against such commercial marketing as permitted pursuant to Section 351(l)(8)(B) of the PHSA. If no such litigation is ongoing at the time of such notice, then AbbVie shall have the first right to seek such an injunction.

8.3.5 Cooperation. The Parties agree to cooperate fully in any infringement action pursuant to this Section 8.3. Where a Party brings such an action, the other Party shall, where necessary, furnish a power of attorney solely for such purpose or shall join in, or be named as a necessary party to, such action. Unless otherwise set forth herein, the Party entitled to bring any patent infringement litigation in accordance with this Section 8.3 shall have the right to settle such claim; *provided* that neither Party shall have the right to settle any patent infringement litigation under this Section 8.3 in a manner that diminishes or has a material adverse effect on the rights or interest of the other Party, or in a manner that imposes any costs or liability on, or involves any admission by, the other Party, without the express written consent of such other Party. The Party commencing the litigation shall provide the other Party with copies of all pleadings and other documents filed with the court and shall consider reasonable input from the other Party during the course of the proceedings.

8.3.6 Recovery. Except as otherwise agreed by the Parties in connection with a cost sharing arrangement, any recovery realized as a result of such litigation described in Section 8.3.1, 8.3.2, or 8.3.4 (whether by way of settlement or otherwise) shall be first, allocated to reimburse the Parties for their costs and expenses in making such recovery (which amounts shall be allocated pro rata if insufficient to cover the totality of such expenses). [***]

8.3.7 Costs and Expenses. AbbVie shall be entitled to deduct [***] of the reasonable out-of-pocket costs borne by AbbVie in connection with such litigation in a given Calendar Quarter from any amounts due to Licensor under this Agreement for such Calendar Quarter, with any balance then remaining to be carried over to subsequent Calendar Quarters and applied against any amounts due with respect to such subsequent Calendar Quarters.

8.4 Infringement Claims by Third Parties. If the manufacture, sale, or use of a Discovery Probody, Discovery PDC or Licensed Product in the Territory pursuant to this Agreement results in, or may result in, any claim, suit, or proceeding by a Third Party alleging patent infringement by AbbVie (or its Affiliates or Sublicensees), AbbVie shall promptly notify Licensor thereof in writing. AbbVie shall have the first right, but not the obligation, to defend and control the defense of any such claim, suit, or proceeding at its own expense (but subject to

deduction as provided below), using counsel of its own choice. Licensor may participate in any such claim, suit, or proceeding with counsel of its choice at its own expense. Without limitation of the foregoing, if AbbVie finds it necessary or desirable to join Licensor as a party to any such action, Licensor shall execute all papers and perform such acts as shall be reasonably required, provided that AbbVie reimburses any out-of-pocket costs incurred by Licensor as a result. If AbbVie elects (in a written communication submitted to Licensor within a reasonable amount of time after notice of the alleged patent infringement) not to defend or control the defense of, or otherwise fails to initiate and maintain the defense of, any such claim, suit, or proceeding, within such time periods so that Licensor is not prejudiced by any delays, Licensor may conduct and control the defense of any such claim, suit, or proceeding at its own expense. Each Party shall keep the other Party reasonably informed of all material developments in connection with any such claim, suit, or proceeding. [***]

8.5 Invalidation or Unenforceability Defenses or Actions.

8.5.1 Notice. Each Party shall promptly notify the other Party in writing of any alleged or threatened assertion of invalidity or unenforceability of any of the Licensor Background Patents, Licensor Program Patents, AbbVie Background Patents, AbbVie Program Patents or Joint Program Patents by a Third Party, in each case in the Territory and of which such Party becomes aware.

8.5.2 Licensor Background Patents. Licensor shall have the sole right, but not the obligation, to defend and control the defense of the validity and enforceability of the Licensor Background Patents at its own expense in the Territory.

8.5.3 Licensor Program Patents. Licensor shall have the first right, but not the obligation, to defend and control the defense of the validity and enforceability of the Licensor Program Patents at its own expense in the Territory. AbbVie may participate in any such claim, suit, or proceeding in the Territory with counsel of its choice at its own expense; *provided* that Licensor shall retain control of the defense in such claim, suit, or proceeding. If Licensor elects not to defend or control the defense of the Patents in a suit brought in the Territory, or otherwise fails to initiate and maintain the defense of any such claim, suit, or proceeding, then AbbVie may conduct and control the defense of any such claim, suit, or proceeding at its own expense.

8.5.4 AbbVie Background Patents, AbbVie Program Patents and Joint Program Patents.

(a) AbbVie shall have the sole right, but not the obligation, to defend and control the defense of the validity and enforceability of the AbbVie Background Patents and AbbVie Program Patents at its own expense in the Territory.

(b) AbbVie shall have the first right, but not the obligation, to defend and control the defense of the validity and enforceability of the Joint Program Patents at its own expense in the Territory. Licensor may participate in any such claim, suit, or proceeding in the Territory related to the Joint Program Patents with counsel of its choice at its own expense; *provided* that AbbVie shall retain control of the defense in such claim, suit, or proceeding. If AbbVie elects not to defend or control the defense of the Joint Program Patents in a suit brought in the Territory, or otherwise fails to initiate and maintain the defense of any such claim, suit, or

proceeding, then Licensor may conduct and control the defense of any such claim, suit, or proceeding, at its own expense; *provided*, that Licensor shall obtain the written consent of AbbVie prior to settling or compromising such defense.

8.5.5 Cooperation. Each Party shall assist and cooperate with the other Party as such other Party may reasonably request from time to time in connection with its activities set forth in this Section 8.5, including by being joined as a party plaintiff in such action or proceeding, providing access to relevant documents and other evidence, and making its employees available at reasonable business hours. In connection with any such defense or claim or counterclaim, the controlling Party shall consider in good faith any comments from the other Party and shall keep the other Party reasonably informed of any steps taken, and shall provide copies of all documents filed, in connection with such defense, claim, or counterclaim. In connection with the activities set forth in this Section 8.5, each Party shall consult with the other as to the strategy for the defense of the Licensor Program Patents, AbbVie Program Patents and Joint Program Patents.

8.5.6 Costs and Expenses. AbbVie shall be entitled to offset up to [***] of the reasonable out-of-pocket costs of defending such claim, suit, or proceeding under this Section 8.5 that are borne by AbbVie in a given Calendar Quarter against any amounts owed to Licensor under this Agreement for such Calendar Quarter, with any balance then remaining to be carried over to amounts due with respect to such subsequent Calendar Quarters.

8.6 Third Party Licenses. If in the reasonable opinion of AbbVie, the Development, Manufacture, or Commercialization of any AbbVie Proboddy, Discovery PDC or Licensed Product by AbbVie, any of its Affiliates, or any of its or their Sublicensees infringes or misappropriates any Patent, trade secret, or other intellectual property right of a Third Party in any country or other jurisdiction in the Territory, such that AbbVie, any of its Affiliates or any of its or their Sublicensees cannot Develop, Manufacture, or Commercialize such AbbVie Proboddy, Discovery PDC or Licensed Product in such country or other jurisdiction without infringing such Patent, trade secret, or other intellectual property right of such Third Party, then AbbVie shall provide notice of such potential infringement or misappropriation, and the Parties shall agree to meet within [***] after such notice to determine whether a license to such Third Party intellectual property is necessary, and, if the Parties agree a license is necessary, which Party should obtain a license to such Third Party intellectual property; provided, however that if the Parties cannot agree as to either the necessity of such a license or as to which Party should seek such license in such meeting, then (a) if such Patent, trade secret or other intellectual property right covers or is necessary to Exploit other Probodies in addition to Discovery Probodies, then Licensor shall have the right for a period of [***] following the date of such meeting between the Parties to negotiate a license for such intellectual property, which license shall include the right of Licensor to sublicense such intellectual property to AbbVie; provided if Licensor is not able to obtain such license within such [***] period, then AbbVie shall have the sole right to obtain such license to Develop, Manufacture, and Commercialize AbbVie Probodies, Discovery PDCs and Licensed Products; and (b) otherwise, AbbVie shall have the sole right, but not the obligation, to negotiate and obtain a license from such Third Party as necessary for AbbVie and its Affiliates, and its and their Sublicensees to Develop, Manufacture, and Commercialize AbbVie Probodies, Discovery PDCs and Licensed Products in such country or other jurisdiction, and in each case any amounts due under such Third Party license shall be allocated in accordance with Section 7.6.3(b).

8.7 Product Trademarks.

8.7.1 Ownership and Prosecution of Product Trademarks. AbbVie shall own all right, title, and interest to the Product Trademarks in the Territory, and shall be responsible for the registration, prosecution, and maintenance thereof. All costs and expenses of registering, prosecuting, and maintaining the Product Trademarks shall be borne solely by AbbVie. Licensor shall provide all assistance and documents reasonably requested by AbbVie in support of its prosecution, registration, and maintenance of the Product Trademarks.

8.7.2 Enforcement of Product Trademarks. AbbVie shall have the sole right and responsibility for taking such action as AbbVie, after consultation with Licensor, deems necessary against a Third Party based on any alleged, threatened, or actual infringement, dilution, misappropriation, or other violation of, or unfair trade practices or any other like offense relating to, the Product Trademarks by a Third Party in the Territory. AbbVie shall bear the costs and expenses relating to any enforcement action commenced pursuant to this Section 8.7.2 and any settlements and judgments with respect thereto, and shall retain any damages or other amounts collected in connection therewith.

8.7.3 Third Party Claims. AbbVie shall have the sole right and responsibility for defending against any alleged, threatened, or actual claim by a Third Party that the use or registration of the Product Trademarks in the Territory infringes, dilutes, misappropriates, or otherwise violates any Trademark or other right of that Third Party or constitutes unfair trade practices or any other like offense, or any other claims as may be brought by a Third Party against a Party in connection with the use of the Product Trademarks with respect to a Licensed Product in the Territory. AbbVie shall bear the costs and expenses relating to any defense commenced pursuant to this Section 8.7.3 and any settlements and judgments with respect thereto, and shall retain any damages or other amounts collected in connection therewith.

8.7.4 Notice and Cooperation. Each Party shall provide to the other Party prompt written notice of any actual or threatened infringement of the Product Trademarks in the Territory and of any actual or threatened claim that the use of the Product Trademarks in the Territory violates the rights of any Third Party. Each Party agrees to cooperate fully with the other Party with respect to any enforcement action or defense commenced pursuant to this Section 8.7.

8.8 Inventor's Remuneration. Each Party shall be solely responsible for any remuneration that may be due such Party's inventors under any applicable inventor remuneration laws.

ARTICLE 9 PHARMACOVIGILANCE AND SAFETY

9.1 Pharmacovigilance. On an Accepted Target-by-Accepted Target basis, no later than the filing of an IND for an AbbVie Probody, Discovery PDC or Licensed Product, the Parties shall, unless otherwise agreed, enter into an agreement to initiate a process for the exchange of safety data (including post-marketing spontaneous reports received by each Party and its Affiliates) in a mutually agreed format in order to monitor the safety of the AbbVie Probody, Discovery PDCs or Licensed Products and to meet reporting requirements with any applicable Regulatory Authority.

9.2 Global Safety Database. On an Accepted Target-by-Accepted Target basis, no later than the filing of an IND for an AbbVie Probody, Discovery PDC or Licensed Product, AbbVie shall set up, hold, and maintain (at AbbVie's sole cost and expense) the global safety database for AbbVie Probodies, Discovery PDCs or Licensed Products. Licensor shall provide AbbVie with all information necessary or desirable for AbbVie to comply with its pharmacovigilance responsibilities in the Territory, including, as applicable, any adverse drug experiences, from pre-clinical or clinical laboratory, animal toxicology and pharmacology studies, Clinical Studies, and commercial experiences with an AbbVie Probody, Discovery PDC or Licensed Product, in each case in the form reasonably requested by AbbVie.

ARTICLE 10 CONFIDENTIALITY AND NON-DISCLOSURE

10.1 Product Information. Licensor recognizes that by reason of, inter alia, AbbVie's status as an exclusive licensee pursuant to the grants under Section 6.1, AbbVie has an interest in Licensor's maintaining the confidentiality of certain information of Licensor. Accordingly, on an Accepted Target-by-Accepted Target basis, from the applicable Target Acceptance Date and for the remainder of the Term, Licensor shall, and shall cause its Affiliates and its and their respective officers, directors, employees, and agents to, keep completely confidential, and not publish or otherwise disclose, and not use directly or indirectly for any purpose other than to fulfill Licensor's obligations hereunder any Information owned or Controlled by Licensor or any of its Affiliates solely relating to any AbbVie Probody, Discovery PDC or Licensed Product, or the Exploitation of any of the foregoing (the "**Product Information**"); except to the extent (a) the Product Information is in the public domain through no fault of Licensor, its Affiliates or any of its or their respective officers, directors, employees, or agents; (b) such disclosure or use is expressly permitted under Section 10.3, (c) such disclosure or use is otherwise expressly permitted by the terms of this Agreement, or (d) such disclosure or use is reasonably necessary for Licensor to perform its obligations or exercise its rights under this Agreement and is subject to confidentiality and non-use provisions consistent with those contained in this Agreement. For purposes of clarity, Licensor may use general learnings that are broadly applicable to the Licensor Platform for its products, including Probodies, other than Discovery Probodies and Discovery PDCs to the extent reasonably necessary to Develop, Manufacture or Exploit such products, and, in connection with such activities may disclose such general learnings to outside consultants, contractors, advisory boards, managed care organizations, and non-clinical and clinical investigators, under reasonable obligations of confidentiality; provided that such general learnings expressly exclude Product Information, any results or data generated in connection with Development Activities and the Confidential Information of AbbVie. For purposes of Section 10.3, AbbVie shall be deemed to be the disclosing Party with respect to Product Information under Section 10.3 and Licensor shall be deemed to be the receiving Party with respect thereto. For further clarification, (i) without limiting this Section 10.1, to the extent Product Information is disclosed by Licensor to AbbVie pursuant to this Agreement, such information shall, subject to the other terms and conditions of this ARTICLE 10, also constitute Confidential Information of Licensor with respect to the use and disclosure of such Information by AbbVie, but (ii) the disclosure by Licensor to AbbVie of Product Information shall not cause such information to cease to be subject to the provisions of this Section 10.1 with respect to the use and disclosure of such

Confidential Information by Licensor. In the event this Agreement is terminated in its entirety or with respect to the Terminated Territory or Terminated Target, this Section 10.1 shall have no continuing force or effect with respect to the use or disclosure of such information solely in connection with the Exploitation of the AbbVie Probody, Discovery PDC or Licensed Product for the benefit of the Terminated Territory or Terminated Target, as applicable, but the Product Information, to the extent Controlled and disclosed by AbbVie to Licensor hereunder, shall continue to be Confidential Information of AbbVie, subject to the terms of Sections 10.2, 10.3, and 10.5 for purposes of the surviving provisions of this Agreement.

10.2 Confidentiality Obligations. At all times during the Term and for a period of [***] following termination or expiration hereof in its entirety, each Party shall, and shall cause its officers, directors, employees and agents to, keep confidential and not publish or otherwise disclose to a Third Party and not use, directly or indirectly, for any purpose, any Confidential Information furnished or otherwise made known to it, directly or indirectly, by the other Party, except to the extent such disclosure or use is expressly permitted by the terms of this Agreement or is reasonably necessary or useful for the performance of, or the exercise of such Party's rights under, this Agreement. Notwithstanding the foregoing, the Parties acknowledge the practical difficulty of policing the use of information in the unaided memory of the receiving Party or its Affiliates and its and their officers, directors, employees, and agents, and as such each Party agrees that the receiving Party shall not be liable for the use by any of its or its Affiliates' officers, directors, employees, or agents of specific Confidential Information of the disclosing Party that is retained in the unaided memory of such officer, director, employee or agent; *provided* that (a) such officer, director, employee, or agent is not aware that such Confidential Information is the confidential information of the disclosing Party at the time of such use; (b) the foregoing is not intended to grant, and shall not be deemed to grant, the receiving Party, its Affiliates, or its officers, directors, employees, and agents (i) a right to disclose the disclosing Party's Confidential Information, or (ii) a license under any Patents or other intellectual property right of the disclosing Party; and (c) such officer, director, employee, or agent has not intentionally memorized such Confidential Information for use outside this Agreement. Notwithstanding the foregoing, to the extent the receiving Party can demonstrate by documentation or other competent proof, the confidentiality and non-use obligations under this Section 10.2 with respect to any Confidential Information shall not include any information that:

10.2.1 has been published by a Third Party or otherwise is or hereafter becomes part of the public domain by public use, publication, general knowledge or the like through no wrongful act, fault or negligence on the part of the receiving Party;

10.2.2 have been in the receiving Party's possession prior to disclosure by the disclosing Party without any obligation of confidentiality with respect to such information;

10.2.3 is subsequently received by the receiving Party from a Third Party without restriction and without breach of any agreement between such Third Party and the disclosing Party;

10.2.4 that is generally made available to Third Parties by the Disclosing Party without restriction on disclosure; or

10.2.5 have been independently developed by or for the receiving Party without reference to, or use or disclosure of, the disclosing Party's Confidential Information;

Specific aspects or details of Confidential Information shall not be deemed to be within the public domain or in the possession of the receiving Party merely because the Confidential Information is embraced by more general information in the public domain or in the possession of the receiving Party. Further, any combination of Confidential Information shall not be considered in the public domain or in the possession of the receiving Party merely because individual elements of such Confidential Information are in the public domain or in the possession of the receiving Party unless the combination and its principles are in the public domain or in the possession of the receiving Party.

10.3 Permitted Disclosures. Each Party may disclose Confidential Information to the extent that such disclosure is:

10.3.1 in the reasonable opinion of the receiving Party's legal counsel, required to be disclosed pursuant to law, regulation or a valid order of a court of competent jurisdiction or other supra-national, federal, national, regional, state, provincial and local governmental body of competent jurisdiction, (including by reason of filing with securities regulators, but subject to Section 10.4); *provided*, that the receiving Party shall first have given prompt written notice (and to the extent possible, at least [***] notice) to the disclosing Party and given the disclosing Party a reasonable opportunity to take whatever action it deems necessary to protect its Confidential Information (for example, quash such order or to obtain a protective order requiring that the Confidential Information and documents that are the subject of such order be held in confidence by such court or governmental body or, if disclosed, be used only for the purposes for which the order was issued) and in any case the receiving Party shall use Commercially Reasonable Efforts to obtain confidential treatment of such Confidential Information. In the event that no protective order or other remedy is obtained, or the disclosing Party waives compliance with the terms of this Agreement, the receiving Party shall furnish only that portion of Confidential Information which the receiving Party is advised by counsel is legally required to be disclosed;

10.3.2 made by or on behalf of the receiving Party to the Regulatory Authorities as required in connection with any filing, application or request for Regulatory Approval in accordance with the terms of this Agreement; *provided*, that reasonable measures shall be taken to assure confidential treatment of such Confidential Information to the extent practicable and consistent with Applicable Law;

10.3.3 made by or on behalf of the receiving Party to a patent authority as may be reasonably necessary or useful for purposes of obtaining, defending or enforcing a Patent in accordance with the terms of this Agreement; *provided*, that reasonable measures shall be taken to assure confidential treatment of such Confidential Information, to the extent such protection is available;

10.3.4 made to its or its Affiliates' financial and legal advisors who have a need to know such disclosing Party's Confidential Information and are either under professional codes of conduct giving rise to expectations of confidentiality and non-use or under written agreements of confidentiality and non-use, in each case, at least as restrictive as those set forth in

this Agreement; provided that the receiving Party shall remain responsible for any failure by such financial and legal advisors, to treat such Confidential Information as required under this Article;

10.3.5 made by the receiving Party or its Affiliates to potential or actual investors, financiers, or acquirers as may be necessary in connection with their evaluation of such potential or actual investment, financing, or acquisition; *provided*, that such Persons shall be subject to obligations of confidentiality and non-use with respect to such Confidential Information substantially similar to the obligations of confidentiality and non-use of the receiving Party pursuant to this ARTICLE 10;

10.3.6 made by AbbVie or its Affiliates or Sublicensees to its or their advisors, consultants, clinicians, vendors, service providers, contractors, existing or prospective collaboration partners, licensees, sublicensees, or other Third Parties as may be necessary or useful in connection with the Exploitation of the AbbVie Probodyes, the Discovery PDCs, the Licensed Products, or otherwise in connection with the performance of its obligations or exercise of its rights as contemplated by this Agreement; *provided*, that such Persons shall be subject to obligations of confidentiality and non-use with respect to such Confidential Information substantially similar to the obligations of confidentiality and non-use of the receiving Party pursuant to this ARTICLE 10 (with a duration of confidentiality and non-use obligations as appropriate that is no less than [***] from the date of disclosure); or

10.3.7 made by Licensor or its Affiliates, to its or their advisors, consultants, clinicians, vendors, service providers, contractors, and the like to the extent necessary in assisting with Licensor's activities contemplated by this Agreement; *provided*, that such Persons shall be subject to obligations of confidentiality and non-use with respect to such Confidential Information of AbbVie substantially similar to the obligations of confidentiality and non-use of Licensor pursuant to this ARTICLE 10 (with a duration of confidentiality and non-use obligations as appropriate that is no less than [***] from the date of disclosure).

10.3.8 Use of Name. Except as expressly provided herein, neither Party shall mention or otherwise use the name, logo, or Trademark of the other Party or any of its Affiliates (or any abbreviation or adaptation thereof) in any publication, press release, marketing and promotional material, or other form of publicity without the prior written approval of such other Party in each instance. The restrictions imposed by this Section 10.3.8 shall not prohibit either Party from making any disclosure identifying the other Party that, in the opinion of the disclosing Party's counsel, is required by Applicable Law; *provided*, that such Party shall submit the proposed disclosure identifying the other Party in writing to the other Party as far in advance as reasonably practicable (and in no event less than [***] prior to the anticipated date of disclosure, to the extent practicable) so as to provide a reasonable opportunity to comment thereon.

10.4 Public Announcements. The Parties have agreed upon the content of a press release which shall be issued substantially in the form attached hereto as Schedule 10.4, upon execution of this Agreement; thereafter Licensor and AbbVie may each disclose to Third Parties the information contained in such press release without the need for further approval by the other Party. Except for the press release attached hereto, neither Party shall issue any other public announcement, press release, or other public disclosure regarding this Agreement or its subject matter without the other Party's prior written consent, except for any such disclosure that is, in the opinion of the disclosing Party's counsel, required by Applicable Law or the rules of a stock

exchange on which the securities of the disclosing Party are listed. In the event a Party is, in the opinion of its counsel, required by Applicable Law or the rules of a stock exchange on which its securities are listed to make such a public disclosure, such Party shall submit the proposed disclosure in writing to the other Party as far in advance as reasonably practicable (and in no event less than [***] prior to the anticipated date of disclosure) so as to provide a reasonable opportunity to comment thereon. Notwithstanding the foregoing, AbbVie, its Sublicensees and its and their respective Affiliates shall have the right to publicly disclose research, development and commercial information (including with respect to regulatory matters) regarding the AbbVie Probodies, Discovery PDCs and Licensed Products; *provided* that if any such research, development or commercial information is materially adverse to the Exploitation of a Discovery Probody, Discovery PDC or a Licensed Product, AbbVie shall submit the proposed disclosure in writing to Licensor as far in advance as reasonably practicable (and in no event less than [***] prior to the anticipated date of disclosure); and *further provided*, that (a) such disclosure is subject to the provisions of ARTICLE 10 with respect to Licensor's Confidential Information and (b) AbbVie shall not use the name of Licensor (or insignia, or any contraction, abbreviation or adaptation thereof) without Licensor's prior written permission.

10.5 Publications.

10.5.1 Licensor shall not publish, present, or otherwise disclose, and shall cause its Affiliates and Third Party Providers and its and their employees and agents not to disclose any material containing AbbVie Confidential Information or related to the Exploitation of the Discovery Probodies, Discovery PDCs or Licensed Products, including any materials that contain Clinical Data or pertain to results of Clinical Studies, or other studies with respect to the Discovery Probodies, Discovery PDCs or Licensed Products, without the prior written consent of AbbVie. Licensor shall submit any proposed publication or presentation to AbbVie in accordance with Section 10.5.3 (unless Licensor is required by Applicable Law to publish such information sooner). For clarity, Licensor may, without AbbVie's prior approval, make publications or presentations related to the Licensor Platform provided that such publications and presentations do not to disclose any AbbVie Confidential Information or Information specifically related to the Exploitation of the Discovery Probodies, Discovery PDCs or Licensed Products, or Clinical Data, non-clinical data or results of any Clinical Study or other study results with respect to the Discovery Probodies, Discovery PDCs or Licensed Products.

10.5.2 AbbVie, its Sublicensees and its and their respective Affiliates shall have the right to publish, present or otherwise disclose research, development and commercial information (including with respect to regulatory matters) regarding the AbbVie Probodies, Discovery PDCs and Licensed Products; *provided*, that (a) such disclosure is subject to the provisions of ARTICLE 10 with respect to Licensor's Confidential Information, (b) AbbVie shall not use the name of Licensor (or insignia, or any contraction, abbreviation or adaptation thereof) without Licensor's prior written permission and (c) AbbVie has provided Licensor with the opportunity to review pursuant to Section 10.5.3.

10.5.3 Each Party shall have the right to review any paper or other publication relating to the Discovery Probodies, Discovery PDCs or Licensed Products or that includes Confidential Information of the other Party that is proposed for publication by the other Party, including any oral presentation or abstract, that contains Clinical Data or pertains to results

of Clinical Studies, or other studies. Before any such proposed publication is submitted for publication or an oral presentation is made, the publishing or presenting Party shall deliver a then-current copy of the paper or materials for oral presentation to the other Party at least [***] prior to submitting the paper to a publisher or making the presentation. The other Party shall review any such paper and give its comments to the publishing Party within [***] of the delivery of such paper to the other Party. With respect to oral presentation materials and abstracts, the other Party shall make reasonable efforts to expedite review of such materials and abstracts, and shall return such items as soon as practicable to the publishing or presenting Party with appropriate comments, if any, but in no event later than [***] from the date of delivery to the other Party. Notwithstanding the foregoing, the publishing or presenting Party shall comply with AbbVie's consent rights under Section 10.5.1 and the other Party's request to delete references to such other Party's Confidential Information in any such paper and will withhold publication of any such paper or any presentation of same for an additional [***] in order to permit the Parties to obtain Patent protection if either Party deems it necessary. Any publication shall include recognition of the contributions of the other Party according to standard practice for assigning scientific credit, either through authorship or acknowledgement, as may be appropriate.

10.6 Return of Confidential Information. Upon the effective date of the termination of this Agreement for any reason, either Party may request in writing, and the other Party shall either, with respect to Confidential Information (in the event of termination of this Agreement with respect to one (1) or more Terminated Territories or Terminated Targets but not in its entirety, solely to the extent relating specifically and exclusively to such Terminated Territories or Terminated Targets, as applicable) to which such first Party does not retain rights under the surviving provisions of this Agreement: (a) as soon as reasonably practicable, destroy all copies of such Confidential Information in the possession of the other Party and confirm such destruction in writing to the requesting Party; or (b) as soon as reasonably practicable, deliver to the requesting Party, at the other Party's expense, all copies of such Confidential Information in the possession of the other Party; *provided*, that the other Party shall be permitted to retain one (1) copy of such Confidential Information for the sole purpose of performing any continuing obligations hereunder, as required by Applicable Law, or for archival purposes. Notwithstanding the foregoing, such other Party also shall be permitted to retain such additional copies of or any computer records or files containing such Confidential Information that have been created solely by such Party's automatic archiving and back-up procedures, to the extent created and retained in a manner consistent with such other Party's standard archiving and back-up procedures, but not for any other use or purpose.

10.7 Survival. All Confidential Information shall continue to be subject to the terms of this Agreement for the period set forth in Section 10.2.

ARTICLE 11 REPRESENTATIONS AND WARRANTIES

11.1 Mutual Representations and Warranties. Licensor and AbbVie each represents and warrants to the other, as of the Effective Date, as follows:

11.1.1 Organization. It is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization, and has all requisite power and authority, corporate or otherwise, to execute, deliver, and perform this Agreement.

11.1.2 Authorization. The execution and delivery of this Agreement and the performance by it of the transactions contemplated hereby have been duly authorized by all necessary corporate action, and do not violate (a) such Party's charter documents, bylaws, or other organizational documents, (b) in any material respect, any agreement, instrument, or contractual obligation to which such Party is bound, (c) any requirement of any Applicable Law, or (d) any order, writ, judgment, injunction, decree, determination, or award of any court or governmental agency presently in effect applicable to such Party.

11.1.3 Binding Agreement. This Agreement is a legal, valid, and binding obligation of such Party enforceable against it in accordance with its terms and conditions, subject to the effects of bankruptcy, insolvency, or other laws of general application affecting the enforcement of creditor rights, judicial principles affecting the availability of specific performance, and general principles of equity (whether enforceability is considered a proceeding at law or equity).

11.1.4 No Inconsistent Obligation. It is not under any obligation, contractual or otherwise, to any Person that conflicts with or is inconsistent in any material respect with the terms of this Agreement, or that would impede the diligent and complete fulfillment of its obligations hereunder.

11.2 Additional Representations, Warranties and Covenants of Licensor. Licensor further represents and warrants to AbbVie, as of the Effective Date, and covenants as follows:

11.2.1 All Licensor Background Patents existing as of the Effective Date are listed on Schedule 11.2.1 (the "**Existing Patents**"). To the Knowledge of Licensor, all Existing Patents are subsisting and are not invalid or unenforceable, in whole or in part.

11.2.2 There are no claims, judgments, or settlements against, or amounts with respect thereto, owed by Licensor or any of its Affiliates relating to the Existing Patents, or the Licensor Background Know-How. No claim or litigation has been brought or threatened by any Person alleging, and Licensor has no Knowledge of any claim, whether or not asserted that (a) the Existing Patents or the Licensor Background Know-How are invalid or unenforceable, or (b) the Development, Manufacturing or Commercialization of the Discovery Probody as contemplated herein, in each case as a result of such Discovery PDCs or Licensed Products containing a Discovery Probody (other than the Discovery Antibody portion thereof), does or will violate, infringe, misappropriate or otherwise conflict or interfere with, any Patent or other intellectual property or proprietary right of any Person.

11.2.3 Licensor is (a) the sole and exclusive owner or, where noted, co-owner of the entire right, title and interest in the Existing Patents listed on Schedule 11.2.1, Part A (the "**Owned Patents**") and the Licensor Background Know-How and (b) the sole and exclusive licensee of the Existing Patents listed on Schedule 11.2.1, Part B (the "**In-Licensed Patents**"), in each case (a) and (b) free of any encumbrance, lien, or claim of ownership by any Third Party.

Licensors are entitled to grant the licenses specified herein. The Owned Patents and In-Licensed Patents constitute all of the Existing Patents.

11.2.4 To Licensors' Knowledge, Licensors have the right to (a) use all Information, and Patents necessary to conduct the Discovery Research Plan, and (b) permit AbbVie to use all such Information and Patents to conduct its Development activities under this Agreement.

11.2.5 Except as expressly allowed under ARTICLE 2, neither Licensors nor any of its Affiliates have encumbered or diminished, and during the Term, neither Licensors nor any of its Affiliates shall, encumber or diminish, the rights granted to AbbVie hereunder with respect to the Licensors Background Patents or Licensors Program Patents, including by (a) committing any acts or permitting the occurrence of any omissions that would cause the breach or termination of any Licensors In-License Agreement, or (b) amending or otherwise modifying or permitting to be amended or modified, any Licensors In-License Agreement, where such amendment or modification would adversely affect the rights granted to AbbVie hereunder. Licensors shall promptly provide AbbVie with notice of any alleged, threatened, or actual material breach of any Licensors In-License Agreement. As of the Effective Date, none of Licensors, its Affiliates and, to Licensors' Knowledge, none of the counterparties thereto is in breach of any Licensors In-License Agreement. No party to any Licensors In-License Agreement has threatened to terminate, or has otherwise alleged any material breach under, such agreement. Each Licensors In-License Agreement is in full force and effect in accordance with its terms.

11.2.6 The Existing Patents are being diligently prosecuted in the respective patent offices in the Territory in accordance with Applicable Law. The Existing Patents have been filed and maintained properly and correctly and all applicable fees have been paid on or before the due date for payment.

11.2.7 Neither Licensors nor its Affiliates has, and neither will during the Term, enter into any agreements or grant any right, title, or interest to any Person that is inconsistent with the rights and licenses granted to AbbVie under this Agreement.

11.2.8 True, complete, and correct copies of all existing Licensors In-License Agreements have been provided or made available to AbbVie prior to the Effective Date. Except for the UCSB Agreement, there is no other agreement pursuant to which Licensors in-licenses any other Existing Patent.

11.2.9 To Licensors' Knowledge, no Person is infringing or threatening to infringe or misappropriating or threatening to misappropriate the Existing Patents or the Licensors Background Know-How.

11.2.10 In respect of the pending patent applications included in the Existing Patents, Licensors and its Affiliates have presented all references, documents, or information of which it and the inventors are aware and is otherwise material to patentability to the relevant patent examiner at the relevant patent office.

11.2.11 To Licensors' Knowledge, the conduct of the Discovery Research Plan and AbbVie's Development, Manufacture and Commercialization of the Licensed Products as contemplated herein will not infringe any Patent or other intellectual property or

proprietary right of any Person, in each case as a result of such Licensed Product containing a Discovery Probody (other than the Discovery Antibody portion thereof).

11.2.12 To Licensor's Knowledge, the conception, development, and reduction to practice of the Existing Patents, and Licensor Background Know-How existing as of the Effective Date have not constituted or involved the misappropriation of trade secrets or other rights or property of any Person.

11.2.13 The Existing Patents represent all Patents within Licensor's or its Affiliates' ownership or Control relating to the Discovery PDCs or the Licensed Products, or the Exploitation thereof, as of the Effective Date.

11.2.14 To Licensor's Knowledge, each of the Existing Patents properly identifies each and every inventor of the claims thereof as determined in accordance with the laws of the jurisdiction in which such Existing Patent is issued or such application is pending.

11.2.15 Each Person who has or has had any rights in or to any Existing Patents or any Licensor Background Know-How, has assigned and has executed an agreement assigning its entire right, title, and interest in and to such Existing Patents and Licensor Background Know-How to Licensor or to Licensor's Knowledge, to the licensor under existing Licensor In-License Agreements, as applicable. To Licensor's Knowledge, no current officer, employee, agent, or consultant of Licensor or any of its Affiliates is in violation of any term of any assignment or other agreement regarding the protection of Patents or other intellectual property or proprietary information of Licensor or such Affiliate or of any employment contract or any other contractual obligation relating to the relationship of any such Person with Licensor.

11.2.16 No rights or licenses are required under the Existing Patents or Licensor Background Know-How for the conduct of the Discovery Research Plan or for AbbVie to Develop and Commercialize the Discovery PDCs and the Licensed Products as contemplated herein other than those granted under Section 6.1.

11.2.17 The Licensor Background Know-How that constitutes a trade secret has been kept confidential or has been disclosed to Third Parties only under terms of confidentiality. To the Knowledge of Licensor, no material breach of a confidentiality obligation to Licensor with respect to any Licensor Background Know-How has been committed by any Third Party.

11.2.18 Licensor has made available to AbbVie all Licensor Background Know-How and other Information in its possession or Control regarding or related to the Discovery Probody, Discovery PDCs or the Licensed Products that has been requested by AbbVie, and all such Licensor Background Know-How and other Information are true, complete, and correct.

11.2.19 Other than the existing Licensor In-License Agreements, to Licensor's Knowledge, there are no amounts that will be required to be paid to a Third Party as a result of the Development, Manufacture or Commercialization of the Discovery PDCs or Licensed Products that arise out of any agreement to which Licensor or any of its Affiliates is a party.

11.2.20 Except as listed on Schedule 11.2.1, the inventions claimed or covered by the Existing Patents (a) were not conceived, discovered, developed, or otherwise

made in connection with any research activities funded, in whole or in part, by the federal government of the United States or any agency thereof, (b) are not a “subject invention” as that term is described in 35 U.S.C. Section 201(f), and (c) are not otherwise subject to the provisions of the Bayh-Dole Act.

11.3 Debarment. Neither Party nor any of its employees nor agents performing hereunder, have ever been, are currently, or are the subject of a proceeding that could lead to it or such employees or agents becoming, as applicable, a Debarred Entity or Debarred Individual, an Excluded Entity or Excluded Individual or a Convicted Entity or Convicted Individual or added to the FDA’s Disqualified/Restricted List. If, during the Term, either Party, or any of its employees or agents performing hereunder, become or are the subject of a proceeding that could lead to a Person becoming, as applicable, a Debarred Entity or Debarred Individual, an Excluded Entity or Excluded Individual or a Convicted Entity or Convicted Individual or added to the FDA’s Disqualified/Restricted List, such Party shall immediately notify the other Party, and if Licensor is the notified Party, Licensor shall have the right to prohibit such Person from performing work under this Agreement, and if AbbVie is the notified Party AbbVie shall have the option, at its sole discretion, to either: (a) prohibit such Person from performing work under this Agreement or (b) terminate all work being performed or to be performed by the notifying Party pursuant to this Agreement. This provision shall survive termination or expiration of this Agreement. For purposes of this provision, the following definitions shall apply:

11.3.1 A “Debarred Individual” is an individual who has been debarred by the FDA pursuant to 21 U.S.C. §335a (a) or (b) from providing services in any capacity to a Person that has an approved or pending drug or biological product application.

11.3.2 A “Debarred Entity” is a corporation, partnership or association that has been debarred by the FDA pursuant to 21 U.S.C. §335a (a) or (b) from submitting or assisting in the submission of any abbreviated drug application, or a subsidiary or affiliate of a Debarred Entity.

11.3.3 An “Excluded Individual” or “Excluded Entity” is (A) an individual or entity, as applicable, who has been excluded, debarred, suspended or is otherwise ineligible to participate in federal health care programs such as Medicare or Medicaid by the Office of the Inspector General (OIG/HHS) of the U.S. Department of Health and Human Services, or (B) is an individual or entity, as applicable, who has been excluded, debarred, suspended or is otherwise ineligible to participate in federal procurement and non-procurement programs, including those produced by the U.S. General Services Administration (GSA).

11.3.4 A “Convicted Individual” or “Convicted Entity” is an individual or entity, as applicable, who has been convicted of a criminal offense that falls within the ambit of 21 U.S.C. §335a (a) or 42 U.S.C. §1320a - 7(a), but has not yet been excluded, debarred, suspended or otherwise declared ineligible.

11.3.5 “FDA’s Disqualified/Restricted List” is the list of clinical investigators restricted from receiving investigational drugs, biologics, or devices if the FDA has determined that the investigators have repeatedly or deliberately failed to comply with regulatory requirements for studies or have submitted false Information to the study sponsor or the FDA.

11.4 Obtainment of Rights. Each Party has or will obtain from each of its Affiliates, sublicensees, employees and agents, and from the employees and agents of its Affiliates, sublicensees and agents, who are performing tests or studies, or are otherwise participating in the Exploitation of the AbbVie Probodyes, Discovery PDCs or Licensed Products or who otherwise have access to any the other Party's Information or other Confidential Information of the other Party, and shall obtain from such Persons during the Term, the licenses and other rights necessary for such Party to grant to the other Party the rights and licenses provided herein and for the other Party to perform its obligations hereunder, without payments beyond those required by ARTICLE 7.

11.5 DISCLAIMER OF WARRANTIES. EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH HEREIN, NEITHER PARTY MAKES ANY REPRESENTATIONS OR GRANTS ANY WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, AND EACH PARTY SPECIFICALLY DISCLAIMS ANY OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR USE OR PURPOSE OR ANY WARRANTY AS TO THE VALIDITY OF ANY PATENTS OR THE NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES.

ARTICLE 12 INDEMNITY

12.1 Indemnification of Licensor. AbbVie shall indemnify Licensor, its Affiliates and its and their respective directors, officers, employees, and agents (the "**Licensor Indemnitees**") and defend and save each of them harmless, from and against any and all losses, damages, liabilities, penalties, costs, and expenses (including reasonable attorneys' fees and expenses) (collectively, "**Losses**") in connection with any and all suits, investigations, claims, or demands of Third Parties (collectively, "**Third Party Claims**") incurred by or rendered against the Licensor Indemnitees arising from or occurring as a result of: [***].

12.2 Indemnification of AbbVie. Licensor shall indemnify AbbVie, its Affiliates and its and their respective directors, officers, employees, and agents (the "**AbbVie Indemnitees**"), and defend and save each of them harmless, from and against any and all Losses in connection with any and all Third Party Claims incurred by or rendered against the AbbVie Indemnitees arising from or occurring as a result of: [***].

12.3 Notice of Claim. All indemnification claims in respect of a Party, its Affiliates, or their respective directors, officers, employees and agents shall be made solely by such Party to this Agreement (the "**Indemnified Party**"). The Indemnified Party shall give the indemnifying Party prompt written notice (an "**Indemnification Claim Notice**") of any Losses or discovery of fact upon which such Indemnified Party intends to base a request for indemnification under this ARTICLE 12, but in no event shall the indemnifying Party be liable for any Losses that result from any delay in providing such notice. Each Indemnification Claim Notice must contain a description of the claim and the nature and amount of such Loss (to the extent that the nature and amount of such Loss is known at such time). The Indemnified Party shall furnish promptly to the

indemnifying Party copies of all papers and official documents received in respect of any Losses and Third Party Claims.

12.4 Control of Defense.

12.4.1 In General. Subject to the provisions of Sections 8.4, 8.5 and 8.7, at its option, the indemnifying Party may assume the defense of any Third Party Claim by giving written notice to the Indemnified Party within [***] after the indemnifying Party's receipt of an Indemnification Claim Notice. The assumption of the defense of a Third Party Claim by the indemnifying Party shall not be construed as an acknowledgment that the indemnifying Party is liable to indemnify the Indemnified Party in respect of the Third Party Claim, nor shall it constitute a waiver by the indemnifying Party of any defenses it may assert against the Indemnified Party's claim for indemnification. Upon assuming the defense of a Third Party Claim, the indemnifying Party may appoint as lead counsel in the defense of the Third Party Claim any legal counsel selected by the indemnifying Party which shall be reasonably acceptable to the Indemnified Party. In the event the indemnifying Party assumes the defense of a Third Party Claim, the Indemnified Party shall immediately deliver to the indemnifying Party all original notices and documents (including court papers) received by the Indemnified Party in connection with the Third Party Claim. Should the indemnifying Party assume the defense of a Third Party Claim, except as provided in Section 12.4.2, the indemnifying Party shall not be liable to the Indemnified Party for any legal expenses subsequently incurred by such Indemnified Party in connection with the analysis, defense or settlement of the Third Party Claim unless specifically requested in writing by the indemnifying Party. In the event that it is ultimately determined that the indemnifying Party is not obligated to indemnify, defend or hold harmless the Indemnified Party from and against the Third Party Claim, the Indemnified Party shall reimburse the indemnifying Party for any Losses incurred by the indemnifying Party in its defense of the Third Party Claim.

12.4.2 Right to Participate in Defense. Without limiting Section 12.4.1, any Indemnified Party shall be entitled to participate in, but not control, the defense of such Third Party Claim and to employ counsel of its choice for such purpose; *provided*, that such employment shall be at the Indemnified Party's own expense unless (a) the employment thereof, and the assumption by the indemnifying Party of such expense, has been specifically authorized by the indemnifying Party in writing, (b) the indemnifying Party has failed to assume the defense and employ counsel in accordance with Section 12.4.1 (in which case the Indemnified Party shall control the defense), or (c) the interests of the Indemnified Party and the indemnifying Party with respect to such Third Party Claim are sufficiently adverse to prohibit the representation by the same counsel of both Parties under Applicable Law, ethical rules or equitable principles.

12.4.3 Settlement. With respect to any Losses relating solely to the payment of money damages in connection with a Third Party Claim and that shall not result in the Indemnified Party's becoming subject to injunctive or other relief, and as to which the indemnifying Party shall have acknowledged in writing the obligation to indemnify the Indemnified Party hereunder, the indemnifying Party shall have the sole right to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss, on such terms as the indemnifying Party, in its sole discretion, shall deem appropriate. With respect to all other Losses in connection with Third Party Claims, where the indemnifying Party has assumed the defense of the Third Party Claim in accordance with Section 12.4.1, the indemnifying Party shall

have authority to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss. If the indemnifying Party does not assume and conduct the defense of a Third Party Claim as provided above, the Indemnified Party may defend against such Third Party Claim. Regardless of whether the indemnifying Party chooses to defend or prosecute any Third Party Claim, no Indemnified Party shall admit any liability with respect to, or settle, compromise or dispose of, any Third Party Claim without the prior written consent of the indemnifying Party. The indemnifying Party shall not be liable for any settlement, compromise or other disposition of a Loss by an Indemnified Party that is reached without the written consent of the indemnifying Party.

12.4.4 Cooperation. Regardless of whether the indemnifying Party chooses to defend or prosecute any Third Party Claim, the Indemnified Party shall, and shall cause each indemnitee to, cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith. Such cooperation shall include access during normal business hours afforded to the indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Third Party Claim, and making Indemnified Parties and other employees and agents available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, and the indemnifying Party shall reimburse the Indemnified Party for all its reasonable out-of-pocket expenses in connection therewith.

12.4.5 Expenses. Except as provided above, the reasonable and verifiable costs and expenses, including fees and disbursements of counsel, incurred by the Indemnified Party in connection with any Third Party Claim shall be reimbursed on a Calendar Quarter basis in arrears by the indemnifying Party, without prejudice to the indemnifying Party's right to contest the Indemnified Party's right to indemnification and subject to refund in the event the indemnifying Party is ultimately held not to be obligated to indemnify the Indemnified Party.

12.5 Special, Indirect, and Other Losses. EXCEPT (A) FOR WILLFUL MISCONDUCT, (B) FOR A PARTY'S BREACH OF ITS OBLIGATIONS UNDER ARTICLE 10 OR SECTION 6.8 OR SECTION 6.10, (C) AS PROVIDED UNDER SECTION 14.7.7, AND (D) TO THE EXTENT ANY SUCH DAMAGES ARE REQUIRED TO BE PAID TO A THIRD PARTY AS PART OF A CLAIM FOR WHICH A PARTY PROVIDES INDEMNIFICATION UNDER THIS ARTICLE 12, NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE FOR INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS OR BUSINESS INTERRUPTION, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, WHETHER IN CONTRACT, TORT, NEGLIGENCE, BREACH OF STATUTORY DUTY OR OTHERWISE IN CONNECTION WITH OR ARISING IN ANY WAY OUT OF THE TERMS OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE USE OF THE ABBVIE PROBODY, DISCOVERY PDC OR LICENSED PRODUCT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.

12.6 Insurance. Each Party shall obtain and carry in full force and effect the minimum insurance requirements set forth herein. Such insurance (a) shall be primary insurance with respect to AbbVie's own participation under this Agreement, (b) shall be issued by a

recognized insurer rated by [***] (or its equivalent) or better, or an insurer pre-approved in writing by Licensor and (c) shall require [***] written notice to be given to the other Party prior to any cancellation, non-renewal or material change thereof.

12.6.1 Types and Minimum Limits. The types of insurance, and minimum limits shall be:

(a) Worker's Compensation with statutory limits in compliance with the Worker's Compensation laws of the state or states in which the Party has employees in the United States (excluding Puerto Rico).

(b) Employer's Liability coverage with a minimum limit of [***] per occurrence; *provided*, that a Party has employees in the United States (excluding Puerto Rico).

(c) General Liability Insurance with a minimum limit of [***] per occurrence and [***] in the aggregate. General Liability Insurance shall include, at a minimum, Professional Liability, and, solely with respect to AbbVie (i) Clinical Trial Insurance and, (ii) beginning at least [***] prior to First Commercial Sale of a Licensed Product, product liability insurance.

12.6.2 Certificates of Insurance. Upon request by a Party, the other Party shall provide Certificates of Insurance evidencing compliance with this Section. The insurance policies shall be under an occurrence form, but if only a claims-made form is available to a Party, then such Party shall continue to maintain such insurance after the expiration or termination of this Agreement for the longer of (a) a period of [***] following termination or expiration of this Agreement in its entirety, or (b) with respect to a particular Party, last sale of a Licensed Product (or but for expiration or termination, would be considered a Licensed Product) sold under this Agreement by a Party.

12.6.3 Self-Insurance. Notwithstanding the foregoing, AbbVie may self-insure, in whole or in part, the insurance requirements described above; *provided*, that AbbVie continues to be investment grade determined by reputable and accepted financial rating agencies.

ARTICLE 13 TERM AND TERMINATION

13.1 Term.

13.1.1 Term. This Agreement shall commence on the Effective Date and, unless earlier terminated in accordance herewith, shall continue in force and effect until the date of expiration of the last Royalty Term for the last Licensed Product (such period, the "**Term**").

13.1.2 Effect of Expiration of the Term. Following the expiration of the Term, the grants in Section 6.1 shall become exclusive, fully-paid, royalty-free and irrevocable.

13.2 Termination for Material Breach.

13.2.1 Material Breach. If either Party (the "**Non-Breaching Party**") believes that the other Party (the "**Breaching Party**") has materially breached one (1) or more of its material obligations under this Agreement, then the Non-Breaching Party may deliver notice of

such material breach to the Breaching Party (a “Default Notice”). If the Breaching Party does not dispute that it has committed a material breach of one (1) or more of its material obligations under this Agreement, then if the Breaching Party fails to cure such breach, or fails to take steps as would be considered reasonable to effectively cure such breach, within [***] after receipt of the Default Notice, or if such compliance cannot be fully achieved within such [***] period and the Breaching Party has failed to commence compliance or has failed to use diligent efforts to achieve full compliance as soon thereafter as is reasonably possible, the Non-Breaching Party may terminate this Agreement upon written notice to the Breaching Party. If the Breaching Party disputes that it has materially breached one (1) of its material obligations under this Agreement, the dispute shall be resolved pursuant to Section 14.7. If, as a result of the application of such dispute resolution procedures, the Breaching Party is determined to be in material breach of one (1) or more of its material obligations under this Agreement (an “**Adverse Ruling**”), then if the Breaching Party fails to complete the actions specified by the Adverse Ruling to cure such material breach within [***] after such ruling, or if such compliance cannot be fully achieved within such [***] period and the Breaching Party has failed to commence compliance or has failed to use diligent efforts to achieve full compliance as soon thereafter as is reasonably possible, then the Non-Breaching Party may terminate this Agreement upon written notice to the Breaching Party.

13.2.2 Material Breach Related to Diligence in a Major Market. Notwithstanding Section 13.2.1, if the material breach and failure to cure contemplated by Section 13.2.1 is with respect to AbbVie’s Commercialization diligence obligations under Section 5.2 with respect to any Major Market, Licensor shall not have the right to terminate this Agreement in its entirety, but shall have the right to terminate this Agreement solely with respect to such Major Market.

13.2.3 Material Breach Related to an Accepted Target. Notwithstanding Section 13.2.1, if the material breach and failure to cure contemplated by Section 13.2.1 is primarily with respect to AbbVie’s obligations under this Agreement with respect to any particular Accepted Target, Licensor shall not have the right to terminate this Agreement in its entirety, but shall have the right to terminate this Agreement solely with respect to such Accepted Target.

13.3 Additional Termination Rights by AbbVie.

13.3.1 For Cause. AbbVie may terminate this Agreement in its entirety or on an Accepted Target-by-Accepted Target basis effective immediately upon written notice to Licensor in the event that AbbVie in good faith believes (a) a Discovery PDC or AbbVie Probody Failure has occurred or (b) it is not advisable for AbbVie to continue to Develop or Commercialize the AbbVie Probodyes, Discovery PDCs or Licensed Products as a result of a perceived serious safety issue regarding the use of any Licensed Product.

13.3.2 Termination for Convenience by AbbVie. At any time after the [***] of the Effective Date, AbbVie may terminate this Agreement in its entirety, or on a country or other jurisdiction -by-country or other jurisdiction basis, or on an Accepted Target-by-Accepted Target basis for any or no reason, upon [***] prior written notice to Licensor.

13.4 Termination for Insolvency. In the event that either Party (a) files for protection under bankruptcy or insolvency laws, (b) makes an assignment of substantially all of its

assets for the benefit of creditors, (c) appoints or suffers appointment of a receiver or trustee over substantially all of its property that is not discharged within [***] after such filing, (d) proposes or is a party to any dissolution or liquidation, (e) files a petition under any bankruptcy or insolvency act or has any such petition filed against that is not discharged within [***] of the filing thereof, or (f) admits in writing its inability generally to meet its obligations as they fall due in the general course, then the other Party may terminate this Agreement in its entirety effective immediately upon written notice to such Party.

13.5 Rights in Bankruptcy.

13.5.1 Applicability of 11 U.S.C. § 365(n). All rights and licenses (collectively, the “**Intellectual Property**”) granted under or pursuant to this Agreement, including all rights and licenses to use improvements or enhancements developed during the Term, are intended to be, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (the “**Bankruptcy Code**”) or any analogous provisions in any other country or jurisdiction, licenses of rights to “intellectual property” as defined under Section 101(35A) of the Bankruptcy Code. The Parties agree that the licensee of such Intellectual Property under this Agreement shall retain and may fully exercise all of its rights and elections under the Bankruptcy Code, including Section 365(n) of the Bankruptcy Code, or any analogous provisions in any other country or jurisdiction. All of the rights granted to either Party under this Agreement shall be deemed to exist immediately before the occurrence of any bankruptcy case in which the other Party is the debtor.

13.5.2 Rights of non-Debtor Party in Bankruptcy. If a bankruptcy proceeding is commenced by or against either Party under the Bankruptcy Code or any analogous provisions in any other country or jurisdiction, the non-debtor Party shall be entitled to a complete duplicate of (or complete access to, as appropriate) any Intellectual Property and all embodiments of such Intellectual Property, which, if not already in the non-debtor Party’s possession, shall be delivered to the non-debtor Party within [***] of such request; *provided*, that the debtor Party is excused from its obligation to deliver the Intellectual Property to the extent the debtor Party continues to perform all of its obligations under this Agreement and the Agreement has not been rejected pursuant to the Bankruptcy Code or any analogous provision in any other country or jurisdiction.

13.6 Termination in Entirety.

13.6.1 In the event of a termination of this Agreement in its entirety by AbbVie pursuant to Section 13.3 or by Licensor pursuant to Section 13.2.1 or 13.4:

- (a) all rights and licenses granted by Licensor hereunder shall immediately terminate;
- (b) all rights and licenses granted by AbbVie hereunder shall immediately terminate;
- (c) AbbVie shall grant Licensor [***], effective as of the effective date of such termination; and
- (d) solely in the case of termination pursuant to Section 13.3.2, upon the effective date of AbbVie’s notice of termination (i) AbbVie will have no further

diligence obligations under this Agreement and (ii) AbbVie will not be required to make any milestone payments to Licensor under this Agreement for milestones achieved during the period between the notice of termination by AbbVie under Section 13.3.2 and the effective date of termination or thereafter.

13.6.2 In the event of a termination of this Agreement in its entirety by AbbVie pursuant to Section 13.2.1 or 13.4:

(a) all rights and licenses granted by AbbVie hereunder shall immediately terminate; and

(b) all rights and licenses granted to AbbVie hereunder shall become exclusive or non-exclusive (at AbbVie's sole option), irrevocable, and perpetual rights and licenses and the Parties shall mutually agree, in good faith, in writing the consideration Licensor shall receive for the aforementioned license, taking into consideration: (i) lost time in the Development and/or Commercialization of an AbbVie Probody, Discovery PDC or Licensed Product due to termination; (ii) AbbVie's contributions made in Exploitation of an AbbVie Probody, Discovery PDC or Licensed Product; and (iii) the reasons why the termination occurred. If, despite good faith discussions, the Parties are unable to agree on the consideration, then the dispute shall be resolved pursuant to Section 14.7.

13.7 Termination of Terminated Territory. In the event of a termination of this Agreement with respect to a country or other jurisdiction by AbbVie pursuant to Section 13.3.2 or with respect to a Terminated Territory by Licensor pursuant to Section 13.2.2 (but not in the case of any termination of this Agreement in its entirety) all rights and licenses granted by Licensor hereunder (a) shall automatically be deemed to be amended to exclude, if applicable, the right to market, promote, detail, distribute, import, sell, offer for sale, file any Drug Approval Application for, or seek any Regulatory Approval for AbbVie Probodies, Discovery PDCs or Licensed Products in such Terminated Territory, and (b) shall otherwise survive and continue in effect in such Terminated Territory solely for the purpose of furthering any Commercialization of the AbbVie Probodies, Discovery PDCs or Licensed Products in the Territory or any Development or Manufacturing in support thereof.

13.8 Termination of Accepted Target. In the event of a termination of this Agreement with respect to one Accepted Target (the "**Terminated Target**") pursuant to Section 13.2.3 or 13.3 (but not in the case of any termination of this Agreement in its entirety) then:

13.8.1 all rights and licenses granted by Licensor hereunder shall automatically be deemed to be amended to exclude the Terminated Target but shall otherwise survive and continue in effect for any remaining Accepted Target;

13.8.2 all rights and licenses granted by AbbVie hereunder shall automatically be deemed to be amended to exclude the Terminated Target but shall otherwise survive and continue in effect for any remaining Accepted Target;

13.8.3 AbbVie shall grant Licensor [***], effective as of the effective date of such termination; and

13.8.4 solely in the case of termination pursuant to Section 13.3.2, upon the effective date of AbbVie's notice of termination (i) AbbVie will have no further diligence

obligations under this Agreement with respect to the Terminated Target and (ii) AbbVie will not be required to make any milestone payments to Licensor under this Agreement for milestones achieved with respect to the Terminated Target during the period between the notice of termination by AbbVie under Section 13.3 and the effective date of termination and thereafter.

13.9 Remedies. Except as otherwise expressly provided herein, termination of this Agreement (either in its entirety or with respect to one (1) or more country(ies) or other jurisdiction(s) or with respect to a Terminated Target) in accordance with the provisions hereof shall not limit remedies that may otherwise be available in law or equity.

13.10 Accrued Rights; Surviving Obligations.

13.10.1 Termination or expiration of this Agreement (either in its entirety or with respect to one (1) or more country(ies) or other jurisdiction(s) or with respect to a Terminated Target) for any reason shall be without prejudice to any rights that shall have accrued to the benefit of a Party prior to such termination or expiration. Such termination or expiration shall not relieve a Party from obligations that are expressly indicated to survive the termination or expiration of this Agreement. Without limiting the foregoing, the last sentence of Section 2.2, Sections 2.3.2, 3.6, 4.6, 4.8.1(b), 4.8.2, and Sections 4.10 and 6.10 (in accordance with the time periods set forth therein), Sections 7.8 through 7.15, Sections 8.1.1 through 8.1.4 (with respect to any writing, conception, discovery, development or making that occurred prior to expiration or termination of this Agreement), Sections 12.1 through 12.5, Sections 13.5 and 13.10, subparagraph (iii) of Section 14.2.2, Sections 14.3, 14.5 through 14.12, 14.14, 14.17 and 14.18 and ARTICLE 1 and ARTICLE 10 (other than Section 10.5) shall survive the termination or expiration of this Agreement for any reason, Sections 13.6 and 13.9 shall survive termination of this Agreement but not expiration, and Sections 13.1.1 and Sections 6.1 and 6.3 shall survive expiration of this Agreement but not termination. If this Agreement is terminated with respect to the Terminated Territory or a Terminated Target but not in its entirety, then following such termination the foregoing provisions of this Agreement shall remain in effect with respect to the Terminated Territory or Terminated Target, as applicable (to the extent they would survive and apply in the event the Agreement expires or is terminated in its entirety), and all provisions not surviving in accordance with the foregoing shall terminate upon termination of this Agreement with respect to the Terminated Territory or Terminated Target, as applicable, and be of no further force and effect (and, for purposes of clarity, all provisions of this Agreement shall remain in effect with respect to all countries in the Territory other than the Terminated Territory or with respect to the Accepted Target other than the Terminated Target).

13.10.2 Notwithstanding the termination of AbbVie's licenses and other rights under this Agreement or with respect to a particular Major Market or country or other jurisdiction or with respect to a Terminated Target, as the case may be, AbbVie shall have the right for [***] after the effective date of such termination with respect to each Major Market or country or other jurisdiction or Terminated Target with respect to which such termination applies to sell or otherwise dispose of all AbbVie Probodies, Discovery PDCs or Licensed Product then in its inventory and any in-progress inventory, in each case that is intended for sale or disposition in such Major Market or country or other jurisdiction or, in the case of a Terminated Target, in the Territory, as though this Agreement had not terminated with respect to such Major Market or country or other jurisdiction or Terminated Target, as applicable, and such sale or disposition shall

not constitute infringement of Licensor's or its Affiliates' Patent or other intellectual property or other proprietary rights. For purposes of clarity, AbbVie shall continue to make payments thereon as provided in ARTICLE 7 (as if this Agreement had not terminated with respect to such Major Market or country or other jurisdiction or Terminated Target, as applicable).

ARTICLE 14 MISCELLANEOUS

14.1 Force Majeure. Neither Party shall be held liable or responsible to the other Party or be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement when such failure or delay is caused by or results from events beyond the reasonable control of the non-performing Party, including fires, floods, earthquakes, hurricanes, embargoes, shortages, epidemics, quarantines, war, acts of war (whether war be declared or not), terrorist acts, insurrections, riots, civil commotion, strikes, lockouts, or other labor disturbances (whether involving the workforce of the non-performing Party or of any other Person), acts of God or acts, omissions or delays in acting by any governmental authority (except to the extent such delay results from the breach by the non-performing Party or any of its Affiliates of any term or condition of this Agreement). The non-performing Party shall notify the other Party of such force majeure within [***] after such occurrence by giving written notice to the other Party stating the nature of the event, its anticipated duration, and any action being taken to avoid or minimize its effect. The suspension of performance shall be of no greater scope and no longer duration than is necessary and the non-performing Party shall use commercially reasonable efforts to remedy its inability to perform.

14.2 Change in Control of Licensor.

14.2.1 [***]

14.2.2 [***]

14.3 Export Control. This Agreement is made subject to any restrictions concerning the export of products or technical information from the United States or other countries that may be imposed on the Parties from time to time. Each Party agrees that it will not export, directly or indirectly, any technical information acquired from the other Party under this Agreement or any products using such technical information to a location or in a manner that at the time of export requires an export license or other governmental approval, without first obtaining the written consent to do so from the appropriate agency or other governmental entity in accordance with Applicable Law.

14.4 Assignment.

14.4.1 Without the prior written consent of the other Party, neither Party shall sell, transfer, assign, delegate, pledge, or otherwise dispose of, whether voluntarily, involuntarily, by operation of law or otherwise, this Agreement or any of its rights or duties hereunder; *provided*, that (i) either Party may make such an assignment without the other Party's consent to its Affiliate or to a successor, whether in a merger, sale of stock, sale of assets or any other transaction, of all or substantially all of the business to which this Agreement relates; and [***]. With respect to an assignment to an Affiliate, the assigning Party shall remain responsible for the performance by such Affiliate of the rights and obligations hereunder. Any attempted

assignment or delegation in violation of this Section 14.4 shall be void and of no effect. All validly assigned and delegated rights and obligations of the Parties hereunder shall be binding upon and inure to the benefit of and be enforceable by and against the successors and permitted assigns of Licensor or AbbVie, as the case may be. The permitted assignee or transferee shall assume all obligations of its assignor or transferor under this Agreement. Without limiting the foregoing, the grant of rights set forth in this Agreement shall be binding upon any successor or permitted assignee of Licensor, and the obligations of AbbVie, including the payment obligations, shall run in favor of any such successor or permitted assignee of Licensor's benefits under this Agreement.

14.4.2 [***]

14.4.3 [***]

14.4.4 As used in this Section 14.4, "assignee" means the Third Party involved in the Change in Control transaction, and any Affiliate of such Third Party that was not an Affiliate of the Acquired Party immediately prior to the Change in Control; and "Acquired Party" means the Party that was the subject of such Change in Control, together with any entity that was its Affiliate immediately prior to the Change in Control.

14.5 Severability. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any present or future law, and if the rights or obligations of either Party under this Agreement will not be materially and adversely affected thereby, (a) such provision shall be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance herefrom, and (d) in lieu of such illegal, invalid, or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid, and enforceable provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and reasonably acceptable to the Parties. To the fullest extent permitted by Applicable Law, each Party hereby waives any provision of law that would render any provision hereof illegal, invalid, or unenforceable in any respect.

14.6 Governing Law, Jurisdiction and Service.

14.6.1 Governing Law. This Agreement or the performance, enforcement, breach or termination hereof shall be interpreted, governed by and construed in accordance with the laws of the State of Delaware, United States, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction; *provided*, that all questions concerning (a) inventorship of Patents under this Agreement shall be determined in accordance with Section 8.1.4 and (b) the construction or effect of Patents shall be determined in accordance with the laws of the country or other jurisdiction in which the particular Patent has been filed or granted, as the case may be. The Parties agree to exclude the application to this Agreement of the United Nations Convention on Contracts for the International Sale of Goods.

14.6.2 Service. Each Party further agrees that service of any process, summons, notice or document by registered mail to its address set forth in Section 14.8.2 shall be effective service of process for any action, suit, or proceeding brought against it under this Agreement in any such court.

14.7 Dispute Resolution. Except for disputes resolved by the procedures set forth in Section 3.2.3 or 7.14, if a dispute arises between the Parties in connection with or relating to this Agreement or any document or instrument delivered in connection herewith (a “**Dispute**”), it shall be resolved pursuant to this Section 14.7.

14.7.1 General. Any Dispute shall first be referred to the Senior Officers of the Parties, who shall confer in good faith on the resolution of the issue. Any final decision mutually agreed to by the Senior Officers and documented in a written agreement shall be conclusive and binding on the Parties. If the Senior Officers are not able to agree on the resolution of any such issue within [***] (or such other period of time as mutually agreed by the Senior Officers) after such issue was first referred to them, then, except as otherwise set forth in Section 14.7.2, either Party may, by written notice to the other Party, elect to initiate an alternative dispute resolution (“**ADR**”) proceeding pursuant to the procedures set forth in Section 14.7.3 for purposes of having the matter settled.

14.7.2 Intellectual Property Disputes. In the event that a Dispute arises with respect the validity, scope, enforceability, inventorship or ownership of any Patent, Trademark or other intellectual property rights, and such Dispute cannot be resolved in accordance with Section 14.7.1, unless otherwise agreed by the Parties in writing, such Dispute shall not be submitted to an ADR proceeding in accordance with Section 14.7.3 and instead, either Party may initiate litigation in a court of competent jurisdiction, in any country or other jurisdiction in which such rights apply.

14.7.3 ADR. Any ADR proceeding under this Agreement shall take place pursuant to the procedures set forth in Schedule 14.7.3.

14.7.4 Expert Arbitration. Any dispute expressly stated in this Agreement to be resolved pursuant to this Section 14.7.4 shall take place pursuant to the following procedures:

(a) Arbitration Supervision. The expert arbitration shall be overseen by and conducted as a binding arbitration by a single arbitrator agreed to by both parties in accordance with the procedure set forth in Schedule 14.7.3(2) for the selection of a Neutral, and conducted pursuant to Schedule 14.7.3, sections 3 to 12, except as modified under this Section 14.7.4. The arbitrator may, upon agreement by the Parties, modify the procedures under Schedule 14.7.3, sections 3-12 as appropriate solely to expedite a “baseball” arbitration. The hearing to resolve each of the issues identified by the parties in the Parties shall be had no later than [***] after selection of the expert panel described in Section 14.7.4(b). All references to the Neutral in Schedule 14.7.3 shall refer to the expert panel described in Section 14.7.4(b).

(b) promptly following receipt of any notice requiring dispute resolution pursuant to this Section 14.7.4, the Parties shall meet and discuss in good faith and agree on an expert panel to resolve the issue under the supervision of an arbitrator as provided in Section 14.7.4(a), which expert panel shall consist of three (3) members and shall be neutral and independent of both Parties and all of their respective Affiliates, shall have significant experience and expertise in the substantive area in question, and shall have some experience in mediating or arbitrating issues relating to such agreements. If the Parties cannot agree on such expert panel within [***] of request by a Party for arbitration, then each Party shall select one (1) expert for

such panel within [***] as from the expiration of the aforementioned [***] period and the two (2) experts selected by the Parties shall select a third expert for the panel within [***] as from the appointment of the second expert; provided, that all such three (3) experts must meet the foregoing criteria, and further provided that if the Parties' experts cannot agree as to a third expert, the arbitrator (as described in Section 14.7.4(a)) shall appoint the third expert panel member. Any legal questions referred to the expert panel or raised by the expert panel shall be resolved by the arbitrator.

14.7.5 Adverse Ruling. Any determination pursuant to this Section 14.7 that a Party is in material breach of its material obligations hereunder shall specify a (nonexclusive) set of actions to be taken to cure such material breach, if feasible.

14.7.6 Interim Relief. Notwithstanding anything herein to the contrary, nothing in this Section 14.7 shall preclude either Party from seeking interim or provisional relief, including a temporary restraining order, preliminary injunction or other interim equitable relief concerning a Dispute, if necessary to protect the interests of such Party. This Section shall be specifically enforceable.

14.7.7 Equitable Relief. Each Party acknowledges and agrees that the restrictions set forth in Section 6.8, Section 6.10 and ARTICLE 8 and ARTICLE 10 are reasonable and necessary to protect the legitimate interests of the other Party and that such other Party would not have entered into this Agreement in the absence of such restrictions, and that any breach or threatened breach of any provision of such Section or Articles may result in irreparable injury to such other Party for which there will be no adequate remedy at law. In the event of a breach or threatened breach of any provision of such Section or Articles, the non-breaching Party shall be authorized and entitled to seek from any court of competent jurisdiction injunctive relief, whether preliminary or permanent, specific performance, and an equitable accounting of all earnings, profits, and other benefits arising from such breach, which rights shall be cumulative and in addition to any other rights or remedies to which such non-breaching Party may be entitled in law or equity. Both Parties agree to waive any requirement that the other (a) post a bond or other security as a condition for obtaining any such relief, and (b) show irreparable harm, balancing of harms, consideration of the public interest, or inadequacy of monetary damages as a remedy.

14.8 Notices.

14.8.1 Notice Requirements. Any notice, request, demand, waiver, consent, approval, or other communication permitted or required under this Agreement shall be in writing, shall refer specifically to this Agreement and shall be deemed given only if (a) delivered by hand, (b) sent by facsimile transmission (with transmission confirmed), or (c) by internationally recognized overnight delivery service that maintains records of delivery, addressed to the Parties at their respective addresses specified in Section 14.8.2 or to such other address as the Party to whom notice is to be given may have provided to the other Party in accordance with this Section 14.8.1. Such notice shall be deemed to have been given as of the date delivered by hand or transmitted by facsimile (with transmission confirmed) or on the second Business Day (at the place of delivery) after deposit with an internationally recognized overnight delivery service. Any notice delivered by facsimile shall be confirmed by a hard copy delivered as soon as practicable thereafter. This Section 14.8.1 is not intended to govern the day-to-day business communications necessary between the Parties in performing their obligations under the terms of this Agreement.

14.8.2 Address for Notice.

If to AbbVie, to:

AbbVie Ireland Unlimited Company
Clarendon House
2 Church Street
Hamilton, HM11
Bermuda
Attention: Codan Services Limited
[***]

with a copy (which shall not constitute notice) to:

AbbVie Inc.
1 North Waukegan Road
North Chicago, Illinois 60064 U.S.
Attention: Executive Vice President, External
Affairs and General Counsel
[***]

If to Licensor, to:

CytomX Therapeutics, Inc.
151 Oyster Point Blvd., #400
South San Francisco, CA, 94080
Attention: General Counsel
[***]

with a copy (which shall not constitute notice) to:

Mark Roeder and Judith Hasko
Latham & Watkins
140 Scott Drive
Menlo Park 94025
[***]

14.9 Entire Agreement; Amendments. This Agreement, together with the Schedules attached hereto, and the Services Agreement among the Parties and [***], set forth and constitute the entire agreement and understanding between the Parties with respect to the subject matter hereof and all prior agreements, understandings, promises, and representations, whether written or oral, with respect thereto are superseded hereby (including that certain Confidential Disclosure Agreement between the Parties or their respective Affiliates dated November 25, 2013, as amended (the “**Prior CDA**”). Each Party confirms that it is not relying on any representations or warranties of the other Party except as specifically set forth in this Agreement. No amendment, modification, release, or discharge shall be binding upon the Parties unless in writing and duly executed by authorized representatives of both Parties.

14.10 English Language. This Agreement shall be written and executed in, and all other communications under or in connection with this Agreement shall be in, the English language. Any translation into any other language shall not be an official version thereof, and in the event of any conflict in interpretation between the English version and such translation, the English version shall control.

14.11 Waiver and Non-Exclusion of Remedies. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. The waiver by either Party hereto of any right hereunder or of the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by such other Party whether of a similar nature or otherwise. The rights and remedies provided herein are cumulative and do not exclude any other right or remedy provided by Applicable Law or otherwise available except as expressly set forth herein.

14.12 No Benefit to Third Parties. Except as provided in ARTICLE 12, covenants and agreements set forth in this Agreement are for the sole benefit of the Parties hereto and their successors and permitted assigns, and they shall not be construed as conferring any rights on any other Persons.

14.13 Further Assurance. Each Party shall duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further acts and things, including the filing of such assignments, agreements, documents, and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes hereof, or to better assure and confirm unto such other Party its rights and remedies under this Agreement.

14.14 Relationship of the Parties. It is expressly agreed that Licensor, on the one hand, and AbbVie, on the other hand, shall be independent contractors and that the relationship between the Parties shall not constitute a partnership, joint venture, or agency including for all tax purposes. Neither Licensor, on the one hand, nor AbbVie, on the other hand, shall have the authority to make any statements, representations, or commitments of any kind, or to take any action, which shall be binding on the other, without the prior written consent of the other Party to do so. All persons employed by a Party shall be employees of such Party and not of the other Party and all costs and obligations incurred by reason of any such employment shall be for the account and expense of such Party.

14.15 Performance by Affiliates. AbbVie may use one (1) or more of its Affiliates to perform its obligations and duties hereunder and such AbbVie Affiliates are expressly granted certain rights herein; provided that each such Affiliate shall be bound by the corresponding obligations of AbbVie and, subject to an assignment to such Affiliate pursuant to Section 14.4, AbbVie shall remain liable hereunder for the prompt payment and performance of all their respective obligations hereunder.

14.16 Counterparts; Facsimile Execution. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one (1) and the same instrument. This Agreement may be executed by facsimile

or electronically transmitted signatures and such signatures shall be deemed to bind each Party hereto as if they were original signatures.

14.17 References. Unless otherwise specified, (a) references in this Agreement to any Article, Section or Schedule shall mean references to such Article, Section or Schedule of this Agreement, (b) references in any Section to any clause are references to such clause of such Section, and (c) references to any agreement, instrument, or other document in this Agreement refer to such agreement, instrument, or other document as originally executed or, if subsequently amended, replaced, or supplemented from time to time, as so amended, replaced, or supplemented and in effect at the relevant time of reference thereto.

14.18 Construction. Except where the context otherwise requires, wherever used, the singular shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders and the word “or” is used in the inclusive sense (and/or). Whenever this Agreement refers to a number of days, unless otherwise specified, such number refers to calendar days. The captions of this Agreement are for convenience of reference only and in no way define, describe, extend, or limit the scope or intent of this Agreement or the intent of any provision contained in this Agreement. The term “including,” “include,” or “includes” as used herein shall mean “including, but not limited to,” and shall not limit the generality of any description preceding such term. The language of this Agreement shall be deemed to be the language mutually chosen by the Parties and no rule of strict construction shall be applied against either Party hereto. Each Party represents that it has been represented by legal counsel in connection with this Agreement and acknowledges that it has participated in the drafting hereof. In interpreting and applying the terms and provisions of this Agreement, the Parties agree that no presumption will apply against the Party which drafted such terms and provisions.

[SIGNATURE PAGE FOLLOWS]

THIS AGREEMENT IS EXECUTED by the authorized representatives of the Parties as of the Effective Date.

CYTOMX THERAPEUTICS, INC.

ABBVIE IRELAND UNLIMITED COMPANY

By: /s/ Lloyd Rowland

By: /s/ Ronald Robison

Name: Lloyd Rowland

Name: Ronald Robison

Title: General Counsel

Title: Director

[SIGNATURE PAGE TO AMENDED AND RESTATED DISCOVERY COLLABORATION AND LICENSE AGREEMENT]

Schedule 1.19

Announced Reserved Programs

Omitted pursuant to Regulation S-K, Item 601(a)(5)

Schedule 1.19-1

Schedule 1.21

Antibody Criteria

Omitted pursuant to Regulation S-K, Item 601(a)(5)

Schedule 1.21-1

Schedule 1.52

Corporate Name

CytomX Therapeutics, Inc.

CYTOMX

PROBODY



Schedule 1.60

Discovery PDC Success Criteria

Omitted pursuant to Regulation S-K, Item 601(a)(5)

Schedule 1.60-1

Schedule 1.63

Discovery Probable Success Criteria

Omitted pursuant to Regulation S-K, Item 601(a)(5)

Schedule 1.63-1

Schedule 1.64

Discovery Research Plan

Omitted pursuant to Regulation S-K, Item 601(a)(5)

Schedule 1.64-1

Schedule 1.178

Tool Patents

Omitted pursuant to Regulation S-K, Item 601(a)(5)

Schedule 1.178-1

Schedule 7.4.4

Peer-Reviewed Publications

American Journal of Clinical Oncology
Kantar Health (syndicate data)
CA: Cancer Journal for Clinicians
Nature Reviews Cancer
Lancet Oncology

Schedule 7.4.4-1

Schedule 10.4

Form of Press Release

Schedule 10.4-1

PRESS RELEASE

CytomX and AbbVie Announce Strategic Collaboration for Probody Drug Conjugates

- **Companies to Jointly Develop and Commercialize Probody Drug Conjugates Directed Against CD71**
- **AbbVie to Receive the Right to License Probody Drug Conjugates for up to Two Additional Undisclosed Targets**
- **CytomX to Receive \$30 Million Upfront Payment**

NORTH CHICAGO, Ill. and SOUTH SAN FRANCISCO, Calif., April 21, 2016 – AbbVie (NYSE: ABBV) and Cytomx Therapeutics, Inc. (Nasdaq: CTMX) today announced that they have entered into a collaboration to co-develop and co-commercialize Probody™ Drug Conjugates against CD71, also known as transferrin receptor 1 (TfR1). CD71 is highly expressed in a number of solid and hematologic cancers and has attractive molecular properties for efficient delivery of cytotoxic payloads to tumor cells. 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 believe that the Probody platform provides a differentiated opportunity to combine with our strength in antibody drug conjugates," said Steve Davidsen, Ph.D., vice president, oncology drug discovery, AbbVie. "We are encouraged by the promising preclinical data that CytomX has generated for their Probody drug conjugate programs to-date and look forward to working closely with their team. This collaboration will enable us to expand our innovative pipeline in antibody drug conjugates and leverage our strength in that area to previously unexplored targets."

"This collaboration is another important step toward achieving CytomX's vision of transforming lives with safer, more effective therapies and allows us to further advance our broad pipeline of Probody therapeutics," stated Sean McCarthy, D.Phil., president and chief executive officer at CytomX. "AbbVie has demonstrated leadership in developing antibody drug conjugates and we look forward to collaborating with their team to realize the full potential of our CD71 Probody drug conjugate program and additional oncology targets."

Probody therapeutics are designed to remain inactive until they are activated by proteases in the tumor microenvironment. As a result, Probody therapeutics bind selectively to tumors and avoid binding to healthy tissue, to minimize toxicity and potentially create safer, more effective therapies. CytomX has generated preclinical data that demonstrates that Probody drug conjugates can safely and effectively target tumor antigens, such as CD71, that are not addressable by conventional antibody-drug conjugates.

Under the terms of the agreement, CytomX and AbbVie will co-develop a Probody drug conjugate against CD71, with CytomX leading pre-clinical and early clinical development. AbbVie will lead later development and commercialization, with global late-stage development costs shared between the two companies. CytomX will receive an upfront payment of \$30 million and is eligible to receive up to \$470 million in development, regulatory and commercial milestones, pending the achievement of pre-determined outcomes. AbbVie will lead global commercial activities with CytomX eligible to receive a profit share in the U.S. and tiered double-digit royalties on net product sales outside of the U.S. CytomX retains an option to co-promote in the U.S.

AbbVie also receives exclusive worldwide rights to develop and commercialize Probody drug conjugates against up to two additional, undisclosed targets. Should AbbVie ultimately pursue these targets, CytomX is eligible to receive additional milestone and royalty payments per target on any resulting products.

Conference Call / Webcast Information

CytomX will host a teleconference today at 5:00 p.m. EDT to discuss the strategic collaboration. Sean McCarthy, D.Phil., president and chief executive officer and Bob Goeltz, chief financial officer, will lead the teleconference. A live audio webcast of the presentation will be available through the Investor and News page of CytomX's website at <http://ir.cytomx.com>. An archived replay will be available for 90 days following the event.

About AbbVie

AbbVie is a global, research-based biopharmaceutical company formed in 2013 following separation from Abbott Laboratories. The company's mission is to use its expertise, dedicated people and unique approach to innovation to develop and market advanced therapies that address some of the world's most complex and serious diseases. Together with its wholly-owned subsidiary, Pharmacylics, AbbVie employs more than 28,000 people worldwide and markets medicines in more than 170 countries. For further information on the company and its people, portfolio and commitments, please visit www.abbvie.com. Follow @abbvie on Twitter or view careers on our Facebook or LinkedIn page.

About CytomX Therapeutics

CytomX is an oncology-focused biopharmaceutical company pioneering a novel class of investigational antibody therapeutics based on its Probody technology platform. The company uses the platform to create development-stage proprietary cancer immunotherapies against clinically-validated targets, as well as to develop first-in-class investigational cancer therapeutics against novel targets. CytomX believes that its Probody platform has the potential to improve the combined efficacy and safety profile of monoclonal antibody modalities, including cancer immunotherapies, antibody drug conjugates and T-cell-recruiting bispecific antibodies. 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. Investigational Probody therapeutics are being developed that address clinically-validated cancer targets in immuno-oncology, such as PD-L1, against which clinical candidate CX-072 is directed, as well as novel targets, such as CD166, that are difficult to drug without causing damage to healthy tissues, or toxicities. In addition to its proprietary programs, CytomX is collaborating with strategic partners including AbbVie Inc., Bristol-Myers Squibb Company, Pfizer Inc., MD Anderson Cancer Center, and ImmunoGen, Inc. For more information, visit www.cytomx.com.

Forward-Looking Statements

CytomX

This press release includes forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that are difficult to predict, may be beyond CytomX's control, and may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in such statements. Accordingly, you should not rely on any of these forward-looking statements. Our Probody platform is in preclinical development, and the process by which a preclinical technology could potentially lead to an approved product is long and subject to significant risks and uncertainties. Applicable risks and uncertainties include those relating to our preclinical research and development and other risks identified under the heading "Risk Factors" included in CytomX's filings with the SEC. The forward-looking statements contained in this press release are based on information currently available to CytomX and speak only as of the date on which they are made. CytomX does not undertake and specifically disclaims any obligation to update any forward-looking statements, whether as a result of any new information, future events, changed circumstances or otherwise.

AbbVie

Some statements in this news release may be forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "anticipate," "project" and similar expressions, among others, generally identify forward-looking statements. AbbVie cautions that these forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those indicated in the forward-looking statements. Such risks and uncertainties include, but are not limited to, challenges to intellectual property, competition from other products, difficulties inherent in the research and development process, adverse litigation or government action, and changes to laws and regulations applicable to our industry. Additional information about the economic, competitive, governmental, technological and other factors that may affect AbbVie's operations is set forth in Item 1A, "Risk Factors," of AbbVie's 2015 Annual Report on Form 10-K, which has been filed with the Securities and Exchange Commission. AbbVie undertakes no obligation to release publicly any revisions to forward-looking statements as a result of subsequent events or developments, except as required by law.

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Schedule 10.4-5

Schedule 11.2.1

Existing Patents

Omitted pursuant to Regulation S-K, Item 601(a)(5)

Schedule 11.2.1-1

Schedule 14.7.3

ADR Procedures

Omitted pursuant to Regulation S-K, Item 601(a)(5)

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sean A. McCarthy, President and Chief Executive Officer of CytomX Therapeutics, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CytomX Therapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

By: /s/ Sean A. McCarthy
Name: Sean A. McCarthy
Title: President and Chief Executive Officer

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sean A. McCarthy, Principal Financial Officer of CytomX Therapeutics, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CytomX Therapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

By: /s/ Sean A. McCarthy
Name: Sean A. McCarthy
Title: Principal Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of CytomX Therapeutics, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sean A. McCarthy, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2019

By: /s/ Sean A. McCarthy

Name: Sean A. McCarthy

Title: President and Chief Executive Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of CytomX Therapeutics, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of CytomX Therapeutics, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sean A. McCarthy, Principal Financial Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2019

By: /s/ Sean A. McCarthy

Name: Sean A. McCarthy

Title: Principal Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of CytomX Therapeutics, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.