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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

OR

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

For the transition period from to

Commission File Number 001-37587

CytomX Therapeutics, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**27-3521219**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
151 Oyster Point Boulevard, Suite 400 South San Francisco, California	**94080**
(Address of principal executive offices)	**(Zip Code)**

(650) 515-3185

(Registrant's telephone number, including area code)

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.00001 par value	**The NASDAQ Global Select Market**

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one)

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

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

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

As of June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $360.5 million, based on the closing price of the registrant's common stock on NASDAQ Global Select Market on June 30, 2017 of $15.50 per share. Shares of the registrant's common stock held by each officer and director and each person known to the registrant to own 10% or more of the outstanding common stock of the registrant have been excluded in that such persons may be deemed affiliates. This determination of affiliate status is not a determination for other purposes.

As of March 5, 2018, 38,611,158 shares of the registrant's common stock, $0.00001 par value per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed for its 2018 Annual Meeting of Stockholders are incorporated by reference into Part III hereof. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year covered by this Annual Report on Form 10-K.

CYTOMX THERAPEUTICS, INC.
ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

Forward-Looking Statements

This Annual Report on Form 10-K 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 Investigational New Drug application (“IND”), Clinical Trial Application, New Drug Application (“NDA”), Biologics License Application (“BLA”) and other regulatory submissions;
- 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 expectations regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act of 2012;

- 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 Annual Report on Form 10-K 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 I, Item 1A. Risk Factors and discussed elsewhere in this Annual Report on Form 10-K. 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 Annual Report on Form 10-K 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 Annual Report on Form 10-K, “we,” “us,” “our” and the “Company” refer to CytomX Therapeutics, Inc.

Trademarks

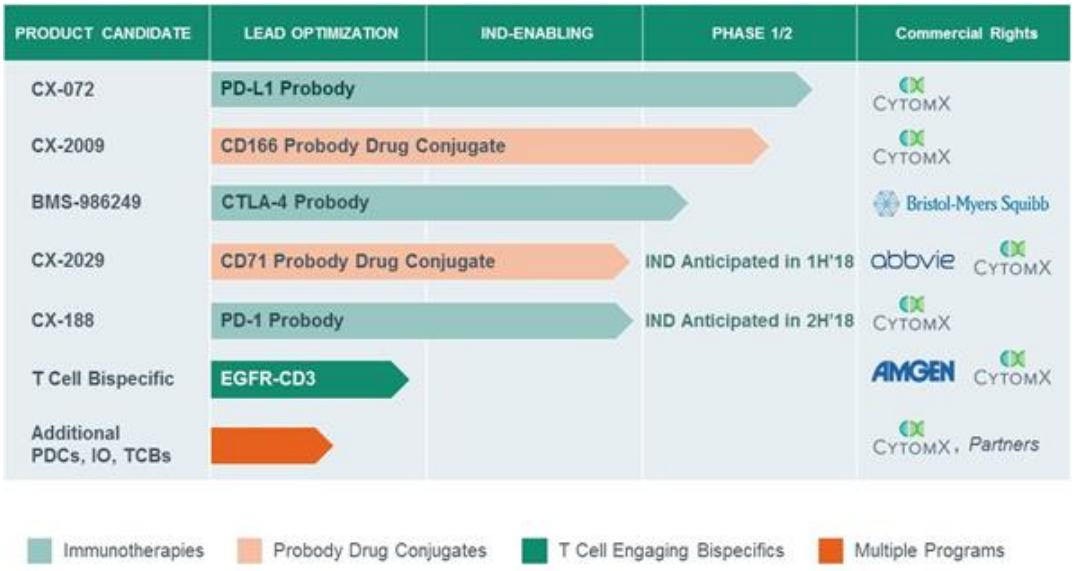
This Annual Report on Form 10-K includes trademarks, service marks and trade names owned by us or other companies. All trademarks, service marks and trade names included in this Annual Report on Form 10-K are the property of their respective owners.

PART I

Item 1. ***Business***

Overview

We are a clinical-stage, oncology-focused biopharmaceutical company with a vision of transforming lives with safer, more effective therapeutics. 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 reduce 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. 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 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. CytomX is building a clinical stage pipeline, composed entirely of Probody therapeutics, as shown below:



CytomX pipeline of Probody Therapeutics

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 anti-cancer target. In normal physiology, PD-L1 plays a role in suppressing the immune system in healthy tissue, preventing autoimmunity. Tumors can co-opt this inhibitory function by upregulating PD-L1 expression and evading anti-cancer immune surveillance. Inhibitors of the PD-L1 pathway have therefore been designed and developed that restore anti-cancer immune surveillance and such inhibitors have demonstrated anti-cancer activity in a wide variety of cancer types. Regulatory approval has been granted for PD-L1 inhibitors and/or programmed cell death 1 (“PD-1”) inhibitors in advanced melanoma, renal cell cancers, non-small cell lung cancer, urothelial cancers, gastric cancer, merkel cell carcinoma, Hodgkins disease and microsatellite instability-high cancers.

While PD-L1 inhibitors have been shown to enhance anti-cancer immunity, systemic administration of inhibitors of the PD-L1 pathway can result in impairment of normal immune tolerance of healthy tissues, and severe immune-related toxicities can emerge. These toxicities can be particularly serious when PD-L1 inhibitors are combined with other anti-cancer agents. Our PD-L1 Probody therapeutic, CX-072, is designed to uncouple the anti-cancer immunity enhancing properties of PD-L1 inhibitors from the associated autoimmune toxicities by inhibiting PD-L1 primarily in the tumor microenvironment. 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 expect to disclose initial clinical data regarding CX-072 in mid-2018.

Our second most advanced product candidate is CX-2009, a wholly owned Probody Drug Conjugate ("PDC") against CD166, a novel tumor antigen that has historically been considered difficult to drug. We believe CD166 is an attractive target because it is highly and homogenously expressed on many solid tumors. However, it has not been considered appropriate for traditional antibody drug conjugate ("ADC") technology because it is also expressed abundantly on many healthy tissues, which would ordinarily be expected to lead to unacceptable toxicity. Our Probody Platform is designed to focus the activity of antibody therapeutics to the tumor microenvironment, which we believe could enable the development of a therapeutic against targets such as CD166. CX-2009 is currently in the dose escalation portion of a Phase 1/2 study that we call PROCLAIM-CX-2009. We expect to disclose initial clinical data regarding CX-2009 in the second half of 2018.

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 CTLA-4 Probody therapeutic which BMS is currently advancing through the dose escalation phase of a Phase 1/2 clinical trial. We also plan to file an investigational new drug ("IND") application for CX-2029, a PDC targeting CD71 that we have partnered with AbbVie, in the first half of 2018 and initiate a clinical trial shortly thereafter.

Finally, we are also advancing CX-188, a wholly owned Probody therapeutic targeting PD-1, a clinically and commercially validated anti-cancer target. CX-188 is currently in IND enabling studies. We anticipate filing an IND on CX-188 in the second half of 2018 and initiating clinical studies shortly thereafter. We have also extended our Probody platform to the T-cell engaging bispecific modality. Our most advanced program in that modality is an EGFR-CD3 T-cell bispecific, which is currently in lead optimization stage, and partnered with Amgen.

Our broad Probody therapeutic technology platform and lead product candidates are supported by more than a decade of thorough scientific research and strong intellectual property. We are a leader in the emerging field of localizing antibody therapeutics to the tumor microenvironment, as evidenced by our patent estate of 60 issued patents (8 of which are co-owned with a third party) and 233 pending patent applications (13 of which are co-owned with a third party) as of February 15, 2018. We also have an exclusive license from University of California, Santa Barbara ("UCSB") to three patent families (22 issued patents and 7 pending patent applications) covering screening tools to identify masks and substrates.

We believe the market opportunity for Probody therapeutics could be large. Cancer is the second leading cause of mortality in the United States and accounts for nearly one in every five deaths. Early cancer research and treatment relied on relatively non-specific and highly toxic small molecule chemotherapies. Over the last twenty years, a new paradigm of cancer treatment has emerged that is focused on more targeted therapies, including monoclonal antibody modalities, which represent some of the most effective and top-selling therapies on the market today. The leading three monoclonal antibodies for cancer generated more than $20 billion in global sales in 2016. More recently, immuno-oncology has emerged as a promising new field of cancer therapy that aims to enhance anti-tumor immune responses by, for example, overcoming suppressive mechanisms like the PD-L1 pathway that cancer cells have developed to evade the immune system. In addition, new classes of monoclonal antibody-based therapeutics have also reached the market. These new classes include ADCs, bispecific antibodies, and Chimeric Antigen Receptor ("CAR") based cellular therapies. We have demonstrated that our Probody therapeutic technology can be applied to many antibody modalities, including antibodies against immuno-oncology targets, ADCs, and bispecific antibodies, and therefore we believe that significant opportunities exist for CytomX to develop and capture market share with innovative anti-cancer treatments.

Our Corporate Strategy

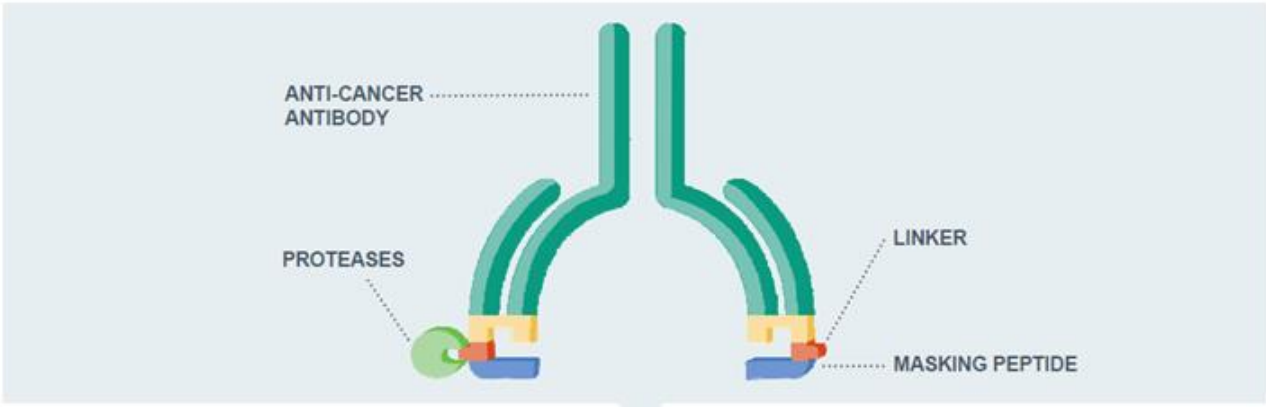
We are utilizing our proprietary and differentiated Probody Platform to develop a leading pipeline of innovative anti-cancer therapies to improve the lives of people with cancer and to build a long-term, multi-product, integrated biotechnology company. We aim to achieve this goal by:

- Applying the Probody Platform to discover and develop potentially best-in-class therapies for which we believe we can make meaningful enhancements to the therapeutic window, of monoclonal antibody-based cancer therapeutics. Our wholly owned PD-L1 Probody therapeutic (CX-072), partnered CTLA-4 Probody therapeutic (BMS 986249), and wholly owned PD-1 Probody therapeutic (CX-188) are our most advanced programs in this class of targets.
- Applying the Probody Platform to discover and develop potentially first-in-class therapies against targets we believe could have therapeutic benefits within oncology, but have not yet been drugged because of broad expression in healthy tissue. Our wholly owned CD-166 Probody Drug Conjugate (CX-2009) and partnered CD-71 Probody Drug Conjugate (CX-2029) are our most advanced programs in this class of targets.

- Applying our Probody Platform to develop novel and improved combination therapies with the potential to improve outcomes for cancer patients. For example, we are studying CX-072, our PD-L1 Probody therapeutic, in multiple combinations in our ongoing Phase 1/2 clinical trial.
- Applying our Probody Platform to enable new potent therapeutic antibody and cell therapy formats, thereby positioning ourselves at the cutting edge of anti-cancer therapeutic research and development. For example, we are collaborating on a Probody therapeutic version of an Epidermal Growth Factor Receptor-CD3 ("EGFR-CD3") T-cell engaging bispecific with Amgen.
- Partnering with leading biopharmaceutical companies to access capital, additional resources and expertise, as well as increase the number of Probody therapeutic candidates being advanced into clinic trials. To date, we have formed several strategic collaborations, including with AbbVie, Amgen, BMS, ImmunoGen Inc. ("ImmunoGen") and others.
- Accessing technologies or programs that can complement our Probody platform and our pipeline through licenses or acquisitions.
- Fostering a unique culture of execution, alignment and accountability centered around our vision, mission and values

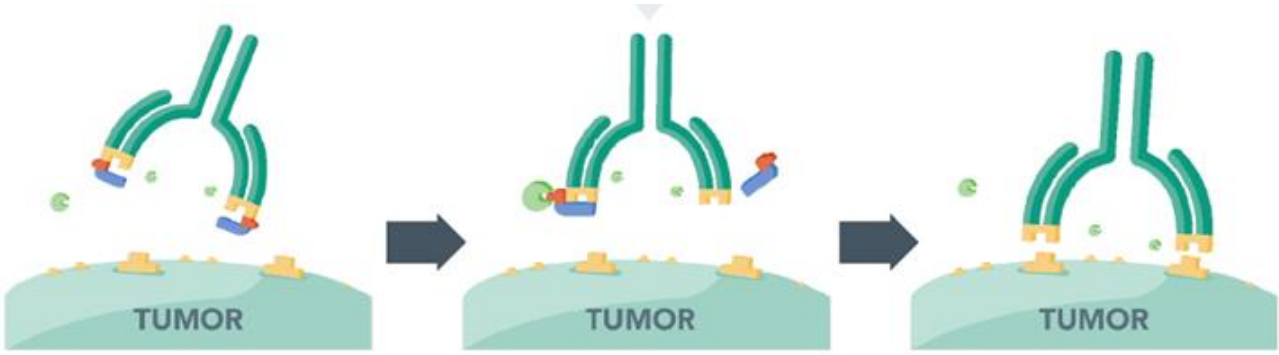
Our Probody Platform

Localization of therapeutic antibody activity within disease tissue is of increasing interest in the biopharmaceutical industry. We believe this is due to the desire to maximize the activity of antibody-based drugs whilst reducing their toxicities. At CytomX, we call our approach to therapeutic antibody localization our Probody Platform. A Probody therapeutic consists of three components: an active anti-cancer antibody, a mask for the antibody, and a protease-cleavable linker which tethers the mask to the antibody. Probody therapeutics are produced as a single protein by standard antibody production methodology. The mask is a peptide designed to disguise the active binding site of the antibody to prevent the therapeutic from binding to the target present on healthy tissue. The following graphic depicts the three components of a Probody therapeutic, interacting with a protease:



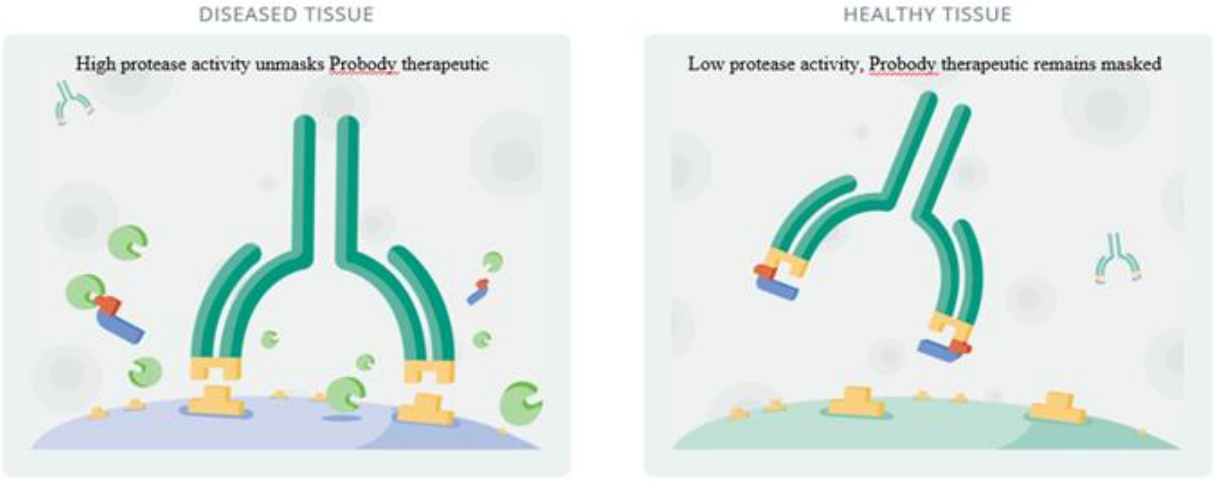
Depiction of the structure of a Probody therapeutic and a protease that may cleave the linker and activate the molecule

When a Probody therapeutic enters a tumor, it encounters proteases, which are enzymes that cleave proteins and have increased activity in the tumor microenvironment. The proteases in the tumor cleave the linker, releasing the mask and allowing the antibody to bind to the target when it is expressed on the tumor. The following graphic depicts the activation of a Probody therapeutic by proteases:



Depiction of how a Probody therapeutic is designed to enter the tumor microenvironment (left), be activated by protease cleavage to remove the mask (middle), thereby enabling the released antibody to bind to the tumor target (right)

Proteases play an essential role in many aspects of normal physiology, such as digestion of food in the gastrointestinal tract, wound healing and metabolic function. However, uncontrolled protease activity can lead to destruction of essential proteins and tissues. Therefore, proteases are normally very tightly regulated by redundant mechanisms, with only small amounts of extracellular protease activity being detectable in healthy tissues. In contrast, it has been well documented that proteases are not only present, but also activated, in virtually all types of tumors, playing a key role in tumor growth, invasion and metastasis. Probody therapeutics are designed to be activated in this protease-rich tumor microenvironment, but not in healthy tissue where proteases are under tight control as depicted in the figure below:



Probody therapeutics are designed to remain masked and inactive in healthy tissue (right) but be unmasked and activated in diseased tissue, such as in tumors (left)

Probody therapeutics are designed to limit toxicity that typically arises from the binding of an antibody to a target in healthy tissues while preserving biological activity in the tumor where it is desired. We and our partners have demonstrated the applicability of our Probody Platform across more than 10 targets in multiple monoclonal antibody modalities, including cancer immunotherapy, ADCs, and T-cell-recruiting bispecifics. We are also investigating the application of our Probody Platform technology to CAR-based cellular therapies.

We have designed protease-cleavable linkers so that any one of a number of activated proteases can cleave them. Using this approach, we believe Probody therapeutics can be cleaved and activated by at least one protease across a large number of tumor types. We have generated in vivo efficacy data in dozens of human tumor models in mice and ex-vivo data from hundreds of human tumor explants to suggest that our Probody therapeutics can be activated across a broad set of tumors. We are now assessing our first Probody therapeutics in clinical trials.

Key Advantages of Our Probody Platform

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

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

Our Development Programs

We are leveraging our Probody Platform to build a leading pipeline of innovative anti-cancer therapies. We currently retain worldwide development and commercialization rights to our two most advanced Probody therapeutics in the clinic, CX-072 and CX-2009. In addition, we have multiple partnered development programs including BMS 986249, an anti-CTLA-4 Probody program with BMS, and CX-2029, an anti-CD71 PDC program in collaboration with AbbVie.

The successful development of our product candidates 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. This is due to the numerous risks and uncertainties associated with the development of product candidates. If one or more of our product candidates or our Probody therapeutic technology generally prove to be ineffective, unsafe or commercially unviable, our entire platform and pipeline would have little, if any, value, which would have a material and adverse effect on our business, financial condition, results of operations and prospects. See “Risk Factors” for a discussion of the risks and uncertainties associated with our product candidates and our research and development projects.

CX-072 (PD-L1 Probody therapeutic) Program

Overview and Limitations of Existing Therapies

Our most advanced product candidate is CX-072, a wholly owned Probody therapeutic targeting PD-L1, a clinically and commercially validated cancer target. The PD pathway consists principally of two targets: PD-1, which is typically expressed on T-cells, and PD-L1, which is typically expressed on the tumor cells as well as on healthy tissue. In healthy tissue, PD-1 and PD-L1 work together to negatively regulate immune response and maintain tolerance between the immune system and healthy tissue. Tumors, however, upregulate PD-L1 to evade immune surveillance by the host’s immune system. Therefore, development of antibodies against PD-1 and PD-L1 have become a key focal point in cancer drug development, with two PD-1 antibodies nivolumab (Opdivo™) and pembrolizumab (Keytruda™), and three PD-L1 antibodies atezolizumab (Tecentriq™), durvalumab (Imfinzi™), and avelumab (Bavencio™) approved as of February 2018. In addition to assessment as single agents, PD-1 and PD-L1 antibodies have been studied extensively as the centerpiece of oncology combination therapies. According to the Cancer Research Institute, as of November 2017, there were 1,105 combination studies ongoing with a PD-1 or PD-L1 therapeutic.

While inhibitors of the PD-L1 and/or PD-1 pathway offer the potential for clinical benefit in patients with a wide-variety of cancer types, there are a number of risks imposed by administration of these agents. According to U.S. Labels for Opdivo, Keytruda, Tecentriq, Bavencio, and Imfinzi, the most common side effects (defined as either >15% or >20%, depending upon the agent) that were observed with commercially available anti-PD-L1 and anti-PD-1 agents include: fatigue, decreased appetite, nausea, vomiting, diarrhea, dyspnea, constipation, cough, musculoskeletal pain, back pain, abdominal pain, arthralgia, urinary tract infection, upper respiratory tract infection, urinary tract infection, peripheral edema, infusion-related reaction, rash, asthenia, pruritus, headache, and pyrexia.

Based on our analysis of publicly available data, we believe that while in general, the addition of second or third combination partners to PD-L1 or PD-1 inhibitors can result in increased anti-cancer activity, there is often a corresponding increase in the toxicity of these combinations. For example, according to the New England Journal of Medicine, the most common adverse reactions (greater than or equal to 20%) in patients with melanoma receiving nivolumab with ipilimumab were fatigue, rash, diarrhea, nausea, and pruritus. In some cases, administration of an inhibitor of the PD-L1 pathway with another type of anti-cancer agent in combination have resulted in severe toxicities that have prevented further development of the combination. In these cases, the toxicity levels caused by the multiple agents in the periphery creates an unacceptable risk to patients, despite the potential for synergy of efficacy in the tumor. Examples include concomitant administration of inhibitors of the PD-L1 pathway with EGFR inhibitors or Vascular Endothelial Growth Factor ("VEGF") inhibitors.

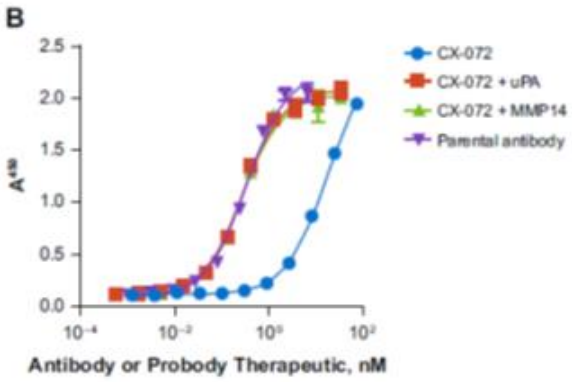
We believe that a locally activated Probody therapeutic targeting PD-L1 has the potential to maintain the anti-tumor activity of the PD pathway blockade whilst reducing the autoimmunity that results from blocking such pathway systemically. As such, we believe that CX-072 has the potential to enable combination therapies that cannot be appropriately dosed because of synergistic toxicity, and ultimately that CX-072 may have the potential to be a center point of combination PD therapy.

Our near-term value creation strategy for CX-072 has four primary elements:

- Evaluate initial safety and efficacy profile in cancer patients
- Determine clinical and commercial potential as a monotherapy in one or more cancer indications
- Broadly evaluate clinical and commercial potential in combination with a range of anti-cancer agents/mechanisms
- Evaluate a partnering strategy to maximize clinical and commercial potential as a differentiated centerpiece of anti-cancer treatment across multiple indications

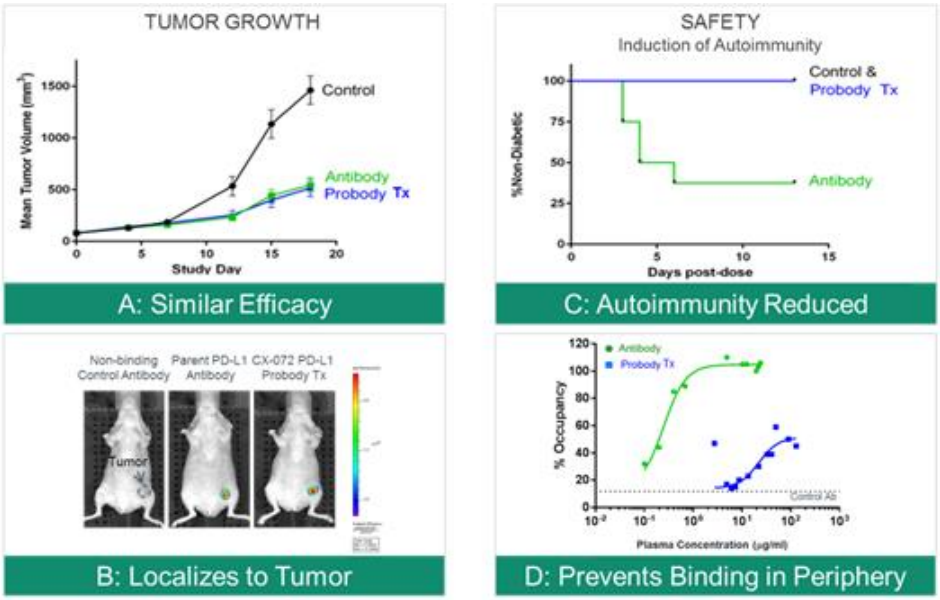
CX-072 pre-clinical data

CX-072 is derived from a CytomX discovered, phage-derived, fully human PD-L1 antibody that has high affinity binding to PD-L1 according to a standard binding assay. Using our proprietary technology, we have developed a Probody therapeutic that is effectively masked when active proteases are absent but can be specifically activated by one of several tumor-associated proteases. The figure below shows binding (A450, y-axis) of the parental antibody and Probody therapeutic as a function of concentration (x-axis). The unmasked underlying parental antibody of CX-072 (inverted triangles) is a potent binder to PD-L1. The masked Probody therapeutic, CX-072 (circles), has significantly reduced binding which can be restored to levels comparable to the parental antibody once proteolytically activated with uPA or MMP14, two proteases known to be active in the tumor microenvironment (squares and upright triangles, respectively).



Binding of CX-072 and its parental antibody to PD-L1 in vitro

We have completed extensive preclinical testing comparing either CX-072 or a surrogate PD-L1 Probody therapeutic to its antibody parent, the results of which are reflected in in the figure below:



Comparison of PD-L1 Probody therapeutic versus antibody parent

In this experiment, MC-38 tumor bearing mice were treated with a single dose of either the Probody therapeutic or the underlying antibody. In this study, CX-072 (shown in blue) demonstrated similar anti-tumor activity as its underlying antibody parent in traditional mouse syngeneic tumor models (as illustrated in Figure A). In addition, CX-072 concentrated in the tumor similarly to the parental antibody (as illustrated in Figure B). Figure C demonstrates the potential advantage that a CX-072 as a PD-L1 Probody therapeutic has in avoiding systemic autoimmunity, in the non-obese diabetic ("NOD") mouse model. NOD mice are bred to develop spontaneous autoimmune diabetes, which is exacerbated by systemic inhibition of the PD-1 pathway. As expected, a single dose of the PD-L1 antibody (shown in green) resulted in more than half of the treated mice developing diabetes, while mice treated with the same dose of the Probody therapeutic (shown in blue) remained diabetes free. Binding of each test article on peripheral T-cells was measured. As Figure D shows, the antibody saturated circulating, peripheral T-cells at a low concentration, while binding of the Probody therapeutic was significantly reduced. The differentiated profile that we observed in these preclinical data, along with the results of our GLP toxicity study, supported our decision to advance CX-072 into clinical trials. We treated our first patient with CX-072 in January 2017 as part of our PROCLAIM umbrella clinical trial program.

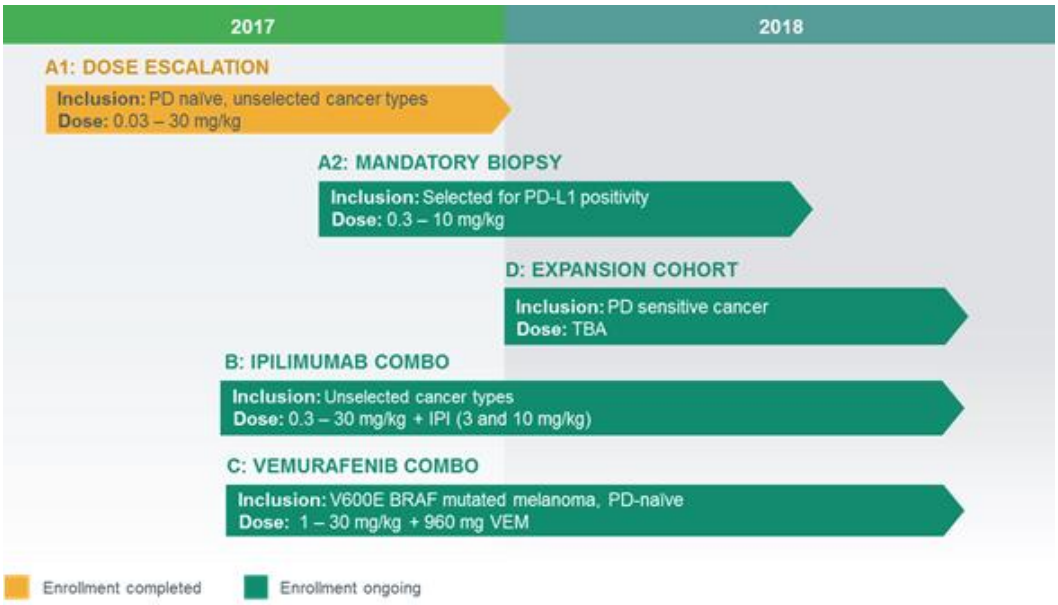
The PROCLAIM Clinical Trial Design

PROCLAIM (Probody Clinical Assessment In Man) is an international umbrella clinical program for Phase 1/2 evaluation of all Probody therapeutics whose development is sponsored by CytomX. PROCLAIM centers around a core protocol that includes all of the common elements of a typical Phase 1/2 design without reference to an experimental drug. Each PROCLAIM module supplements the core and focuses exclusively on Probody-specific elements (e.g. background, guidance on patient selection and care). We refer to the CX-072 module as PROCLAIM-CX-072.

As of February 2018, we had 38 PROCLAIM sites active worldwide.

PROCLAIM-CX-072

PROCLAIM-CX-072 is evaluating tolerability and preliminary antitumor activity of multiple doses of CX-072 as a monotherapy or as a combination therapy with ipilimumab (BMS' Yervoy) or vemurafenib (Roche's Zelboraf) in patients with advanced, unresectable solid tumors or lymphoma. The figure below describes the design and status, as of March 2018, for PROCLAIM-CX-072.



Design of CX-072 Phase 1/2 clinical trial

Enrollment of Part A1 of the clinical trial, the initial dose escalation stage, was completed in December 2017. This arm enrolled patients who were PD agent naïve and were either ineligible to receive or did not have access to PD-1 or PD-L1 agents for their disease. We did not pre-select patients based on their PD-L1 status in this arm. As such, we enrolled a broad mix of tumor types in Part A1, including patients with tumors that were not expected to respond to PD-L1 therapy. Our primary goals for Part A1 are to:

- demonstrate safety of CX-072, the first Probody therapeutic to be evaluated in patients;
- further our understanding of the pharmacokinetic ("PK") properties of CX-072, including assessing whether the Probody therapeutic remains stable and masked in circulation; and
- demonstrate initial evidence of anti-cancer activity.

We expect to present initial clinical data from Part A1 in mid-2018.

In the second half of 2017, we initiated Part A2 of the clinical trial. We are still enrolling patients with a broad range of cancer types in this portion of the study and restricting enrollment to those patients whose tumors are PD-L1 positive by the commercially available DAKO assay. In addition, we are requiring mandatory biopsies in this arm of the study. Such tumor biopsies will serve as the basis of our translational program, in which we will be assessing protease activity in the tumor, whether CX-072 is activated in the tumor, whether activated CX-072 engages target in the tumor, and whether engagement of the target activates downstream signaling. We expect to present initial clinical data from Part A2 in the second half of 2018.

Finally, with regards to the monotherapy program, we initiated Part D, our first monotherapy expansion cohort arm, in late 2017. In this arm, we are assessing CX-072 in an undisclosed indication. Previous clinical trial data, generated with other PD-pathway inhibitors, suggests that this undisclosed indication is responsive to PD-pathway inhibitors.

In addition to these monotherapy arms, we are testing CX-072 in combination with either ipilumumab, a CTLA-4 antibody commercialized by BMS as Yervoy (Part B in the graphic above) and vemurafenib, a small molecule BRAF inhibitor commercialized by Roche as Zelboraf (Part C in the graphic above). According to the New England Journal of Medicine and the Society for Melanoma Research, previously reported data suggests that a combination of a PD-pathway inhibitor with either ipilumumab or vemurafenib resulted in improved efficacy but also significantly increased toxicity and drug discontinuation, as shown in the tables below:

Decreased Therapeutic Window with PD-(L)1/CTLA-4 Combination

Melanoma	Nivolumab Mono	Ipilimumab Mono	Nivo + Ipi Combo
ORR	44%	19%	58%
Grade 3 and 4 AEs*	16%	27%	55%
Discontinued Drug	8%	15%	36%

Absence of Therapeutic Window with PD-(L)1/BRAF Combination

Melanoma	Vemurafenib Mono	Atezo + Vem Combo
ORR (CR)	48% (1%)	67% (33%)
Grade 3 and 4 AEs*	38%	67%
Discontinued Drug	NR	100%

*Treatment-related

Larkin et al., NEJM, July 2015. Chapman et. al. NEJM, 2011. Hamid, Society for Melanoma Research 2015

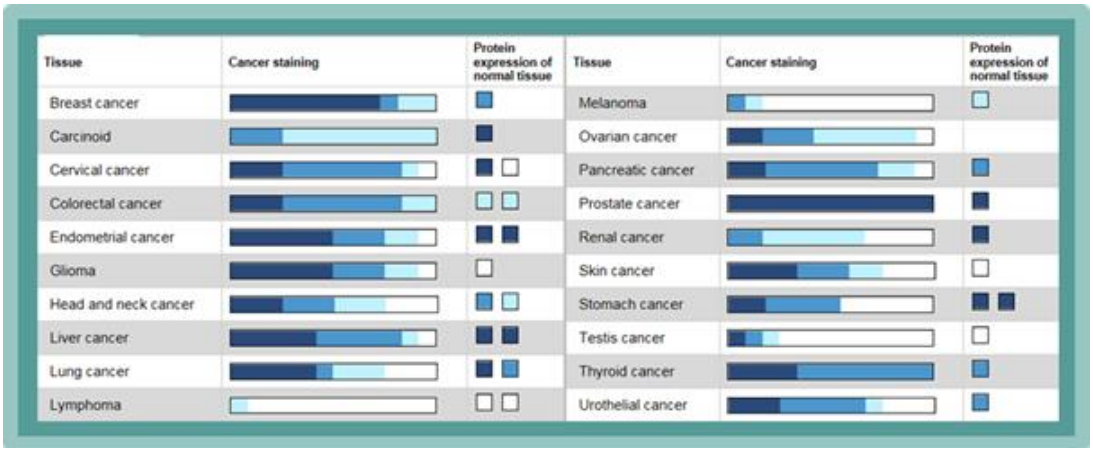
Objective response rates ("ORR") and adverse event ("AE") rates in published clinical studies of PD-(L)1 in combination with ipilimumab and vemurafenib in melanoma

In Part B of PROCLAIM-CX-072, we are assessing CX-072 in combination with ipilumumab. This study began enrolling patients in the second half of 2017. In this arm, we are combining CX-072 with the approved, labeled dose of ipilumumab (3 mg/kg every three weeks) with the potential to increase the dose of ipilumumab to 10 mg/kg every three weeks. This is in contrast to other studies combining PD-pathway inhibitors and ipilumumab, for example, BMS's Checkmate 227 study, where the dose and dosing frequency of ipilumumab has been reduced to 1 mg/kg every 6 weeks. We expect to present initial clinical data from Part B in mid-2018.

Finally, in Part C of PROCLAIM-CX-072, we are assessing CX-072 in combination with vemurafenib in PD-naïve V600E BRAF mutated melanoma patients. This study began enrolling in the second half of 2017. In this arm, we are combining CX-072 with the labeled dose of vemurafenib (960 mg twice daily). Standard of care for patients with V600E mutated melanoma in the United States has shifted to a BRAF inhibitor in combination with a MEK inhibitor. Our study does not include a MEK inhibitor, and therefore, we are expecting to enroll this study outside of the United States, and primarily in Eastern Europe. We expect to present initial clinical data from Part C in 2019.

CX-2009 (CD166 Probody Drug Conjugate) Program

Our second most advanced product candidate is CX-2009, a wholly owned PDC directed against CD166, a novel, difficult to drug target. CX-2009 is similar to ADCs, which are antibodies that have been conjugated to a small molecule cytotoxic agent via a labile chemical linker. Several ADCs have been approved in the United States, including Kadcyla™, which targets HER2 for HER2 positive metastatic breast cancer, and Adcetris™, which targets CD30 for Classical Hodgkin Lymphoma. To avoid target-related toxicity, traditional ADCs have historically been limited to targeting proteins that are expressed highly in tumors, but that are also absent or poorly expressed in healthy tissues. Very few cancer-associated proteins have this profile. Because our Probody therapeutics are designed to minimize delivery of potent anti-cancer therapy to normal tissues, we believe such therapeutics could potentially enable us to generate ADCs for a new class of targets with attractive features that were previously unsuitable because of expression on normal tissues. CD166 is an example of this kind of target, and CX-2009 is our Probody therapeutic directed to CD166 and conjugated to a cytotoxic agent. The graphic below describes CD166 expression across multiple tumor types and healthy tissue.

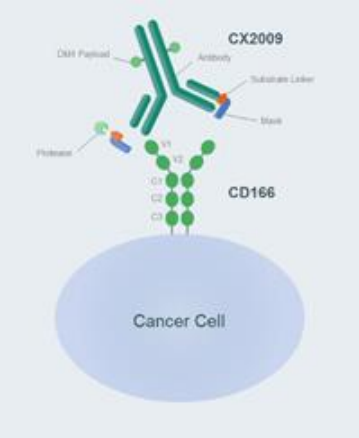


Expression of CD166 in human tumors and normal tissues
(Human Protein Atlas: Uhlen et al (2015). Tissue-based map of the human proteome. Science. DOI: 10.1126/science.1260419)

In the figure above, the highest expression of CD166 is denoted in deep blue. As reflected in the figure, CD166 is highly expressed in a variety of different cancers. CD166 is also expressed in moderate to high levels on certain normal tissues, as denoted by the figure above. The high and homogenous expression of CD166 in multiple different tumors makes it an attractive target for a Probody drug conjugate therapeutic; however, the high expression on normal tissues makes CD166 a difficult target to drug with a traditional ADC.

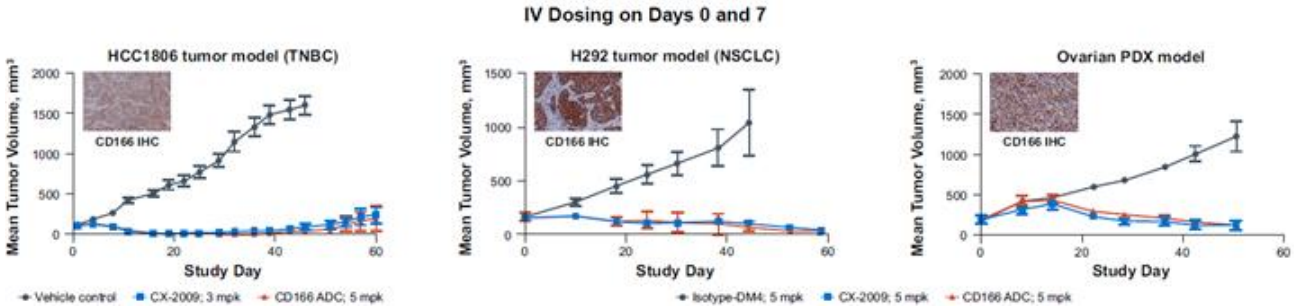
CX-2009 Target Validation and Pre-clinical data

CX-2009 is derived from a CytomX discovered humanized CD166 antibody that has exhibited high affinity binding to CD166 according to a standard binding assay. Using our proprietary technology, we have developed a Probody therapeutic that is designed to be masked when active proteases are absent but can be specifically activated by any one of several different tumor-associated proteases. Through our license with ImmunoGen, we have gained access to ImmunoGen's potent microtubule inhibiting payload DM4. Therefore, CX-2009 is a Probody therapeutic conjugated to DM4 and designed to bind to CD166 specifically in the tumor microenvironment, as shown in the figure below:



CX-2009 is a Probody drug conjugate directed to CD166

We have completed multiple preclinical efficacy studies for CX-2009 and demonstrated tumor regressions at doses that we believe may be achievable in clinical trials. Preclinical efficacy data along with IHC staining that demonstrates high expression of CD166 in these tumors, is shown in the figures below. In these figures, tumor growth curves are shown in mice-bearing HCC1806 xenograft tumors, H292 xenograft tumors, or an Ovarian patient derived tumor model. Mice treated with CX-2009 (squares) are compared to either a control without treatment (circles) or an ADC to CD166 (triangles). The figures indicate that CX-2009 led to greater tumor growth regression than control, and similar tumor growth regression as the ADC

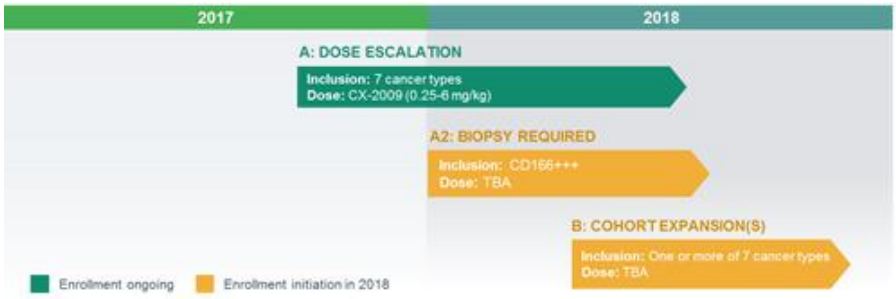


Examples of pre-clinical anti-tumor activity of a CD166-directed ADC (red) and CX-2009 (blue) in mouse models

Doses of CX-2009 up to 15 mg/kg were tested in GLP non-human primate toxicology studies. The findings were consistent with the off-target, non-specific toxicity typically seen with other DM4-based ADCs that target other proteins. CX-2009 was advanced into human clinical trials on the basis of the anti-tumor activity and safety and tolerability observed in these preclinical studies. We treated our first patient with CX-2009 in June 2017 as part of our PROCLAIM umbrella clinical trial program.

PROCLAIM-CX-2009

Our second module in our PROCLAIM umbrella is our CX-2009 Phase 1/2 clinical trial. PROCLAIM-CX-2009 is evaluating tolerability and preliminary antitumor activity of CX-2009 as a monotherapy. We are focusing this study in seven tumor types that have high CD166 expression: breast carcinoma, castration-resistant prostate carcinoma, cholangiocarcinoma, endometrial carcinoma, epithelial ovarian carcinoma, head and neck squamous cell carcinoma, and non-small cell lung carcinoma. The figure below describes the design and status of PROCLAIM-CX-2009.



Design of PROCLAIM-CX-2009 Phase 1/2 clinical trial

We initiated enrollment of Part A of the clinical trial in June 2017. This arm is enrolling patients across the seven tumor types without pre-determination of CD166 expression levels. Our primary goals for Part A are to:

- demonstrate safety of CX-2009, which we believe is particularly relevant because CD166 is so broadly expressed on healthy tissue;
- further our understanding of the pharmacokinetic ("PK") properties of CX-2009; and
- assess whether our Probody therapeutic remains stable and masked in circulation.

We expect to disclose initial clinical data regarding Part A of CX-2009 in the second half of 2018.

In the first quarter of 2018, we initiated Part A2 of the clinical trial. In this arm, we plan to enroll only those patients who have high CD166 expression, as determined by an immunohistochemistry assay we have developed. In addition, we are requiring mandatory biopsies in this arm of the study to inform our translational science program. In this translational program, we expect to assess protease activity in the tumor, whether CX-2009 is activated in the tumor, whether activated CX-2009 engages target in the tumor, and whether engagement of the target activates downstream signaling.

Initiation of Part B of the clinical trial is planned for late 2018. This arm is designed to be a cohort expansion study where we would dose patients from one or more of the seven tumor types at a single dose level of CX-2009.

Other Selected Product Candidates in Development

We are actively pursuing the application of our Probody Platform technology to multiple other product candidates. These include other product candidates directed against other immunotherapy targets, additional first-in-class PDC product candidates, and T-Cell Engaging bispecific product candidates. Below are selected examples of product candidates that we are pursuing.

BMS-986249, a CTLA-4 Probody Therapeutic in Collaboration with BMS

As part of our strategic oncology collaboration, BMS has advanced BMS-986249, a CTLA-4 Probody therapeutic, into a Phase 1/2 clinical trial. CTLA-4 is an immune checkpoint involved in regulating T-cell activation. BMS is currently marketing a CTLA-4 monoclonal antibody, Yervoy, that has been approved for the treatment of unresectable or metastatic melanoma. CTLA-4 antibodies have been shown to lead to T-cell activation towards tumor antigens, which is the basis for its anti-tumor effect, and towards self-antigens, which may be the basis for the autoimmune toxicities associated with CTLA-4 antibodies therapies. The U.S. Food and Drug Administration ("FDA") approval for ipilimumab has a black box warning about potential severe and fatal immune-related adverse events. We believe that our CTLA-4 Probody therapeutic may be able to effectively localize the CTLA-4 antibody activity to the tumor microenvironment, thereby limiting systemic toxicities normally seen with Yervoy. We believe that BMS is the optimal strategic partner for our CTLA-4 Probody therapeutic given their expertise in cancer immunotherapy and their success with Yervoy.

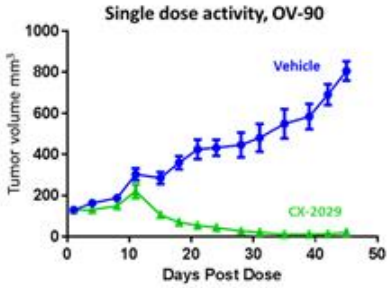
At various scientific congresses in 2017 and 2018, BMS presented pre-clinical efficacy and safety data on the CTLA-4 Probody therapeutic. For example, at the 2018 Keystone Drugs as Antibodies Conference, BMS scientists presented preclinical efficacy data that showed that an CTLA-4 Probody therapeutic demonstrates comparable anti-tumor activity to ipilumumab in preclinical models. At the Society of Immunotherapy of Cancer meeting in 2017, BMS scientists presented preclinical data that showed that cynomologous monkeys treated with a CTLA-4 Probody therapeutic demonstrated reduced peripheral T-cell activation compared to ipilumumab.

Finally, BMS scientists presented data on the toxicity profile of the CTLA-4 Probody Therapeutic and ipilumumab at the AACR-EORTC-NCI meeting in 2017. BMS scientists concluded that the highest non-severely toxic dose ("HNSTD") of the CTLA-4 Probody therapeutic was 50 mg/kg, while the HNSTD of ipilumumab was determined to be 10 mg/kg. The efficacy data, along with the peripheral T-cell activation data and the widened safety window suggests that BMS-986249 has the potential to widen therapeutic window compared to ipilumumab. BMS-986249 is currently in a Phase 1/2 clinical study that is being conducted by BMS.

CX-2029, a CD71 Probody Drug Conjugate in Collaboration with AbbVie

CD71, also known as transferrin receptor 1 ("TfR1"), is a protein that is essential for iron uptake in dividing cells, 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. The combination of high expression in tumors and ubiquitous expression in normal tissues makes CD71 a difficult target for conventional ADCs, but potentially a good candidate for development of PDCs.

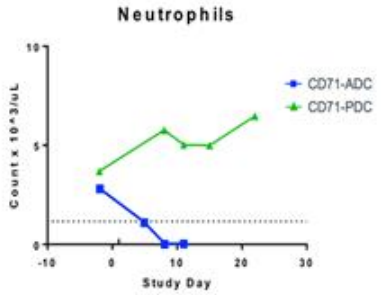
In preclinical efficacy models, we have demonstrated that CX-2029 is highly efficacious in many cell line and patient-derived xenograft models that represent many different cancer types. In the figure below, an example is shown on the left of tumor growth curves in OV-90 tumor bearing mice treated with CX-2029 (triangles) compared to a control without treatment (circles), indicating that CX-2029 led to greater tumor growth regression. A summary of additional studies of 42 different tumor models tested with anti-CD71 PDCs at varying doses and schedules is presented in the table on the right. This data shows that anti-CD71 PDCs had efficacy across nearly all preclinical models tested.



Models tested	42
Regression or stasis	30 (71%)
Growth inhibition	10 (24%)
No response	2 (5%)

Preclinical anti-tumor activity of anti-CD71 PDCs

We have also compared the toxicity profile of a CD71 Antibody Drug Conjugate ("CD71-ADC") to a CD71 Probody Drug Conjugate ("CD71-PDC"). As the figure below shows, a single dose of the CD71-ADC results in significant decrease in the number of neutrophils, a type of infection-fighting cell, in the blood in cynomologus monkeys (squares), while the CD71-PDC at the same dose does not (triangles).



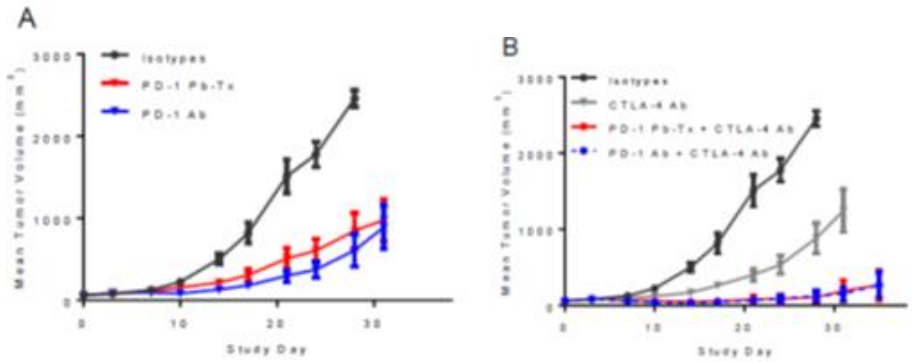
Neutrophil counts in monkeys treated with CD71 ADC or PDC

Taken together, we believe that CX-2029 has the potential to create a therapeutic window for a CD71 targeting therapeutic. We are planning to file an IND on CX-2029 in the first half of 2018 and initiate a clinical trial shortly thereafter. This program is partnered with AbbVie as part of our global co-development collaboration, and we are responsible for filing the IND and conducting the Phase 1/2 clinical trial.

CX-188, PD-1 Probody Therapeutic

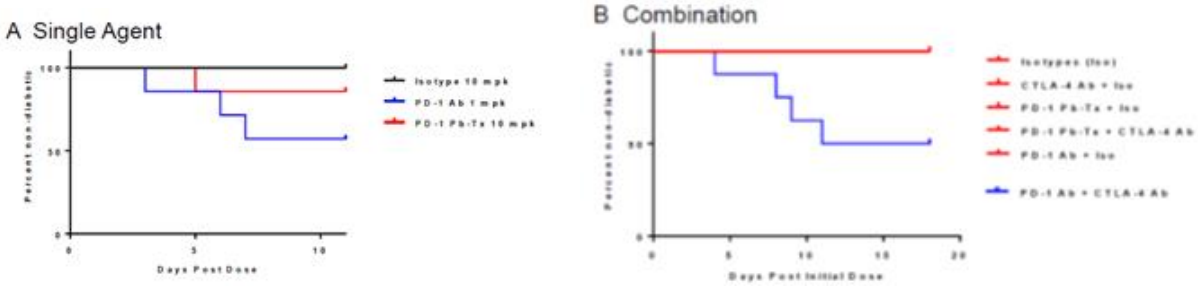
PD-1 is the receptor for the PD-L1 ligand responsible for inhibiting T-cell activation. It is the target for various immuno-oncology products, including nivolumab (Opdivo) and pembrolizumab (Keytruda). As with PD-L1, inhibiting PD-1 elicits T-cell anti-tumor responses in a variety of different cancers, and also induces systemic autoimmunity and toxicity. Given the size of the market and the breadth of opportunities for differentiated PD-pathway inhibitors, we are developing CX-188, a PD-1 Probody therapeutic in addition to our clinical stage CX-072 program. CX-188 is a wholly owned program and we expect to file an IND on the program in the second half of 2018 and initiate a clinical trial shortly thereafter.

We have compared an anti-mouse PD-1 Probody therapeutic ("PD-1 Pb-Tx") to the parenteral anti-mouse PD-1 antibody ("PD-1 Ab") in efficacy and toxicity studies in a mouse MC38 tumor model, both as single agents (left) and in combination with anti-CTLA4 antibody (right). In the figure below, tumor growth curves are shown for animals treated with control (black circles), the PD-1 Ab (blue triangles), and PD-1 Pb-Tx (red triangles). The Probody therapeutic demonstrated similar anti-tumor activity to the antibody, both as a single agent (Figure A) and also when combined with an anti-mouse CTLA-4 antibody (Figure B). Treatment with the CTLA-4 antibody with a 10 mg/kg bi-weekly dosing for three weeks as a single agent is also shown (grey triangles).



Comparison of pre-clinical anti-tumor activity of an anti-PD-1 Probody therapeutic in mouse MC38 tumor model, both as single agents (left) and in combination with anti-CTLA4 antibody (right)

However, the Probody therapeutic showed a differentiated safety profile when compared with the antibody in the NOD mouse model. As Figure A below shows, most animals treated with a low dose (1 mg/kg) of PD-1 Ab (blue) develop autoimmune diabetes, while a minority of animals treated with a 10-fold higher dose (10 mg/kg) of PD-1 Pb-Tx (red) do so. Control animals (black lines) do not develop diabetes in these experiments. As Figure B below shows, treatment with the combination of a CTLA-4 antibody and a PD-1 antibody also induced autoimmune diabetes in most mice, while the combination of a CTLA-4 antibody administered in combination with the PD-1 Probody therapeutic induced no diabetes.

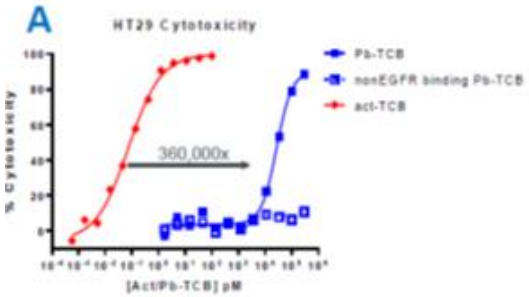


Comparison of induction of autoimmune diabetes in the NOD mouse by a single dose of a PD-1 antibody (1 mg/kg), Probody therapeutic (10 mg/kg) or control either as monotherapy (left) or in combination with a CTLA-4 antibody with agents dosed at 10 mg/kg on days 0, 4 and 7 (right)

EGFR T-Cell Bispecific

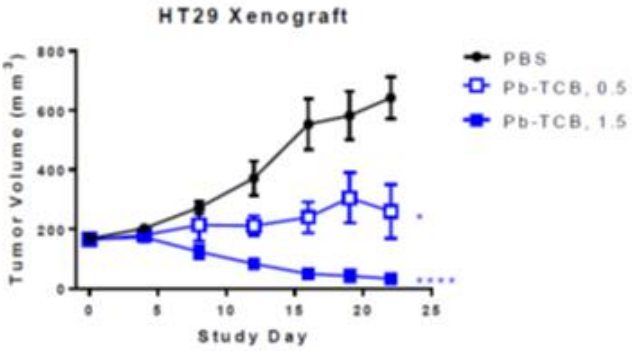
We believe that our Probody Platform can be applied to T-cell engaging bispecific antibodies (“TCBs”). TCBs are a highly potent therapeutic modality, designed to direct the activity of cytotoxic T-cells to tumors. TCBs such as Blincyto, a CD19-directed TCB commercialized by Amgen, have shown clinical activity in hematologic malignancies, but development of TCBs for solid tumor indications is proving challenging. Due to their high potency, TCBs can target normal tissues with low antigen expression, resulting in significant on-target, off-tumor toxicity that can limit dosing to low levels. As a result, it has been difficult to reach the level of drug exposure required for efficacy without excessive toxicity. Therefore, novel methods are needed to enable the potent anti-tumor activity of TCBs while limiting toxicity due to cytokine release and the resulting damage to healthy tissues.

Our most advanced asset in this modality is a T cell-engaging Bispecific Probody therapeutic (“Pb-TCB”) targeting EGFR and CD3. In *in vitro* preclinical studies, we have demonstrated that the unmasked EGFR-CD3 TCB (diamonds) can exhibit potent dose-dependent tumor cell killing, while the masked EGFR-CD3 Pb-TCB (filled squares) reduced cytotoxicity by more than 100,000-fold, as shown in the figure below. A TCB which does not bind EGFR (open squares) does not kill tumor cells, demonstrating that the activity of the TCB is target dependent.



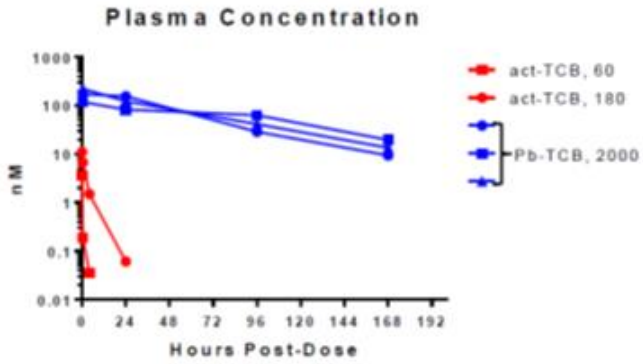
Cytotoxicity of HT-29 tumor cells induced by unmasked, active EGFR-CD3 bispecific antibody (red) and by masked EGFR-CD3 bispecific Probody therapeutic (blue). An inactive control is shown in blue squares

However, in established tumor models, we have demonstrated that Pb-TCBs potently can induce tumor regressions. As the figure below shows, in the HT29 xenograft model, the Pb-TCB at 0.5 mg/kg (open squares) demonstrated significant anti-tumor activity, and at 1.5 mg/kg (closed squares) was able to induce complete tumor regression. A control treated with inactive PBS buffer (“PBS”) is also shown (circles).



Example of pre-clinical anti-tumor activity of a Probody TCB at 2 different doses (microgram/kg) in a mouse model, compared to vehicle control (PBS, black). Asterisks indicate statistical significance compared to control.

In nonhuman primates, the EGFR-CD3 Pb-TCB has a significantly higher maximum tolerated dose than the unmasked TCB. Cynomologus monkeys were able to tolerate a dose of 4,000 microgram/kg of the Pb-TCB, while the maximum tolerated dose of the unmasked TCB was 60 microgram/kg. Furthermore, as shown in the figure below, the tolerated exposure of the Pb-TCB (blue symbols) was greater than 10,000-fold higher than that of the unmasked TCB (red symbols).



Concentration in plasma over time of 60 or 180 micrograms/kg single dose of an unmasked, active EGFR-CD3 TCB (red) and of 2000 micrograms/kg as a single dose of a masked EGFR-CD3 Probody therapeutic TCB (blue).

Taken together, we believe our Probody Platform has the potential to enable the development of T-cell engaging bispecific therapeutics against broadly expressed targets such as EGFR. Our EGFR-CD3 Pb-TCB program is partnered with Amgen, and as of March 2018, is in the pre-clinical lead optimization stage.

Our Collaborations

We believe that the Probody platform has broad applicability across a number of targets and antibody formats. We have leveraged strategic partnering to (a) extend the reach of our therapeutic opportunity and (b) bring in significant non-dilutive capital into the Company. Since 2013, we have entered into collaborations with AbbVie, Amgen, BMS and ImmunoGen, among others, to enable development of certain Probody therapeutics. In constructing each of these collaborations, our primary objectives were to collaborate with leading biopharmaceutical players to validate the potential of Probody therapeutics, to gain meaningful near-term funding and/or technology access to enable advancement of CytomX's wholly owned Probody therapeutics pipeline, broaden the number of Probody therapeutics that ultimately reach the clinic, and to retain significant milestones, royalties, and in some cases product rights, for long term upside. Details of our existing collaborations are described below.

AbbVie Ireland Unlimited Company

In April 2016, CytomX and AbbVie Ireland Unlimited Company ("AbbVie") entered into two agreements, a CD71 Co-Development and Licensing Agreement (the "CD71 Agreement") and a Discovery Collaboration and Licensing Agreement (the "Discovery Agreement" and together with the CD71 Agreement the "AbbVie Agreements"). Under the terms of the CD71 Agreement, CytomX and AbbVie will co-develop a Probody Drug Conjugate ("PDC") against CD71, and we will be 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. We will assume 35% of the net profits or net losses related to later development unless we opt-out. If we opt-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. AbbVie, at its sole discretion, may stop development of any CD71 PDC and terminate the CD71 Agreement if we do not meet certain preclinical research criteria by the applicable deadline. In such case, CytomX and AbbVie may evaluate and approve an alternate CD71 PDC. If such alternate CD71 PDC is approved, then CytomX and AbbVie will, in good faith, negotiate amendments to the timelines and, if necessary, the content in the research and development plan and budget and extensions to the deadlines to achieve defined success criteria.

Under the CD71 Agreement, we received an upfront payment of $20.0 million in April 2016, and we are eligible to receive up to $470.0 million in development, regulatory and commercial milestone payments and royalties on ex-US sales in the high teens to low twenties if we participate in the co-development of the CD71 Licensed Product subject to a reduction in such royalties if we opt-out from the co-development of the CD71 PDC. Our share of later stage co-development costs for each CD71 PDC is capped, provided that AbbVie may offset our co-development cost above the capped amounts from future payments such as milestone payments and royalties. In July 2017, we received a milestone payment of $14.0 million (net of the associated sublicense fee) from AbbVie for achieving certain milestones required to be met to begin GLP toxicology studies under the CD71 Agreement.

Under the terms of the Discovery Agreement, AbbVie receives exclusive worldwide rights to develop and commercialize PDC against up to two targets, one of which was selected in March 2017. We 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, we received an upfront payment of $10.0 million in April 2016 and may receive an additional payment upon the selection by AbbVie of the second target and the satisfaction of certain performance conditions under the CD71 Agreement. AbbVie has not selected the second target, but the performance conditions under the CD71 Agreement were met in September 2016. We are also eligible to receive up to $275.0 million in target nomination, development, regulatory and commercial milestone payments and royalties in the high single to low teens from commercial sales of any resulting PDCs.

Amgen, Inc.

On September 29, 2017, CytomX and Amgen, Inc. ("Amgen") entered into a Collaboration and License Agreement (the "Amgen Agreement"). Pursuant to the Amgen Agreement, we received an upfront payment of $40.0 million in October 2017. Concurrent with the entry into the Amgen Agreement, CytomX and Amgen entered into a Share Purchase Agreement (the "Purchase Agreement") pursuant to which Amgen agreed to purchase 1,156,069 shares of our common stock, par value $0.00001 per share, 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 we received on October 6, 2017, the closing date of the transaction.

Under the terms of the Amgen Agreement, CytomX and Amgen will co-develop a Probody T-cell engaging bi-specific therapeutic targeting EGFR ("EGFR Products"). We will be 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, we will have the right to elect to participate financially in the global co-development of EGFR Products with Amgen, during which we 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 we exercise our EGFR Co-Development Option, we 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 we choose not to exercise our EGFR Co-Development Option, we will not bear any costs of later stage development. We are 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 we exercise our EGFR Co-Development option, we shall only receive 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. CytomX and Amgen will 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.

CytomX has 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. CytomX will be responsible, at its expense, for converting this program to a Probody T-cell engaging bispecific product, and thereafter, 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.

Bristol-Myers Squibb Company

On May 23, 2014, CytomX 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 our Probody therapeutic technology. The effective date of the BMS Agreement was July 7, 2014.

Under the terms of the BMS Agreement, we granted BMS exclusive worldwide rights to develop and commercialize Probody therapeutics for up to four oncology targets, two of which were selected upon the execution of the BMS Agreement. In January 2016, BMS selected the third target pursuant to the BMS Agreement. Under the terms of the BMS Agreement, BMS paid us a $10.0 million payment. In December 2016, BMS selected the fourth and its final target pursuant to the BMS Agreement. Under the terms of the BMS Agreement, BMS paid us a $15.0 million payment.

Pursuant to the BMS Agreement, the financial consideration from BMS was comprised of an upfront payment of $50.0 million and were 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. We are entitled to royalty payments in the mid-single digit to low double digits from potential future sales. We will also receive research and development service fees based on a prescribed full-time employee ("FTE") rate that is capped.

Upon selection of the third target, we received a $10.0 million payment from BMS. Upon selection of the fourth target, we received a $15.0 million payment from BMS. In December 2016, BMS selected a clinical candidate pursuant to the BMS Agreement, which triggered a $2.0 million pre-clinical milestone payment to CytomX. In November 2017, BMS received acceptance of the IND from the FDA for a CTLA-4-directed Probody therapeutic, which triggered a $10.0 million milestone payment to CytomX.

On March 17, 2017, CytomX 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, we will continue 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 was comprised of an upfront payment of $200.0 million and we will be 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; (iii) 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. We are also entitled to tiered mid-single to low double-digit percentage royalties from potential future sales.

ImmunoGen, Inc.

In January 2014, CytomX and ImmunoGen, Inc. ("ImmunoGen") entered into the Research Collaboration Agreement (the "ImmunoGen Agreement"). The ImmunoGen Agreement provides us with the right to use ImmunoGen's Antibody Drug Conjugate ("ADC") technology in combination with our 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. We made no upfront cash payment in connection with the execution of the agreement. Instead, we provided ImmunoGen with the rights to CytomX's Probody therapeutic technology to create PDCs directed at two targets under the research license and to subsequently obtain exclusive, worldwide development and commercialization licenses to develop and commercialize such PDCs. In February 2017, ImmunoGen exercised its option to obtain a development and commercialization license for the first of its two targets. ImmunoGen discontinued this program in July 2017 and substitution rights for this program terminated in February 2017.

Under the terms of the agreement, both CytomX and ImmunoGen are required to perform research activities on behalf of the other party for no monetary consideration. Each party is solely responsible for the development, manufacturing and commercialization of any products resulting from the exclusive development and commercialization license obtained by such party under the agreement. Each party may be liable to pay annual maintenance fees to the other party if the licensed product candidate covered under each development and commercialization license has not progressed to the clinical stage of development within six years of the exercise of the development and commercialization license.

In consideration for the exclusive development and commercialization license that may be obtained by ImmunoGen, we are entitled to receive up to $30.0 million in development and regulatory milestone payments per the research program target, up to $50.0 million in sales milestone payments per target and royalties in the mid-single digits on the commercial sales of any resulting product. For the development and commercialization license that may be obtained by CytomX, ImmunoGen is entitled to receive up to $60.0 million in development and regulatory milestone payments, up to $100.0 million in sales milestone payments and royalties in the mid to high single digits on the commercial sales of any resulting product. In August 2017, we made a milestone payment of $1.0 million to ImmunoGen for the first patient dosing with CX-2009.

In December 2017, we entered into a license agreement with ImmunoGen (the "ImmunoGen Amendment") pursuant to ImmunoGen's exercise of its option to obtain a development and commercialization license for the second research program target under the ImmunoGen Agreement. The ImmunoGen Amendment extended our obligation to provide research services from January 8, 2018 to June 30, 2018.

MD Anderson

In November 2015, we entered into a research collaboration agreement with MD Anderson to research Probody-enabled chimeric antigen receptor killer (CAR-NK) cell therapies, known as ProCAR-NK cell therapies. Under this collaboration, MD Anderson will use our Probody technology to conduct research of ProCAR-NK cell therapies against certain targets selected by CytomX in cancer immunotherapy. In October 2017, we extended the research term of the agreement. Under the research collaboration agreement, we have the right to exercise an option, during the option period expiring on October 23, 2019 and upon payment of an option exercise fee, to negotiate and acquire a worldwide, exclusive, sublicensable license from MD Anderson for development and commercialization of products directed against any of the selected targets. The research collaboration agreement will continue in effect until the earlier of (i) the date that we exercise the option to acquire the license from MD Anderson and (ii) the expiration of the option period.

Pfizer PDC Collaboration

In May 2013, we entered into a collaboration with Pfizer for up to four targets. CytomX received a letter, dated March 6, 2018, from Pfizer Inc. ("Pfizer") indicating that Pfizer was terminating our research collaboration, option and license agreement with Pfizer in its entirety. Such termination will become effective on the date that is 60 days after the date of the letter. Pfizer had previously declined its option to select a fourth target and had discontinued its epidermal growth factor receptor Probody Drug Conjugate. In the termination letter, Pfizer indicated that it was terminating the collaboration agreement because it had decided not to pursue the two targets it had previously selected for development, which were the last two remaining programs under the collaboration agreement. We will no longer be eligible to receive up to $263.5 million of contingent payments as follows: (i) up to $4.5 million upon exercise of the license options, (ii) up to $38.0 million from the achievement of development milestones for the research target programs, (iii) up to $101.0 million in milestone payments for the first commercial sale in various territories for up to three indications per research target program, and (iv) up to $120.0 million in sales milestones payments for the research target programs. We will also no longer be entitled to receive royalties in the mid-single digit royalties from potential future sales of product candidates or research and development service fees based on a prescribed FTE rate per year that was capped. No early termination penalties will be incurred by us as a result of the termination of the collaboration agreement.

Manufacturing

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

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

Competition

The biotechnology and biopharmaceutical industries, and the immuno-oncology subsector, are characterized by rapid evolution of technologies, fierce competition and strong defense of intellectual property. Any product candidates that we successfully develop and commercialize will have to compete with existing therapies and new therapies that may become available in the future. While we believe that our proprietary Probody platform and scientific expertise in the field of biologics and immuno-oncology provide us with competitive advantages, a wide variety of institutions, including large biopharmaceutical companies, specialty biotechnology companies, academic research departments and public and private research institutions, are actively developing potentially competitive products and technologies. We face substantial competition from biotechnology and biopharmaceutical companies developing biopharmaceutical products, particularly with respect to in immuno-oncology therapeutics, where competition is intense and rapidly evolving. These competitors generally fall within the following categories:

Masking and conditional activation: Several companies, including Akriveia, Amgen, Amunix, BioAtla, Halozyme, Maverick Therapeutics, Revitope, and Roche are exploring antibody masking and/or conditional activation strategies, which could compete with our Probody Platform.

Cancer immunotherapies: Cancer immunotherapy is one of the most competitive and fastest growing segments of the pharmaceutical industry. Almost every large pharmaceutical company is developing cancer immunotherapies, including Amgen, AstraZeneca PLC, BMS, Celgene, GlaxoSmithKline plc, Merck & Co., Inc., Novartis AG, Pfizer, Roche Holding Ltd and Sanofi SA. In addition, many large and mid-sized biotech companies such as BeiGene Incyte, TESARO, Inc., Nektar, and Alkermes have ongoing efforts in cancer immunotherapy. Finally, numerous small companies are also working in the space.

Antibody drug conjugates: Several large pharmaceutical companies, such as AbbVie, Pfizer, Roche, and Takeda are developing ADCs. Two mid-sized companies, ImmunoGen and Seattle Genetics, Inc., are also leaders in this space. Finally, numerous small companies have ongoing efforts in the space.

T-cell engaging bispecifics: Several large pharmaceutics companies, such as Amgen, Novartis, and Roche, have on-going efforts in the space of TCBs. In additional, several mid-sized biotech companies such as Macrogenics and Xencor have ongoing efforts in TCBs. Finally, numerous small companies have ongoing efforts in the space.

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

Intellectual Property

We strive to protect and enhance the proprietary technology, inventions, and improvements that are commercially important to our business, including seeking, maintaining, and defending patent rights, whether developed internally or licensed from third parties. Our policy is to seek to protect our proprietary position by, among other methods, pursuing and obtaining patent protection in the United States and in jurisdictions outside of the United States related to our proprietary technology, inventions, improvements, platforms and product candidates that are important to the development and implementation of our business. Our patent portfolio is intended to cover, but is not limited to, our technology platforms, our product candidates and components thereof, their methods of use and processes for their manufacture, our proprietary reagents and assays, and any other inventions that are commercially important to our business. We also rely on trade secret protection of our confidential information and know-how relating to our proprietary technology, platforms and product candidates, continuing innovation, and in-licensing opportunities to develop, strengthen, and maintain our proprietary position in our Probody platform and product candidates. We expect to rely on data exclusivity, market exclusivity, patent term adjustment and patent term extensions when available. Our commercial success may depend in part on our ability to obtain and maintain patent and other proprietary protection for our technology, inventions, and improvements; to preserve the confidentiality of our trade secrets; to maintain our licenses to use intellectual property owned or controlled by third parties; to defend and enforce our proprietary rights, including our patents; to defend against and challenge the assertion by third parties of their purported intellectual property rights; and to operate without the unauthorized infringement of valid and enforceable patents and other proprietary rights of third parties.

We believe that we have a strong global intellectual property position and substantial know-how and trade secrets relating to our Probody therapeutic technology, platform and product candidates. Our patent portfolio as of February 15, 2018 contains 60 issued patents (8 of which are co-owned with a third party) and 233 pending patent applications (13 of which are co-owned with a third party). We have exclusively licensed UCSB’s interest in the co-owned patent family (currently comprising 6 issued patents and 6 pending applications) covering Probody and other pro-protein technology in the fields of therapeutics, in vivo diagnostics and prophylactics.

These patents and patent applications include claims directed to:

- Probody platform and PDC platform;
- Other pro-protein platforms;
- Probody conjugates and conjugation methods to produce PDCs;
- Bispecific and other multispecific Probody therapeutics, including T-cell-recruiting bispecific Probody therapeutics;
- Protease-cleavable linkers, e.g., serine protease- and/or MMP-cleavable linkers;
- Improved display systems for peptide display, e.g., to identify masks, substrates, and other proteins;
- Cancer immunotherapy Probody therapeutics, e.g., PD-L1, PD-1, and CTLA-4 Probody therapeutics, as well as related novel antibodies and combination therapies;
- Probody drug conjugates, e.g., CD-166, CD-71 (transferrin receptor), CD49c (integrin alpha 3), and CD147 PDCs, as well as related Probody therapeutics, novel antibodies and ADCs;
- Probody therapeutics to other targets, e.g., EGFR, Jagged, and IL6R Probody therapeutics, as well as related PDCs, novel antibodies and ADCs;
- Antibodies that bind Probody therapeutics, e.g., anti-mask and anti-Probody antibodies;
- Antibodies that bind key targets;
- Antibodies that bind the active site of uPA protease;
- Compositions and methods to discriminate between intact Probody therapeutics and activated versions thereof, as well as other translation assays;
- Methods to produce intact Probody therapeutics; and
- Methods to use any of the above-referenced compounds and compositions.

In addition, we have exclusively licensed a patent portfolio of three patent families from UCSB that includes 22 issued patents and seven pending patent applications that cover compositions and methods related to screening for and identification of masks and protease-cleavable linkers that we incorporate into our Probody therapeutics.

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

We continually assess and refine our intellectual property strategy as we develop new platform technologies and product candidates. To that end, we are prepared to file additional patent applications if our intellectual property strategy requires such filings, or where we seek to adapt to competition or seize business opportunities. Further, we are prepared to file patent applications, as we consider appropriate under the circumstances, relating to the new technologies that we develop. In addition to filing and prosecuting patent applications in the United States, we often file counterpart patent applications in the European Union and in additional countries where we believe such foreign filing is likely to be beneficial, including but not limited to any or all of Australia, Brazil, Canada, China, Europe, Hong Kong, India, Indonesia, Israel, Japan, Malaysia, Mexico, New Zealand, Russia or Eurasian Patent Organization, Singapore, South Africa and South Korea.

The term of individual patents depends upon the laws of the countries in which they are obtained. In most countries in which we file, the patent term is 20 years from the earliest date of filing of a non-provisional patent application. However, the term of United States patents may be extended for delays incurred due to compliance with FDA requirements or by delays encountered during prosecution that are caused by the United States Patent and Trademark Office (the "USPTO"). For example, the Hatch-Waxman Act permits a patent term extension for FDA-approved drugs of up to five years beyond the expiration of the patent. The length of the patent term extension is related to the length of time the drug is under regulatory review. Patent extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only one patent applicable to an approved drug may be extended. Similar provisions are available in Europe and other jurisdictions to extend the term of a patent that covers an approved drug. In the future, if and when our biopharmaceutical product candidates receive FDA approval, we expect to apply for patent term extensions on patents covering those product candidates. We intend to seek patent term extensions to any of our issued patents in any jurisdiction where these are available; however, there is no guarantee that the applicable authorities, including the FDA in the United States, will agree with our assessment of whether such extensions should be granted, and even if granted, the length of such extensions. Our currently issued patents will likely expire on dates ranging from 2028 to 2035, unless we receive patent term extension or adjustment. If patents are issued on our pending patent applications, the resulting patents are projected to expire on dates ranging from 2028 to 2039, unless we receive patent term extension or adjustment. However, the actual protection afforded by a patent varies on a product-by-product basis, from country-to-country, and depends upon many factors, including the type of patent, the scope of its coverage, the availability of regulatory-related extensions, the availability of legal remedies in a particular country, and the validity and enforceability of the patent.

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

We intend to file applications for trademark registrations in connection with our product candidates in various jurisdictions, including the U.S. The USPTO previously accepted the PROBODY mark under an intent-to-use trademark application. Because we were unable to show use for that mark within three years of acceptance, the mark became abandoned. We have re-filed for trademark protection of the PROBODY mark with the USPTO. We also have filed for trademark protection of the CYTOMX and IHZ marks as well as the CytomX Logo with the USPTO. Both the PROBODY and IHZ marks were allowed by the USPTO in 2016. The PROBODY mark was registered in class 5 by the USPTO in 2017.

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

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

In-Licenses

License from UCSB

In August 2010, we entered into an agreement with UCSB, that grants us an exclusive license, with the right to sublicense, under the patent rights owned by UCSB covering mask and screening technologies relating to the identification and discovery of pro-protein biologics, including masks and substrates, for the identification of pro-proteins, for use in the fields of therapeutics, in vivo diagnostics, and prophylactics (the "UCSB Agreement"). The UCSB Agreement also grants us an exclusive license, with the right to sublicense, under UCSB's interest in certain patent rights we co-own with UCSB covering Probody antibodies and other pro-proteins in the fields of therapeutics, in vivo diagnostics and prophylactics.

We had no upfront payment obligations under the agreement. We are obligated to pay to UCSB royalties on net sales of licensed products in the low single digit percentages, subject to annual minimum amounts as well as certain reductions. We are required to make milestone payments to UCSB on the accomplishment of certain milestones totaling up to $1,075 million for each of the first two indications for each licensed product consisting of a molecule or compound covered by the licensed patent rights. We were also obligated to make a payment to UCSB upon the first occurrence of an IPO or change of control. If the Company sublicenses its rights under the UCSB Agreement, it must pay UCSB a percentage of our total sublicense revenues ranging from the mid-single to mid-teen percentages, 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.

License from ImmunoGen

In February 2016, we exercised our option to obtain a worldwide, exclusive, sublicensable license from ImmunoGen for development and commercialization of products directed against the target selected by us under our research collaboration agreement with ImmunoGen. See the description of the license agreement set forth under the caption "Our Collaborations—ImmunoGen PDC Collaboration" in this Item 1 of this Annual Report on Form 10-K.

Government Regulation and Product Approval

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

U.S. Government Regulation

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

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

NDA and BLA approval processes

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

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

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

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

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

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

A pivotal study is a clinical study that adequately meets regulatory agency requirements for the evaluation of a product candidate's efficacy and safety such that it can be used to justify the approval of the product. Generally, pivotal studies are also Phase 3 studies but may be Phase 2 studies if the trial design provides a reliable assessment of clinical benefit, particularly in situations where there is an unmet medical need. Human clinical trials are inherently uncertain and Phase 1, Phase 2 and Phase 3 testing may not be successfully completed. The FDA or the sponsor may suspend a clinical trial at any time for a variety of reasons, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the product candidate has been associated with unexpected serious harm to patients.

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

Post-approval trials, sometimes referred to as "Phase 4" clinical trials, may be conducted after initial marketing approval. These trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In certain instances, FDA may mandate the performance of such "Phase 4" clinical trials.

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

Concurrent with clinical trials, sponsors usually complete additional animal safety studies, develop additional information about the chemistry and physical characteristics of the product candidate and finalize a process for manufacturing commercial quantities of the product candidate in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and the manufacturer must develop methods for testing the quality, purity and potency of the product candidate. To help reduce the risk of the introduction of adventitious agents with use of biological products, the PHSA emphasizes the importance of manufacturing control for products whose attributes cannot be precisely defined. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other criteria, the sponsor must develop methods for testing the identity, strength, quality, potency and purity of the final biological product. Additionally, appropriate packaging must be selected and tested, and stability studies must be conducted to demonstrate that the biological product candidate does not undergo unacceptable deterioration over its shelf life. Additionally, for both NDA and BLA products, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its proposed shelf-life.

The results of product development, nonclinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests and other control mechanisms, proposed labeling and other relevant information are submitted to the FDA as part of an NDA or BLA requesting approval to market the product.

Under the Prescription Drug User Fee Act (“PDUFA”) as amended, each BLA or NDA must be accompanied by a significant user fee. The FDA adjusts the PDUFA user fees on an annual basis. PDUFA also imposes an annual product fee for products and an annual establishment fee on facilities used to manufacture prescription biological or drug products. Fee waivers or reductions are available in certain circumstances, such as where a waiver is necessary to protect the public health, where the fee would present a significant barrier to innovation, or where the applicant is a small business submitting its first human therapeutic application for review.

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

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

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

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

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

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

Companion Diagnostics

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

Expedited Review and Approval

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

Although Fast Track and priority review do not affect the standards for approval, the FDA will attempt to facilitate early and frequent meetings with a sponsor of a Fast Track designated product candidate and expedite review of the application for a product candidate designated for priority review. Accelerated approval, which is described in Subpart H of 21 CFR Part 314, provides for an earlier approval for a new product candidate that is (1) intended to treat a serious or life-threatening disease or condition; (2) generally provides a meaningful advantage over available therapies; and (3) demonstrates an effect on either a surrogate endpoint that is reasonably likely to predict clinical benefit or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality ("IMM") and is reasonably likely to predict an effect on IMM or other clinical benefit, taking into account the severity, rarity or prevalence of the condition and the availability or lack of alternative treatments. A surrogate endpoint is a laboratory measurement or physical sign used as an indirect or substitute measurement representing a clinically meaningful outcome. As a condition of approval, the FDA may require that a sponsor of a product candidate receiving accelerated approval perform post-marketing studies to verify and describe the predicted effect on irreversible morbidity or mortality or other clinical endpoint, and the product may be subject to accelerated withdrawal procedures.

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

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

Patent Term Restoration and Marketing Exclusivity

Depending upon the timing, duration and specifics of FDA approval of the use of our therapeutic candidates, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Act. The Hatch-Waxman Act permits a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product candidate's approval date. The patent term restoration period is generally one half of the time between the effective date of an IND and the submission date of an NDA, plus the time between the submission date of an NDA and the approval of that application, except that the review period is reduced by any time during which the applicant failed to exercise due diligence. Only one patent applicable to an approved product candidate is eligible for the extension and the application for extension must be made prior to expiration of the patent. The USPTO, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, we intend to apply for restorations of patent term for some of our currently owned or licensed patents to add patent life beyond their current expiration date, depending on the expected length of clinical trials and other factors involved in the submission of the relevant NDA.

Market exclusivity provisions under the FDCA also can delay the submission or the approval of certain applications. The FDCA provides a five-year period of non-patent marketing exclusivity within the U.S. to the first applicant to gain approval of an NDA for a new chemical entity. A product candidate is a new chemical entity if the FDA has not previously approved any other new product candidate containing the same active moiety, which is the molecule or ion responsible for the action of the product candidate substance. During the exclusivity period, the FDA may not accept for review an abbreviated new drug application (an "ANDA"), or a 505(b)(2) NDA submitted by another company for another version of such product candidate where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement of one of the patents listed with the FDA by the innovator NDA holder. The FDCA also provides three years of marketing exclusivity for an NDA, or supplement to an existing NDA, if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application. Examples of such new clinical investigations include those with respect to new indications, dosages or strengths of an existing product candidate. This three-year exclusivity covers only the modification for which the product received approval on the basis of the new clinical investigations and does not prohibit the FDA from approving ANDAs for product candidates containing the active agent for the original indication or condition of use. Five-year exclusivity will not delay the submission or approval of another company's full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness.

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

Orphan Drug Designation

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

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

In addition, the orphan drug credit is available for qualifying costs incurred between the date the FDA designates a drug as an orphan drug and the date the FDA approves the drug. The recent tax reform legislation, which was signed into law on December 22, 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%.

Pediatric Exclusivity and Pediatric Use

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

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

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

Post-Approval Requirements

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

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

- record-keeping requirements;
- reporting of adverse experiences with the product candidate;
- providing the FDA with updated safety and efficacy information;
- product sampling and distribution requirements;
- notifying the FDA and gaining its approval of specified manufacturing or labeling changes; and
- complying with FDA promotion and advertising requirements, which include, among other things, standards for direct-to-consumer advertising, restrictions on promoting products for uses or in-patient populations that are not described in the product's approved labeling, limitations on industry-sponsored scientific and educational activities and requirements for promotional activities involving the internet.

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

New Legislation and Regulations

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

Regulation Outside of the U.S.

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

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

As in the U.S., we may apply for designation of a product candidate as an orphan drug for the treatment of a specific indication in the European Union before the application for marketing authorization is made.

Orphan drugs in the European Union enjoy economic and marketing benefits, including up to ten years of market exclusivity for the approved indication unless another applicant can show that its product is safer, more effective or otherwise clinically superior to the orphan-designated product, the marketing authorization holder is unable to supply sufficient quantity of the medicinal product or the marketing authorization holder has given its consent.

Coverage and Reimbursement

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

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (together, the "ACA") has had a significant impact on the health care industry. The ACA expanded coverage for the uninsured while at the same time containing overall healthcare costs. With regard to biopharmaceutical products, the ACA, among other things, addressed a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected, increased the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and extended the rebate program to individuals enrolled in Medicaid managed care organizations, established annual fees and taxes on manufacturers of certain branded prescription drugs, and a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts, which, through subsequent legislative amendments, will be increased to 70% starting in 2019, off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted that impact payment methodologies and reimbursement amounts. On August 2, 2011, the Budget Control Act of 2011 among other things, created measures for spending reductions by Congress, which led to aggregate reductions to Medicare payments to providers of 2% per fiscal year starting in April 2013, and, due to subsequent legislative amendments, will stay in effect through 2027 unless additional Congressional action is taken. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012 (the "ATRA") which among other things, also reduced Medicare payments to several 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. 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 aggressive 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.

We expect that the current presidential administration and U.S. Congress will 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 provided 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, most recently, the Tax Cuts and Jobs Act was enacted, which, among other things, removes penalties for not complying with the ACA's individual mandate to carry health insurance. We cannot predict the extent of the impact of any such changes on us.

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

Other Healthcare Laws

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

The federal Anti-Kickback Statute prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving or providing remuneration, directly or indirectly, to induce either the referral of an individual, for an item or service or the purchasing or ordering of a good or service, for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs. The Anti-Kickback Statute is subject to evolving interpretations. In the past, the government has enforced the Anti-Kickback Statute to reach large settlements with healthcare companies based on sham consulting and other financial arrangements with physicians. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act. The majority of states also have anti-kickback laws, which establish similar prohibitions and in some cases, may apply to items or services reimbursed by any third-party payor, including commercial insurers.

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

The U.S. federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), created new federal criminal statutes that prohibit among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

There has also been a recent trend of increased federal and state regulation of payments made to physicians and other healthcare providers. The ACA, among other things, imposes new reporting requirements on drug manufacturers for payments made by them to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Failure to submit required information may result in civil monetary penalties for all payments, transfers of value or ownership or investment interests that are not timely, accurately and completely reported in an annual submission. Certain states also mandate implementation of compliance programs and compliance with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, impose restrictions on drug manufacturer marketing practices and/or require the tracking and reporting of pricing and marketing information as well as gifts, compensation and other remuneration or items of value provided to physicians and other healthcare professionals and entities.

We may also be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act ("HITECH") and their respective implementing regulations, including the final omnibus rule published on January 25, 2013, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to "business associates," defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws and non-US laws and regulations (particularly EU laws regarding personal data relating to individuals based in Europe) govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways, thus complicating compliance efforts.

Environment

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

Our Company Origins and Team

Our Probody platform technology has its origins in work performed at the University of California, Santa Barbara ("UCSB"), by our scientific founder Professor Patrick Daugherty. Since our inception, we have continued developing and adding to this technology and aspire to design a pipeline of Probody therapeutics that will better the lives of cancer patients. We have assembled an experienced and talented group of individuals dedicated to the advancement of cancer care. Our chief executive officer, Dr. Sean McCarthy, leads a team that draws on robust experience in all phases of product discovery, clinical development and commercialization. Our research and preclinical development team is led by Dr. Michael Kavanaugh, chief scientific officer, and includes renowned and established researchers, and our clinical development team is led by Dr. Rachel Humphrey, chief medical officer. Our management team members have significant experience in oncology with previous experience at AstraZeneca, BMS, Chiron, Five Prime, Maxygen, Millennium, Novartis, SGX and other companies.

Employees

As of December 31, 2017, we had 92 full-time employees and one part-time employee. Of these employees, 56 were primarily engaged in research and development activities.

Corporate Information

Our operations commenced in February 2008 when our predecessor entity was formed. We were incorporated in Delaware in September 2010. We maintain our executive offices at 151 Oyster Point Blvd., Suite 400, South San Francisco, California 94080, and our main telephone number is (650) 515-3185.

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012. We will remain an emerging growth company until the earlier of: (1) December 31, 2020, (2) the last day of the fiscal year (a) in which we have total annual gross revenue of at least $1.07 billion, or (b) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the prior June 30th, and (3) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period. We refer to the Jumpstart Our Business Startups Act of 2012 herein as the "JOBS Act," and references herein to "emerging growth company" shall have the meaning associated with it in the JOBS Act.

We view our operations and measure our business as one reportable segment operating in the United States. See Note 2 to our audited financial statement included elsewhere in this Annual Report on Form 10-K for additional information. Additional information required by this item is incorporated herein by reference to PART II Item 6 of this Annual Report on Form 10-K.

Our research and development expenses were $92.3 million, $54.8 million and $28.4 million for the years ended December 31, 2017, 2016 and 2015, respectively. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Research and Development Expenses" for additional detail regarding our research and development activities.

We maintain a website at *www.cytomx.com*, which contains information about us. The information in, or that can be accessed through, our website is not part of this Annual Report on Form 10-K. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports are available, free of charge, on or through our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding our filings at *www.sec.gov*.

Item 1A. Risk Factors

You should consider carefully the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K. 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 December 31, 2017 and December 31, 2016, we had an accumulated deficit of $219.5 million and $176.4 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, during 2018 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, and CX-2009, our PDC candidate directed against CD-166, and as we continue to conduct IND-enabling studies for CX-2029, our lead clinical candidate under our CD71 collaboration with AbbVie Inc., and CX-188, our wholly owned PD-1-targeting Probody therapeutic. 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 December 31, 2017, we had $374.1 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 2020. 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, during 2018 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 and CX-2009 and as we continue to conduct IND-enabling studies for CX-2029 and CX-188. 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 in conjunction with our IPO, 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. 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, 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. We currently expect to file INDs for CX-2029, our lead clinical candidate under our CD71 collaboration with AbbVie Inc., in the first half of 2018, and CX-188, our wholly owned PD-1-targeting Probody therapeutic, in the second half of 2018; however, the filing of such INDs is subject to the satisfaction of certain conditions. 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 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 two product candidates, CX-072 and CX-2009, currently in 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 United States Food and Drug Administration (“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 or that the safety. 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, contract research organizations (“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 side effects associated with the use of our product candidates, including CX-072 and CX-2009. We expect to disclose initial clinical data regarding CX-072 in mid-2018 and initial data regarding Part A of CX-2009 in the second half of 2018. Results of our 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 trial of CX-2009, we are targeting CD-166, a target that is broadly expressed on normal tissue, which could create unacceptable toxicity or fail to result in anti-tumor activity. Any future clinical trials of our product candidates, including CX-2029 or CX-188, could face similar or heightened risks depending on the modality. For instance, CX-2029 is a Probody therapeutic targeting 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.

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. 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 studies 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 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 trial of CX-2009 studies patients who have one of seven specific tumor types rather than patients suffering from any cancer, which may limit the rate of enrollment of the trial. As with the clinical studies of CX-072, our Phase 1/2 clinical trial of CX-2009 is also competing with hundreds of clinical studies 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 and CX-2009.

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 Probodies are administered to human subjects, protease levels in the tumor may not be sufficient and the peptide mask may not be cleaved, which would limit the potential efficacy of the antibody and reduce the potential to limit the toxicity of the anti-cancer agent. In addition, if the peptide mask is inappropriately released, for example, due to an inflammatory disease, it may 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 Probodies, that is, the precise manner and sequence in which they are activated and behave in vivo, is incomplete. Probodies 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 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, our Probody product candidates have an unknown immunogenicity profile. As a result, our Probody product candidates may trigger immune responses that inhibit the ability of the antibody to reach the target tissue, cause adverse side effects in humans or cause hypersensitivity reactions. 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, 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 products 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 would have little, if any, value, which would have a material and adverse effect on our business, financial condition, results of operations and prospects.

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

Even if regulatory approval is obtained for a product candidate, we may not generate or sustain revenue from sales of the product due to factors such as whether the product can be sold at a competitive cost and 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, CX-188, 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 and Pfizer, Inc. (“Pfizer”) 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. 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 Collaboration and License 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. 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. 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, most recently, the Collaboration and License 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 rely on third-party manufacturing and supply partners, our supply of research and development, preclinical and clinical development materials may become limited or interrupted or may not be of satisfactory quantity or quality.

We rely on third-party contract manufacturers to manufacture our clinical trial and preclinical study product supplies. We do not own manufacturing facilities for producing such supplies 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 are dependent on ImmunoGen under our collaboration for certain steps in the manufacturing of clinical quantities of CX-2009. However, contract manufacturing is not ImmunoGen's primary business and ImmunoGen may not have sufficient resources to commit to manufacturing for third parties. In February 2018, ImmunoGen announced the closure of their clinical manufacturing facility in Norwood, MA at the end of 2018. This site provided clinical manufacturing support for the CX-2009 program. We have initiated plans to transfer 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.

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 CX-2009 and CX-2029, our lead clinical candidate under our CD71 collaboration with AbbVie Inc. 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, such as CX-2029, 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 and CX-2009, we will need to manufacture them in large quantities. We, or any manufacturing partners, may be unable to successfully increase the manufacturing capacity for any of our product candidates in a timely or cost-effective manner, or at all, although to date we have been able to successfully manufacture clinical quantities of CX-072 and CX-2009. In particular, we are dependent on ImmunoGen under our collaboration for certain steps in the manufacturing of clinical quantities of CX-2009. However, contract manufacturing is not ImmunoGen's primary business and ImmunoGen may not have sufficient resources to commit to manufacturing for third parties. In addition, quality issues may arise during scale-up activities. In February 2018, ImmunoGen announced the closure of their clinical manufacturing facility in Norwood, Massachusetts at the end of 2018, which provided clinical manufacturing support for the CX-2009 program. We have initiated plans to transfer 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. In addition, in the event that we initiate clinical trials for CX-2029, the manufacturing of clinical quantities of such product candidates 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, CX-2029 and CX-188. 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, CX-2029, CX-188 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 our lead product candidates, CX-072 and CX-2009, 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, TESARO, Inc., Nektar, and Alkermes have ongoing efforts in cancer immunotherapy. Finally, numerous small companies are also working in the space. Several companies, including Akriveia, Amgen, Amunix, BioAtla, Halozyme, Maverick Therapeutics, Revitope, and Roche 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, Pfizer, Roche Holding Ltd. and Taekda. 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 Xenor, 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.

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, and BMS-986249 and any other product candidates we or our collaborators may conduct clinical trials for. 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 manufacturer) 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 internal computer systems, or those of our CROs or other contractors or consultants we may utilize, may fail or suffer security breaches, which could result in a material disruption of our product development programs.

Despite the implementation of security measures, our internal computer systems and those of our CROs and other contractors and consultants we may utilize, may be vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Such events could cause interruptions of our operations. For instance, the loss of 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 product candidates could be delayed.

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

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

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

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.

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 Securities and Exchange Commission. 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. In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU 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 have evaluated the impact of ASU 2014-09 on our financial statements. Adoption of the standard had a significant impact on our financial statements and retroactively affected the accounting treatment of transactions completed before adoption. See “Note 2 – Summary of Significant Accounting Policies” for additional discussion of the accounting changes and the impact of this accounting standard upon 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. As a result, the federal and state carryforwards associated with the net operating loss and credit deferred tax assets were reduced by the amount of tax attributes estimated to expire 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. As of December 31, 2017, we had federal and state net operating loss carryforwards of approximately $105.6 million and $58.5 million, respectively, and our ability to utilize those net operating loss carryforwards could be limited by an “ownership change” as described above, which could result in increased tax liability to our company.

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. As of February 15, 2018, we have 60 issued patents (8 of which are co-owned with a third party), and 233 pending patent applications (13 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 co-owned patent family (currently comprising 6 issued patents and 6 pending applications) covering 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 22 issued patents and seven pending 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 partes review, nullification or derivation action in court or before patent offices or similar proceedings for a given period after allowance or grant, during which time third parties can raise objections against such initial grant. In the course of such proceedings, which may continue for a protracted period of time, the patent owner may be compelled to limit the scope of the allowed or granted claims thus attacked, or may lose the allowed or granted claims altogether. In addition, there can be no assurance that:

- Others will not or may not be able to make, use or sell compounds that are the same as or similar to our product candidates but that are not covered by the claims of the patents that we own or license.
- We or our licensors, or our 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 U.S. or foreign regulatory approval and, as a result, unable to commercialize our product candidates.

Our product candidates are subject to extensive governmental regulations relating to, among other things, research, testing, development, manufacturing, safety, efficacy, approval, recordkeeping, reporting, labeling, storage, packaging, advertising and promotion, pricing, marketing and distribution of drugs 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. 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, most recently, 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. 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 November 2017, CMS issued a proposed decision memorandum, proposing to extend 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 proposed decision memorandum, diagnostic tests that meet these criteria are covered only in patients with recurrent, metastatic or advanced stage IV cancer who have not been previously tested using the same NGS test and have decided to seek further cancer treatment. Publication of the final national coverage determination ("NCD") has been delayed and it remains unclear whether CMS will adopt the proposed NCD as currently drafted or include additional coverage limitations in the final NCD.

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 aggressive 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. 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 comes into force on May 25, 2018 and will impose obligations and restrictions on how we collect and use personal data relating to individuals located in the EU (including health data), as well as introduce fines of up to 4% total worldwide annual turnover or up to €20 million (whichever is higher) for non-compliance with its requirements.
- 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 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, enters into force, 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 will be directly applicable in all E.U. member states starting on May 25, 2018. The GDPR significantly increases fining levels of up to 4% total worldwide annual turnover or up to €20 million (whichever is higher) for non-compliance with its requirements. We will be subject to the GDPR where we have an E.U. presence or "establishment" (e.g. E.U. based subsidiary or operations), when conducting clinical trials with E.U. based data subjects (whether the trials are conducted directly by us or through a clinical vendor or collaborator) or offering approved products or services (if relevant) to E.U. based data subjects (regardless of whether involving our E.U. based subsidiary or operations).

The GDPR sets out a number of requirements that must be complied with when handling the personal data of such E.U. based data subjects including: providing expanded disclosures about how their personal data will be used; higher standards for organizations to demonstrate that they have obtained valid consent or have another legal basis in place to justify their data processing activities; the obligation to appoint data protection officers in certain circumstances; new rights for individuals to be "forgotten" and rights to data portability, as well as enhanced current rights (e.g. access requests); the principal of accountability and demonstrating compliance through policies, procedures, training and audit; the new mandatory data breach regime. In particular, medical or health data, genetic data and biometric data where the latter is used to uniquely identify an individual 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. states reframe their national legislation to prepare for and 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 EU laws on data export, where we transfer data outside the EU (or EEA) to group companies or third parties. The GDPR only permits exports of data outside the EU (and EEA) 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 EU courts and by the EU Commission and therefore we recommend monitoring 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. In the EU, 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.

The recent tax reform legislation, which was signed into law on December 22, 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. From October 8, 2015, the first day of trading our common stock, through March 5, 2018, our stock had high and low sales prices in the range of $9.01 and $34.24 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 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 nine months or one year of his or her base salary as well as continued medical and dental coverage for a period of nine months or one year 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 nine months or one year of his or her base salary as well as continued medical and dental coverage for a period of nine months or one year, as well as an additional lump sum payment equal to three-fourths or 100% 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 December 31, 2017, 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 42% 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.

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

We are an "emerging growth company" as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including (1) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), (2) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and (3) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years following the consummation of the IPO, although circumstances could cause us to lose that status earlier, including if we are deemed to be a "large accelerated filer," which occurs when the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30, or if we have total annual gross revenue of $1.07 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following December 31, or if we issue more than $1.0 billion in non-convertible debt during any three-year period before that time, in which case we would no longer be an emerging growth company immediately. Even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company" which would allow us to take advantage of many of the same exemptions from disclosure requirements including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our share price may be more volatile.

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

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

Provisions in our 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, and particularly after we are no longer an emerging growth 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.

We are required to comply with the Sarbanes-Oxley Act and the related rules and regulations of the SEC, including the requirements that we maintain disclosure controls and procedures and adequate internal control over financial reporting. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. Nevertheless, in order to maintain our compliance with the Sarbanes-Oxley Act, we will need to continue to dedicate internal resources, engage outside consultants to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate-through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404 of the Sarbanes-Oxley Act. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, if we are not able to continue to meet these requirements, we may not be able to remain listed on The NASDAQ Global Select Market.

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

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. 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 1B. *Unresolved Staff Comments*

None

Item 2. *Properties*

Our principle executive office is currently located in South San Francisco, California, and consists of approximately 76,000 square feet of office and research and development space, all of which is located in a single building, under a lease that expires in October 2026. We believe that our existing facilities are sufficient for our current needs.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities***

Market Information for Common Stock

Our common stock has been listed on The NASDAQ Global Select Market under the symbol "CTMX". The following table sets forth for the periods indicated the high and low sales prices per share of our common stock as reported on the NASDAQ Global Select Market:

	Per share of common stock	
Quarter Ended	**High**	**Low**
Fiscal Year Ended 12/31/2017		
Fourth Quarter	$ 24.67	$ 18.10
Third Quarter	$ 18.31	$ 13.09
Second Quarter	$ 18.01	$ 13.00
First Quarter	$ 20.02	$ 10.40
Fiscal Year Ended 12/31/2016		
Fourth Quarter	$ 16.25	$ 9.85
Third Quarter	$ 17.79	$ 9.54
Second Quarter	$ 14.00	$ 9.10
First Quarter	$ 20.94	$ 11.18

On February 28, 2018, the closing sale price of our common stock was $29.71.

Holders of Record

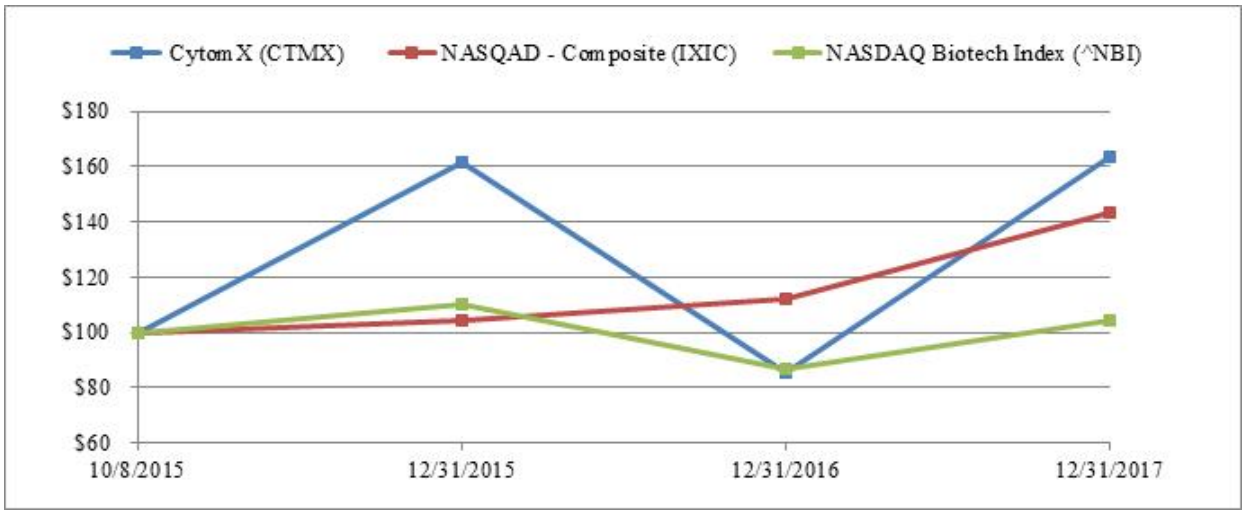
As of February 28, 2018, there were approximately 45 stockholders of record of our common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We currently intend to retain future earnings, if any, for use in operation of our business and to fund future growth. We have never declared or paid any cash dividends on our capital stock and do not anticipate paying any cash dividends in the foreseeable future. Payment of cash dividends, if any, in the future will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Stock Performance Graph

The following graph shows the total stockholder's return on an investment of $100 in cash at market close on October 8, 2015 (the first day of trading of our common stock), through December 31, 2017 for (i) our common stock, (ii) the NASDAQ Composite Index and (iii) the NASDAQ Biotechnology Index. Pursuant to applicable Securities and Exchange Commission rules, all values assume reinvestment of pre-tax amount of all dividends; however, no dividends have been declared on our common stock to date. The stockholder return shown on the graph below is not necessarily indicative of future performance, and we do not make or endorse any predictions as to future stockholder return. This graph shall not be deemed "soliciting material" or be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 as amended (the "Exchange Act"), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended (the "Securities Act"), whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.



$100 investment in stock or index	October 8, 2015	December 31, 2015	December 31, 2016	December 31, 2017
CytomX (CTMX)	$ 100.00	$ 161.78	$ 85.19	$ 163.64
NASDAQ Composite Index (IXIC)	$ 100.00	$ 104.09	$ 111.90	$ 143.50
NASDAQ Biotech Index (^NBI)	$ 100.00	$ 110.25	$ 86.34	$ 104.52

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this Item regarding equity compensation plans is incorporated by reference to the information set forth in PART III Item 12 of this Annual Report on Form 10-K.

Use of Proceeds from Registered Securities

Shares of our common stock began trading on The NASDAQ Global Select Market on October 8, 2015. The shares were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-206658), which was declared effective by the SEC on October 7, 2015.

There has been no material change in the planned use of proceeds from our IPO as described in the final Prospectus dated as of October 7, 2015 and filed with the SEC pursuant to Rule 424(b) under the Securities Act on October 8, 2015.

Recent Sales of Unregistered Equity Securities

Except as previously reported in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2017, there were no recent sales of unregistered securities during the year ended December 31, 2017.

Issuer Purchases of Equity Securities

None.

Item 6. ***Selected Financial Data***

You should read the following selected financial data together with the information under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included in this Form 10-K. The statement of operations data for each of the years ended December 31, 2017, 2016 and 2015 and the balance sheet data as of December 31, 2017 and 2016 are derived from our audited financial statements included elsewhere in this Form 10-K. The statement of operations data for each of the years ended December 31, 2014 and 2013 and the selected balance sheet data as of December 31, 2015, 2014 and 2013 are derived from our audited financial statements which are not included in this Annual Report on Form 10-K. Our historical results of any prior periods are not necessary indicative of results to be expected in any future period.

Statement of Operations Data:

	Year Ended December 31,				
(in thousands, except share and per share data)	**2017**	**2016**	**2015**	**2014**	**2013**
Revenues	$ 71,623	$ 12,845	$ 5,941	$ 2,751	$ —
Revenues from related parties	—	2,198	1,771	2,326	888
Total revenues	71,623	15,043	7,712	5,077	888
Operating expenses:					
Research and development	92,277	54,755	28,357	28,302	10,890
General and administrative	25,605	19,874	12,558	6,540	4,954
Total operating expenses	117,882	74,629	40,915	34,842	15,844
Loss from operations	(46,259)	(59,586)	(33,203)	(29,765)	(14,956)
Interest income	2,674	736	1,315	7	6
Interest expense	—	—	(1,732)	(487)	(254)
Other income (expense), net	(27)	(69)	(1,744)	(55)	71
Loss before provision for (benefit from) income taxes	(43,612)	(58,919)	(35,364)	(30,300)	(15,133)
Provision for (benefit from) income taxes	(513)	(19)	10	10	10
Net loss	(43,099)	(58,900)	(35,374)	(30,310)	(15,143)
Accretion to redemption value and cumulative dividends on preferred stock	—	—	(6,705)	(4,566)	(3,751)
Net loss attributable to common stockholders	$ (43,099)	$ (58,900)	$ (42,079)	$ (34,876)	$ (18,894)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.16)	$ (1.63)	$ (4.90)	$ (35.25)	$ (24.46)
Shares used to compute net loss per share attributable to common stockholders, basic and diluted	37,166,830	36,234,732	8,595,247	989,453	772,320
Other comprehensive loss:					
Changes in unrealized gain (losses) on investments	(67)	49	(76)	—	—
Comprehensive loss	$ (43,166)	$ (58,851)	$ (35,450)	$ (30,310)	$ (15,143)

Balance Sheet Data:

	As of December 31,				
	2017	2016	2015	2014	2013
Balance Sheet Data:					
Cash, cash equivalents and marketable securities	$ 374,110	$ 181,938	$ 186,711	$ 64,396	$ 8,703
Working capital	327,454	152,380	174,015	55,690	5,094
Total assets	397,644	199,128	197,215	73,062	14,183
Total long-term debt, current and non-current	—	—	—	2,987	4,203
Redeemable convertible preferred stock	—	—	—	76,236	44,244
Convertible preferred stock	—	—	—	474	474
Accumulated deficit	(219,465)	(176,366)	(117,466)	(78,138)	(43,881)
Total stockholders' equity (deficit)	69,896	78,479	126,068	(78,541)	(44,279)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the attached financial statements and notes thereto. This Annual Report on Form 10-K, including the following sections, contains forward-looking statements within the meaning of the federal securities laws. These statements are subject to risks and uncertainties that could cause actual results and events to differ materially from those expressed or implied by such forward-looking statements. For a detailed discussion of these risks and uncertainties, see the "Risk Factors" section in Item 1A of this Annual Report on Form 10-K. We caution the reader not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this Form 10-K. We undertake no obligation to update forward-looking statements, which reflect events or circumstances occurring after the date of this Form 10-K.

Overview

We are a clinical-stage, oncology-focused biopharmaceutical company pioneering a novel class of investigational antibody therapeutics based on our Probody therapeutic technology platform. We use our platform to create proprietary cancer immunotherapies against clinically-validated targets, such as PD-L1, and develop first-in-class cancer therapeutics against difficult-to-drug targets, such as CD166. 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. Our two lead programs, CX-072, a wholly owned PD-L1-targeting Probody therapeutic and CX-2009, wholly owned CD166-targeting Probody drug conjugate, are both currently being evaluated in Phase 1/2 clinical trials. Both CX-072 and CX-2009 are part of PROCLAIM (Probody Clinical Assessment in Man) ("PROCLAIM"), an international umbrella clinical trial program that provides clinical trial sites with access to our novel therapies under one central protocol. We expect to disclose initial clinical data regarding CX-072 in mid-2018 and initial clinical data regarding CX-2009 in the second half of 2018.

In addition to our proprietary programs, we are collaborating with strategic partners, including AbbVie, Amgen, BMS, ImmunoGen and others. The two most advanced programs from our collaborations are a Probody therapeutic directed against CTLA-4, partnered with BMS, and CX-2029, a CD71 directed Probody Drug Conjugate partnered with AbbVie. BMS is currently evaluating the CTLA-4-directed Probody therapeutic in a Phase 1/2 clinical trial that it initiated in January 2018. We have initiated IND-enabling studies for CX-2029. We anticipate an IND filing for CX-2029 in the first half of 2018 and expect to initiate a clinical trial shortly thereafter. In October 2016, we initiated IND-enabling studies of CX-188, our wholly owned PD-1-targeting Probody therapeutic. We anticipate an IND filing in the second half of 2018 and expect to initiate a clinical trial shortly thereafter.

We currently have three product candidates in clinical trials but 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 $43.1 million for the year ended December 31, 2017. As of December 31, 2017, we had an accumulated deficit of $219.5 million. 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 two wholly owned product candidates in clinical trials, CX-072 and CX-2009, as well as any additional product candidates for which we file INDs in 2018 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, we cannot predict with any certainty the pace of enrollment of our clinical trials, which is a function of many factors, including the availability and proximity of patients with the relevant condition.

We currently have no manufacturing capabilities and do not intend to establish any such capabilities 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.

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 ratably over the term of our estimated period of performance under the agreement. In addition to receiving upfront payments, we may also be entitled to milestone and other contingent payments upon achieving predefined objectives. Revenue from milestones, if they are nonrefundable and deemed substantive, is recognized upon successful accomplishment of the milestones. To the extent that non-substantive milestones are achieved and we have remaining performance obligations, milestones are deferred and recognized as revenue over the estimated remaining period of performance. Reimbursements from Pfizer and BMS for research and development costs incurred under our research, collaboration and license agreements with them are classified as revenue.

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

Research and Development Expenses

Our research and development expenses consist primarily of costs incurred to conduct research, such as the discovery and development of our product candidates, clinical development including activities with third parties, such as clinical research organizations (“CROs”) and contract manufacturing organizations (“CMOs”), drug products we 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 they are incurred.

We expect our research and development expenses to increase substantially in absolute dollars in the future as we advance our product candidates 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 in June 2017. In addition, we currently expect to file INDs for CX-2029, our lead clinical candidate under our CD71 collaboration with AbbVie Inc., in the first half of 2018, and CX-188, our wholly owned PD-1-targeting Probody therapeutic, in the second half of 2018; however, the filing of such INDs is subject to the satisfaction of certain conditions. 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 SEC, 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 amortization of discounts or premiums on our short-term investments.

Interest Expense

Interest expense primarily consists of interest costs related to our borrowings under our loan agreements.

Other Income (Expense), Net

Other income (expense), net consists primarily of changes to the estimated fair value of the convertible preferred stock warrant liability and the convertible preferred stock liability.

Comparison of Years Ended December 31, 2017 and 2016

Revenue

	Year Ended December 31,		
	2017	2016	Change
		(in thousands)	
Revenue	$71,623	$15,043	$ 56,580

Revenue increased $56.6 million during the year ended December 31, 2017 compared to the corresponding period in 2016. The following table summarizes our revenue by collaboration partner during the respective periods:

	Year Ended December 31,		
	2017	2016	Change
		(in thousands)	
AbbVie	$ 19,434	$ 3,268	$ 16,166
Amgen	1,311	—	1,311
BMS	36,492	9,577	26,915
ImmunoGen	12,503	—	12,503
Pfizer	1,883	2,198	(315)
Total Revenue	$ 71,623	$ 15,043	$ 56,580

The increase in revenue from AbbVie of $16.2 million for the year ended December 31, 2017 compared to the corresponding period in 2016 was due to recognition of $14.0 million, net of the associated sublicense fee, from the milestone payment we received as a result of our achievement of certain milestones required to be met to begin GLP toxicology studies under the Development and Licensing Agreement and Discovery Collaboration and Licensing Agreement we entered into with AbbVie in April 2016 (collectively, the "AbbVie Agreements"), and an increase of $2.2 million, net of the related deferred costs, related to the recognition of the upfront payment we received in April 2016.

We entered into the Amgen Agreement in September 2017 and we recognized $1.3 million of upfront payments in 2017.

The increase in revenue from BMS of $26.9 million for the year ended December 31, 2017 compared to the corresponding period in 2016 was due to an increase of $17.1 million related to the recognition of an upfront payment we received in connection with the expansion of our collaboration, an increase of $2.1 million related to the recognition of payments made in connection with the selection of its fourth target under our collaboration and license agreement with BMS and the acceleration of the research timeline triggered by BMS's selection of a fourth target under the BMS Agreement, and a milestone payment of $10.0 million related to the IND filing for the CTLA-4 directed Probody therapeutic by BMS in 2017. These increases were partially offset by a milestone payment of $2.0 million payment received in 2016 for the selection of CTLA-4 ECN Designation, and a decrease of $0.3 million related to research and development services provided to BMS.

The increase in revenue from ImmunoGen of $12.5 million for the year ended December 31, 2017 compared to the corresponding period in 2016 was a result of the recognition of $6.6 million for the delivery of a Development and Commercialization License to ImmunoGen in connection with the ImmunoGen Agreement and the recognition of $5.9 million resulting from the ImmunoGen Amendment. See Note 7 Research and Collaboration Agreements under Item 8 of this Annual Report on Form 10-K for more details.

The decrease in revenue from Pfizer of $0.3 million for the year ended December 31, 2017 compared to the corresponding period in 2016 was due to a reduction in the research and development services we provided to Pfizer. We received a letter, dated March 5, 2018, from Pfizer indicating that Pfizer was terminating our collaboration in its entirety. Such termination will become effective on the date that is 60 days after the date of the letter. As a result of such termination, we are no longer eligible to receive any future payments from our collaboration with Pfizer

Operating Costs and Expenses

Research and Development Expenses

	Year Ended December 31,		
	2017	2016	Change
	(in thousands)		
Research and development	$ 92,277	$ 54,755	$ 37,522

Research and development expenses increased $37.5 million during the year ended December 31, 2017 compared to the corresponding period in 2016. The increase was primarily attributable to the following:

- a non-cash charge of $10.7 million of in-process research and development expense recognized related to the Amgen Agreement;
- $10.0 million sublicense payment made to UCSB triggered by the $200.0 million upfront payment made by BMS in connection with our expanded collaboration;
- $2.1 million of UCSB sublicense fees accrued as a result of the Amgen agreement;
- $1.0 million of UCSB sublicense fees recognized for our achievement of certain milestones required to be met to begin GLP toxicology studies under the AbbVie Agreement and the IND filing for the CTLA-4 directed Probody therapeutic by BMS;
- an increase of $8.5 million in pharmacology studies and clinical trial expenses resulting from the advancement of CX-072 (PD-L1), CX-2009 (CD166) and CX-2029 (CD71) in 2017;
- an increase of $5.3 million in personnel-related expenses and allocation of IT and facilities-related expenses due to an increase in headcount;
- an increase of $1.7 million in consulting expenses due to the commencement of clinical trials in 2017;
- an increase of $0.6 million related to expenses incurred in acquiring a patent; and
- an increase of $0.5 million in stock-based compensation resulting from increased headcount and an increase in the value of our stock.

These increases were partially offset by:

- a decrease of $2.1 million in manufacturing expenses for our CX-072 and CX-2009 programs due to manufacturing activities occurring in 2016 in preparation for clinical trials in 2017;
- a decrease in laboratory supply expenses of $0.4 million; and
- a decrease in program management expenses of $0.4 million.

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

	Year Ended December 31,		
	2017	2016	Change
External costs incurred by product candidate (target):		(in thousands)	
CX-072 (PD-L1)	$ 9,290	$ 8,917	$ 373
CX-2009 (CD166)	8,533	10,695	(2,162)
CX-2029 (CD71)	9,550	3,220	6,330
Other wholly owned and partnered programs	21,099	3,840	17,259
General research and development expenses	18,976	9,382	9,594
	67,448	36,054	31,394
Internal Costs	24,829	18,701	6,128
Total research and development expenses	$ 92,277	$ 54,755	$ 37,522

General and Administrative Expenses

	Year Ended December 31,		
	2017	2016	Change
		(in thousands)	
General and administrative	$ 25,605	$ 19,874	$ 5,731

General and administrative expense increased $5.7 million during the year ended December 31, 2017 compared to the corresponding period in 2016. The increase was attributable to an increase of $1.4 million in personnel-related expenses and an increase of $1.0 million in recruitment fees due to an increase in headcount and temporary labor; an increase in stock-based compensation of $1.0 million due to an increase in headcount and an increase in the value of our stock; an increase of $1.2 million in consulting services expenses primarily due to an increase in tax and accounting compliance activities and investor relations expenses; an increase in legal expenses of $0.8 million resulting from patent filings; and an increase of $0.2 million in dues and subscriptions related to computer software.

Interest Income and Other Income (Expense), Net

	Year Ended December 31,		
	2017	2016	Change
		(in thousands)	
Interest income	$ 2,674	$ 736	$ 1,938
Other income (expense), net	(27)	(69)	42
Total interest and other income (expense)	$ 2,647	$ 667	$ 1,980

Interest Income

Interest income increased $1.9 million during the year ended December 31, 2017 compared to the corresponding period in 2016. The increase was attributable to an increase in cash and cash equivalents and a decrease in the amortization of premiums on short-term investments resulting from a decrease in average investments in treasury bills.

Other Income (Expense), Net

Other income (expense), net decreased $42 thousand during the year ended December 31, 2017 compared to the corresponding period in 2016. The decrease was primarily attributable to a decrease in foreign currency losses resulting from the strengthening of the U.S. dollar against Euros and British Pound Sterling.

Comparison of Years Ended December 31, 2016 and 2015

Revenue

	Year Ended December 31,		
	2016	2015	Change
	(in thousands)		
Revenue	$ 15,043	$ 7,712	$ 7,331

Revenue increased $7.3 million during the year ended December 31, 2016 compared to the corresponding period in 2015. The following table summarizes our revenue by collaboration partner during the respective periods:

	Year Ended December 31,		
	2016	2015	Change
	(in thousands)		
AbbVie	$ 3,268	$ —	$ 3,268
BMS	9,577	5,941	3,636
Pfizer	2,198	1,771	427
Total Revenue	$ 15,043	$ 7,712	$ 7,331

The increase in revenue from AbbVie for the year ended December 31, 2016 compared to the corresponding period in 2015 was primarily due to the amortization of upfront payment received pursuant to the AbbVie Agreements. The increase in revenue from BMS for the year ended December 31, 2016 compared to the corresponding period in 2015 was primarily due to the recognition of $2.0 million of milestone revenue and an increase of $1.6 million related to the selection of the third and fourth targets under our collaboration with BMS. The increase in revenue from Pfizer for the year ended December 31, 2016 compared to the corresponding period in 2015 was due to an increase of $0.5 million in recognized revenue due to a shortened research timeline resulting from the lapse of Pfizer's option to select a fourth target in May 2016, which was partially offset by $0.1 million decrease in service revenue.

Operating Costs and Expenses

Research and Development Expenses

	Year Ended December 31,		
	2016	2015	Change
	(in thousands)		
Research and development	$ 54,755	$ 28,357	$ 26,398

Research and development expense increased $26.4 million during the year ended December 31, 2016 compared to the corresponding period in 2015. The increase was attributable to an increase of $9.6 million in manufacturing costs for the Company's CX-072, CX-2009 and CX-2029 programs, an increase of $4.5 million in laboratory and professional services and supplies, an increase of $3.1 million in non-cash stock-based compensation primarily due to higher stock valuation, an increase of $3.1 million in personnel-related expenses due to an increase in headcount, an increase of $2.4 million to advance CX-072 into Phase 1/2 clinical development, an increase of $1.7 million in royalty payments to UCSB triggered by the payments from BMS's third and fourth target selections, clinical candidate selection and upfront payments from AbbVie, and an increase of $1.6 million in facilities-related expense due to the Company's relocation to a larger facility in October 2016.

General and Administrative Expenses

	Year Ended December 31,		
	2016	2015	Change
	(in thousands)		
General and administrative	$ 19,874	$ 12,558	$ 7,316

General and administrative expense increased $7.3 million during the year ended December 31, 2016 compared to the corresponding period in 2015. The increase was attributable to an increase of $3.2 million in non-cash stock-based compensation primarily due to higher stock valuations, an increase of $2.0 million in professional and outside services, an increase of $1.8 million in personnel-related expense due to an increase in headcount, and an increase of $0.4 million in facilities-related expense due to the Company's relocation to a larger facility in October 2016.

Interest Income and Other Income (Expense), net

	Year Ended December 31,		
	2016	2015	Change
	(in thousands)		
Interest income	$ 736	$ 1,315	$ (579)
Interest expense	—	$ (1,732)	$ 1,732
Other income (expense), net	(69)	(1,744)	1,675
Total interest and other income (expense)	$ 667	$ (2,161)	$ 2,828

Interest Income

Interest income decreased $0.6 million during the year ended December 31, 2016 compared to the corresponding period in 2015. The decrease was attributable to an increase in amortization of premiums on our investments, offset by an increase in interest income earned on cash equivalents and investments as a result of the proceeds received from our preferred stock financings in May 2015 and June 2015, and our initial public offering ("IPO") in October 2015.

Interest Expense

Interest expense decreased by $1.7 million during the year ended December 31, 2016 compared to the corresponding period in 2015. The result was attributable to a decrease in interest expense due to termination of our debt facility in September 2015.

Other Income (Expense), Net

Other income (expense), net increased $1.7 million during the year ended December 31, 2016 compared to the corresponding period in 2015. The increase was primarily attributable to a loss of $1.1 million related to the remeasurement of the convertible preferred stock liability and an increase in the fair value of our convertible preferred stock warrant liability of $0.6 million incurred in 2015.

Liquidity and Capital Resources

Sources of Liquidity

As of December 31, 2017, we had cash, cash equivalents and short-term investments of $374.1 million and an accumulated deficit of $219.5 million, compared to cash and cash equivalents and short-term investments of $181.9 million and an accumulated deficit of $176.4 million as of December 31, 2016. To date, we have financed our operations primarily through sales of our common stock in conjunction with the IPO, sales of our convertible preferred securities prior to our IPO and payments received under our collaboration agreements. See discussion under "*Cash Flows from Operating Activities*" and "*Cash Flows from Financing Activities*" for details on payments received under our collaboration agreement.

In September 2017, we issued 1,156,069 shares of common stock to Amgen in exchange for proceeds of $20.0 million in connection with the entry into a collaboration agreement with Amgen.

Based upon our current operating plan, we expect our existing capital resources will be sufficient to fund operations into 2020. However, if the anticipated operating results 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 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 Annual Report on Form 10-K. The cost and timing of developing our products, including CX-072, CX-2009, CX-2029 and CX-188 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 both of our product candidates currently in clinical development, the acceleration of one or both 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.

Summary Statement of Cash Flows

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

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Net cash provided by (used in) operating activities	$ 170,373	$ (2,032)	$ (27,415)
Net cash (used in) provided by investing activities	(121,266)	45,859	(130,562)
Net cash provided by financing activities	23,796	996	153,403
Net increase (decrease) in cash and cash equivalents	$ 72,903	$ 44,823	$ (4,574)

Cash Flows from Operating Activities

During the year ended December 31, 2017, cash provided by operating activities was $170.4 million, which consisted of a net loss of $43.1 million, non-cash charges of $23.5 million, and an increase of $190.0 million in our net operating assets and liabilities. The non-cash charges primarily consisted of $1.6 million in depreciation and amortization, $11.3 million in stock-based compensation and a $10.7 million non-cash acquisition of in-process research and development asset charged to expense.

The change in our net operating assets and liabilities of $190.0 million was primarily attributable to:

- an increase of $189.9 million in deferred revenue resulting from BMS upfront payment of $200.0 million and $40.0 million received in connection with the collaboration we entered into with Amgen in September 2017. These increases were partially offset by an increase in the recognition of revenue associated with upfront fees of $34.4 million under our various collaboration agreements, $6.6 million in recognized revenue from our delivery of a Development and Commercialization License to ImmunoGen in connection with our collaboration agreement, and $5.9 million in recognized revenue from ImmunoGen as a result of the ImmunoGen Amendment;
- an increase in accrued and long-term liabilities of $9.2 million; and
- an increase in other assets of $1.6 million; partially offset by
- a decrease in accounts receivable of $8.0 million resulting primarily from the $10.0 million of milestone billing to BMS for the IND filing of the CTLA-4 directed Probody therapeutic, offset by $2.0 payment received from BMS relating to the 2016 milestone for the selection of CTLA-4 ECN designation; and
- a decrease of $2.4 million in accounts payable.

During the year ended December 31, 2016, cash used in operating activities was $2.0 million, which consisted of a net loss of $58.9 million, adjusted by non-cash charges of $13.6 million and an increase of $43.3 million in our net operating assets and liabilities. The non-cash charges primarily consisted of $10.3 million in stock-based compensation, $1.7 million in depreciation and amortization and $1.6 million in amortization of premiums on our investments.

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

- an increase of $43.3 million in deferred revenue, which was primarily due to a $30.0 million upfront payment from AbbVie in connection with the AbbVie Agreements and $25.0 million in payments from BMS in connection with the selection of its third and fourth targets under our collaboration, partially offset by the recognition of upfront fees under certain of our collaboration agreements of $11.7 million;
- an increase of $4.0 million in accrued liabilities and other liabilities; and
- an increase of $1.8 million in accounts payable; partially offset by
- a decrease of $2.6 million in other assets;
- a decrease of $1.8 million in accounts receivable; and
- a decrease of $1.6 million in prepaid expenses and other current assets.

During the year ended December 31, 2015, cash used in operating activities was $27.4 million, which consisted of a net loss of $35.4 million, adjusted by non-cash charges of $8.2 million and a net decrease of $0.2 million in our net operating assets. The non-cash charges primarily consisted of $4.0 million in stock-based compensation, $1.2 million in depreciation and amortization, $1.2 million in amortization premiums on our short-term investments, $1.1 million related to the remeasurement of our convertible preferred stock liability and $0.6 million related to the remeasurement of the convertible preferred stock warrant liability.

The change in our net operating assets and liabilities was primarily due to a decrease of $6.1 million in deferred revenue due to the recognition of upfront fees received, which decrease was partially offset by an increase of $3.2 million in accrued liabilities and $2.9 million in accounts payable.

Cash Flows from Investing Activities

During the year ended December 31, 2017, cash used in investing activities was $121.3 million, which consisted of $218.7 million used in the purchase of short-term investments and $1.6 million of capital expenditures used to purchase property and equipment. This amount was partially offset by $99.0 million in proceeds received upon the maturity of marketable securities.

During the year ended December 31, 2016, cash provided by investing activities was $45.9 million, which consisted of $169.5 million in proceeds received upon the maturity of marketable securities. This was offset by $121.5 million used in the purchase of short-term investments and $2.2 million of capital expenditures used to purchase property and equipment.

During the year ended December 31, 2015, cash used in investing activities was $130.6 million, which consisted of $250.9 million of purchases of short-term investments, $1.6 million of capital expenditures to purchase property and equipment and an increase of $0.8 million in restricted cash relating to a standby letter of credit issued in connection with the lease we entered into in December 2015, which increases were partially offset by $122.8 million in proceeds from the maturity of marketable securities.

Cash Flows from Financing Activities

During the year ended December 31, 2017, cash provided by financing activities was $23.8 million, which primarily consisted of proceeds received from the issuance of common stock to Amgen pursuant to the Purchase Agreement of $20.0 million and proceeds from the exercise of stock options and ESPP of $3.8 million.

During the year ended December 31, 2016, cash provided by financing activities was $1.0 million, which primarily consisted of proceeds from the exercise of stock options and ESPP as well as repayment of stockholder notes.

During the year ended December 31, 2015, cash provided by financing activities was $153.4 million, which primarily consisted of $81.8 million in net proceeds from the consummation of our IPO in October 2015 and $74.4 million in net proceeds from the issuance of redeemable convertible preferred stock. These increases were partially offset by repayment of indebtedness of $3.1 million.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2017 (in thousands):

	Payments Due by Period(3)					
	2018	2019	2020	2021	2022+	Total
Operating leases(1)	$ 4,724	$ 4,854	$ 4,990	$ 5,129	$ 26,382	$ 46,079
Royalty obligations(2)	150	—	—	—	—	150
Total contractual obligations	$ 4,874	$ 4,854	$ 4,990	$ 5,129	$ 26,382	$ 46,229

(1) We lease our current facility under a long-term operating lease, which expires in 2026. The lease provides us with one option to extend the lease term for a period of five years at the then fair market rental value.

(2) We have royalty obligations 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. See Note 8 of our financial statements.

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

We enter into agreements in the normal course of business with contract research organizations for clinical trials and with vendors for pre-clinical studies and other services and products for operating purposes, which are cancelable at any time by us, generally upon 30 to 60 days prior written notice. These payments are not included in the above table of contractual obligations. The above table also excludes unrecognized tax benefits of $4.3 million as of December 31, 2017 because these uncertain tax positions, if recognized, would be an adjustment to our deferred tax assets.

Segment Information

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

Critical Accounting Policies and Estimates

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

Revenue Recognition

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

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

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

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

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

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

Accrued Research and Development Expenses

We record accruals for estimated costs of research, preclinical and clinical studies and contract manufacturing activities, which are a significant component of research and development expenses. A substantial portion of our ongoing research and development activities is conducted by third-party service providers, including CROs. Our contracts with CROs generally include pass-through costs, such as regulatory expenses, investigator fees, travel costs and other miscellaneous costs. The financial terms of these contracts are subject to negotiations, which vary from contract to contract and may result in payments that do not match the periods over which materials or services are provided to us under such contracts. We accrue the costs incurred under agreements with these third parties based on actual work completed in accordance with the respective agreements. In the event we make advance payments, they are recorded as prepaid expenses and recognized as the services are performed. We determine the estimated costs through discussions with internal personnel and external service providers as to the progress of stage of completion of the services and the agreed-upon fees to be paid for such services.

We make significant judgments and estimates in determining the accrual balance in each reporting period. As actual costs become known, we adjust our accruals. Although we do not expect our estimates to be materially different than the actual amounts incurred, such estimates for the status and timing of services performed relative to the actual status and timing of services performed may vary and could result in us reporting amounts that are too high or too low in any one period. Our accrual is dependent, in part, upon the receipt of timely and accurate reporting from CROs and other third-party vendors. Variations in the assumptions used to estimate accruals including, but not limited to, the number of patients enrolled, the rate of patient enrollment and the actual services performed, may vary from our estimates, resulting in adjustments to clinical trial expenses in future periods. Changes in these estimates that result in material changes to our accruals could materially affect our financial condition and results of operations.

Stock-based Compensation

We recognize compensation costs related to stock options granted to employees based on the estimated fair value of the awards on the date of grant. Before the adoption of ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), we estimated the fair value of the awards net of estimated forfeitures. Beginning in 2017, we record forfeitures as they are incurred. We estimate the grant date fair value, and the resulting stock-based compensation expense, using the Black-Scholes option-pricing model. The grant date fair value of stock-based awards is expensed on a straight-line basis over the period during which the employee is required to provide service in exchange for the award (generally the vesting period).

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

- *Expected term.* The expected term represents the period that the stock-based awards are expected to be outstanding. We use the simplified method to determine the expected term, which is calculated as the average of the time to vesting and the contractual life of the options.
- *Expected volatility.* The expected volatility was derived from the average historical volatilities of our stock price and of the stock price of several comparable publicly traded companies within the biotechnology and pharmaceutical industry using an average of historical volatilities of Company's industry peers.
- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield with a maturity equal to the expected term of the option in effect at the time of grant.
- *Dividend yield.* The expected dividend is assumed to be zero as we have never paid dividends and have no current plans to pay any dividends on our common stock.

In addition to the assumptions used in the Black-Scholes option-pricing model, prior to 2017, we also estimate a forfeiture rate to calculate the stock-based compensation for our equity awards. Beginning in 2017, we adjust our stock-based compensation expense for forfeitures as they are incurred. We will continue to use judgment in evaluating the expected volatility, expected terms and forfeiture rates utilized for our stock-based compensation calculations on a prospective basis.

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

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

Income Taxes

We account for income taxes using an asset and liability approach. Deferred tax assets and liabilities reflect the net tax effects of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We record a valuation allowance to reduce our deferred tax assets to reflect the net amount that we believe is more likely than not to be realized. Realization of our deferred tax assets is dependent on the generation of future taxable income, the amount and timing of which are uncertain. The valuation allowance requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. Based upon the weight of available evidence at December 31, 2017, we continue to maintain a full valuation allowance against all of our deferred tax assets after management considered all available evidence, both positive and negative, including but not limited to our historical operating results, income or loss in recent periods, cumulative income in recent years, forecasted earnings, future taxable income, and significant risk and uncertainty related to forecasts.

We recognize the tax effects of an uncertain tax position only if it is more likely than not that it will be sustained based solely on its technical merits as of the reporting date and only in an amount more likely than not that it will be sustained upon review by the tax authorities. We evaluate uncertain tax positions on a quarterly basis and adjust the liability for changes in facts and circumstances, such as new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, significant amendment to an existing tax law, or resolution of an examination. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the income tax provision in the period in which such determination is made. The resolution of our uncertain income tax positions is dependent on uncontrollable factors such as law changes, new case law, and the willingness of the income tax authorities to settle, including the timing thereof and other factors. Although we do not anticipate significant changes to our uncertain income tax positions in the next twelve months, items outside of our control could cause our uncertain income tax positions to change in the future, which would be recorded in our statements of operations. Interest and/or penalties related to income tax matters are recognized as a component of income tax expense.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (“Tax Act”) that instituted fundamental changes to the taxation of multinational corporations. The Tax Act includes changes to the taxation of foreign earnings by implementing a dividend exemption system, expansion of the current anti-deferral rules, a minimum tax on low-taxed foreign earnings and new measures to deter base erosion. The Tax Act also includes a permanent reduction in the corporate tax rate to 21%, repeal of the corporate alternative minimum tax, expensing of capital investment, and limitation of the deduction for interest expense. Furthermore, as part of the transition to the new tax system, a one-time transition tax is imposed on a U.S. shareholder’s historical undistributed earnings of foreign affiliates. Although the Tax Act is generally effective on January 1, 2018, GAAP requires recognition of the tax effects of new legislation during the reporting period that includes the enactment date, which was December 22, 2017.

As a result of the impacts of the Tax Act, the SEC provided guidance that allows the Company to record provisional amounts for those impacts, with the requirement that the accounting be completed in a period not to exceed one year from the date of enactment. As of December 31, 2017, the Company has not completed the accounting for the tax effects of the Tax Act. Therefore, we have recorded provisional amounts for the effects of the Tax Act. The primary impact of the Tax Act relates to the re-measurement of deferred tax assets and liabilities resulting from the change in the corporate tax rate (“Corporate Tax Rate Change”). The Company is evaluating other accounting policies with respect to other provisions of the Tax Act.

Off-Balance Sheet Arrangements

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

JOBS Act Accounting Election

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. We also intend to rely on other exemptions provided by the JOBS Act, including without limitation, providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act. We will remain an emerging growth company until the earlier of (1) December 31, 2020, (2) the last day of the fiscal year (a) in which we have total annual gross revenue of at least $1.07 billion, or (b) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the prior June 30th, and (3) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily relate to interest rate risks. We had cash, cash equivalents and short-term investments of $374.1 million as of December 31, 2017 and cash, cash equivalents and short-term investments of $181.9 million as of December 31, 2016, which consisted 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 December 31, 2017, 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 8. ***Financial Statements and Supplementary Data***

CYTOMX THERAPEUTICS, INC.
ANNUAL REPORT ON FORM 10-K
INDEX TO AUDITED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying balance sheet of CytomX Therapeutics, Inc. (the Company) as of December 31, 2017, and the related statements of operations and comprehensive loss, redeemable convertible preferred stock, convertible preferred stock and stockholders' equity (deficit), and cash flows for the year ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 2017
Redwood City, California
March 7, 2018

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying balance sheets and the related statements of operations and comprehensive loss, of redeemable convertible preferred stock, convertible preferred stock and stockholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of CytomX Therapeutics, Inc. (the "Company") as of December 31, 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
San Jose, California
March 2, 2017

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

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 177,548	$ 104,645
Short-term investments	196,562	77,293
Accounts receivable	10,139	2,159
Related party accounts receivable	—	154
Prepaid expenses and other current assets	4,352	3,896
Total current assets	388,601	188,147
Property and equipment, net	4,218	4,392
Intangible assets, net	1,604	1,750
Goodwill	949	949
Restricted cash	917	917
Other assets	1,355	2,973
Total assets	$ 397,644	$ 199,128
Liabilities, Convertible Preferred Stock and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,205	$ 6,596
Accrued liabilities	16,383	8,824
Deferred revenues, current portion	40,559	20,347
Total current liabilities	61,147	35,767
Deferred revenue, net of current portion	264,704	83,803
Deferred tax liability	—	513
Other long-term liabilities	1,897	566
Total liabilities	327,748	120,649
Commitments and contingencies (Note 10)		
Stockholders' equity		
Convertible preferred stock, $0.00001 par value; 10,000,000 shares authorized at December 31, 2017 and 2016; no shares issued and outstanding at December 31, 2017 and 2016, respectively	—	—
Common stock, $0.00001 par value; 75,000,000 shares authorized at December 31, 2017 and 2016; 38,478,560 and 36,490,169 shares issued and outstanding at December 31, 2017 and 2016, respectively	1	1
Additional paid-in capital	289,454	254,871
Accumulated other comprehensive loss	(94)	(27)
Accumulated deficit	(219,465)	(176,366)
Total stockholders' equity	69,896	78,479
Total liabilities, convertible preferred stock and stockholders' equity	$ 397,644	$ 199,128

See accompanying notes to financial statements

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

	Year Ended December 31,		
	2017	2016	2015
Revenues	$ 71,623	$ 12,845	$ 5,941
Revenues from related parties	—	2,198	1,771
Total revenues	71,623	15,043	7,712
Operating expenses:			
Research and development	92,277	54,755	28,357
General and administrative	25,605	19,874	12,558
Total operating expenses	117,882	74,629	40,915
Loss from operations	(46,259)	(59,586)	(33,203)
Interest income	2,674	736	1,315
Interest expense	—	—	(1,732)
Other income (expense), net	(27)	(69)	(1,744)
Loss before provision for (benefit from) income taxes	(43,612)	(58,919)	(35,364)
Provision for (benefit from) income taxes	(513)	(19)	10
Net loss	(43,099)	(58,900)	(35,374)
Accretion to redemption value and cumulative dividends on preferred stock	—	—	(6,705)
Net loss attributable to common stockholders	$ (43,099)	$ (58,900)	$ (42,079)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.16)	$ (1.63)	$ (4.90)
Shares used to compute net loss per share attributable to common stockholders, basic and diluted	37,166,830	36,234,732	8,595,247
Other comprehensive loss:			
Changes in unrealized gain (losses) on investments	(67)	49	(76)
Comprehensive loss	$ (43,166)	$ (58,851)	$ (35,450)

See accompanying notes to financial statements

CYTOMX THERAPEUTIC, INC.
Statements of Redeemable Convertible Preferred Stock,
Convertible Preferred Stock and Stockholders' Equity (Deficit)
(in thousands, except share and per share data)

	Redeemable Convertible Preferred Stock		Convertible Preferred Stock		Common Stock		Stockholder Notes	Additional Paid-in Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 31, 2014	18,458,289	$ 76,236	244,782	$ 474	996,520	$ 1	$ (404)	$ —	$ —	$ (78,138)	$ (78,541)
Issuance of Series C preferred stock, net of issuance costs of $30	941,842	4,969	—	—	—	—	—	—	—	—	—
Issuance of Series B-1 preferred stock upon net exercise of warrants	60,640										—
Issuance of Series D preferred stock, net of issuance costs of $255	7,490,540	69,744	—	—	—	—	—	—	—	—	—
Conversion of redeemable convertible preferred stock to common stock in connection with initial public offering	(26,951,311)	(159,163)	—	—	26,951,311	—	—	159,163	—	—	159,163
Conversion of convertible preferred stock to common stock in connection with initial public offering	—	—	(244,782)	(474)	244,782	—	—	474	—	—	474
Issuance of common stock in connection with initial public offering, net of underwriting discount of $6,440 and offering costs of $3,796	—	—	—	—	7,666,667	—	—	81,764	—	—	81,764
Extinguishment of preferred stock liability	—	1,509	—	—	—	—	—	—	—	—	—
Extinguishment of preferred stock warrant liability	—	—	—	—	—	—	—	788	—	—	788
Exercise of stock options	—	—	—	—	173,929	—	—	263	—	—	263
Interest on stockholder notes	—	—	—	—	—	—	(4)	—	—	—	(4)
Repayment on stockholder notes	—	—	—	—	—	—	330	—	—	—	330
Stock-based compensation	—	—	—	—	—	—	—	3,986	—	—	3,986
Accretion to redemption value and cumulative dividends on preferred stock	—	6,705	—	—	—	—	—	(2,751)	—	(3,954)	(6,705)
Other comprehensive loss	—	—	—	—	—	—	—	—	(76)	—	(76)
Net loss	—	—	—	—	—	—	—	—	—	(35,374)	(35,374)
Balance at December 31, 2015	—	—	—	—	36,033,209	1	(78)	243,687	(76)	(117,466)	126,068
Exercise of stock options	—	—	—	—	414,396	—	—	643	—	—	643
Issuance of common stock under the Employee Stock Purchase Plan	—	—	—	—	31,564	—	—	287	—	—	287
Issuance of common stock in connection with services	—	—	—	—	11,000	—	—	159	—	—	159
Repayment on stockholder note	—	—	—	—	—	—	78	—	—	—	78
Stock-based compensation	—	—	—	—	—	—	—	10,095	—	—	10,095
Other comprehensive income	—	—	—	—	—	—	—	—	49	—	49
Net loss	—	—	—	—	—	—	—	—	—	(58,900)	(58,900)
Balance at December 31, 2016	—	—	—	—	36,490,169	1	—	254,871	(27)	(176,366)	78,479
Exercise of stock options	—	—	—	—	764,576	—	—	3,165	—	—	3,165
Issuance of common stock under the Employee Stock Purchase Plan	—	—	—	—	67,746	—	—	674	—	—	674
Issuance of common stock pursuant to the Amgen Stock Purchase Agreement	—	—	—	—	1,156,069	—	—	19,457	—	—	19,457
Stock-based compensation	—	—	—	—	—	—	—	11,287	—	—	11,287
Other comprehensive income	—	—	—	—	—	—	—	—	(67)	—	(67)
Net loss	—	—	—	—	—	—	—	—	—	(43,099)	(43,099)
Balance at December 31, 2017	—	$ —	—	$ —	38,478,560	$ 1	$ —	$ 289,454	$ (94)	$ (219,465)	$ 69,896

See accompanying notes to financial statements

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

	Year Ended December 31,		
	2017	**2016**	**2015**
Cash flows from operating activities:			
Net loss	$ (43,099)	$ (58,900)	$ (35,374)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:			
Loss/(gain) on disposal of property and equipment	17	(47)	25
Depreciation and amortization	1,645	1,733	1,206
Amortization of debt discount	—	—	80
Accretion of discount on short-term investments	371	1,662	1,186
Stock-based compensation expense	11,287	10,095	3,986
Issuance of common stock in connection with services	—	159	—
Non-cash acquisition of in-process research and development asset charged to expense	10,700	—	—
Change in fair value of convertible preferred stock liability	—	—	1,114
Change in fair value of convertible preferred stock warrant liability	—	—	602
Deferred income taxes	(513)	6	8
Changes in operating assets and liabilities			
Accounts receivable	(7,980)	(1,787)	1,131
Related party accounts receivable	154	218	—
Prepaid expenses and other current assets	(456)	(1,597)	(1,491)
Other assets	1,618	(2,609)	128
Accounts payable	(2,441)	1,765	2,944
Accrued liabilities and other liabilities	9,157	3,953	3,170
Deferred revenue	189,913	43,317	(6,130)
Net cash provided by/(used in) operating activities	170,373	(2,032)	(27,415)
Cash flows from investing activities:			
Purchases of property and equipment	(1,559)	(2,176)	(1,594)
Proceeds from sales of assets	—	52	—
Purchases of investments	(218,707)	(121,517)	(250,901)
Maturities of investments	99,000	169,500	122,750
Increase in restricted cash	—	—	(817)
Net cash (used in)/provided by investing activities	(121,266)	45,859	(130,562)
Cash flows from financing activities:			
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	—	74,430
Proceeds from issuance of common stock, net of issuance costs	19,957	—	—
Proceeds from employee stock purchases and exercise of stock options	3,839	930	263
Proceeds from initial public offering, net of issuance costs	—	—	81,777
Proceeds from stockholder notes	—	78	—
Repayment of notes payable	—	—	(3,067)
Payment of deferred offering costs	—	(12)	—
Net cash provided by financing activities	23,796	996	153,403
Net increase/(decrease) in cash and cash equivalents	72,903	44,823	(4,574)
Cash and cash equivalents, beginning of year	104,645	59,822	64,396
Cash and cash equivalents, end of year	$ 177,548	$ 104,645	$ 59,822
Supplemental disclosures of noncash investing and financing items:			
Purchases of property and equipment in accounts payable and accrued liabilities	$ 361	$ 473	$ 100
Accretion to redemption value and cumulative dividends on preferred stock	—	—	6,705
Convertible preferred stock liability recorded in connection with redeemable convertible preferred stock	—	—	1,509
Stock issuance costs in accounts payable and accrued liabilities	—	—	13

See accompanying notes to financial statements

1. Description of the Business

CytomX Therapeutics, Inc. (the "Company") is a clinical-stage, oncology-focused biopharmaceutical company pioneering a novel class of investigational antibody therapeutics based on its Probody therapeutic technology platform. The Company is located in South San Francisco, California and was incorporated in the state of Delaware in September 2010.

Initial Public Offering

On October 7, 2015, the Company's registration statement on Form S-1 relating to its initial public offering ("IPO") of its common stock was declared effective by the Securities and Exchange Commission ("SEC") and the shares of its common stock began trading on The NASDAQ Global Select Market on October 8, 2015. The public offering price of the shares sold in the IPO was $12.00 per share. The IPO closed on October 14, 2015, pursuant to which the Company sold 7,666,667 shares of common stock, including the sale of 1,000,000 shares of common stock to the underwriters upon their exercise of their option to purchase additional shares. The Company received net proceeds of approximately $81.8 million, after underwriting discounts, commissions and estimated offering expenses. Immediately prior to the consummation of the IPO, all outstanding shares of convertible preferred stock and redeemable convertible preferred stock converted into common stock.

Private Placement

On September 29, 2017, the Company and Amgen entered into the Purchase Agreement, pursuant to which the Company agreed to issue and sell to Amgen 1,156,069 shares (the "Shares") of its common stock, par value $0.00001 ("Common Stock"), for an aggregate cash purchase price of $20 million. The Shares are to be issued and sold to Amgen at a price per share of $17.30, using a calculation method of 20-day Volume Weighted Average Price (VWAP). The Closing of the sale and issuance of the Shares, including the delivery of the aggregate purchase price, occurred on October 4, 2017.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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.

Concentration of Credit Risk and Other Risks and Uncertainties

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

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, short-term investments and accounts receivable. Substantially all the Company's cash is held by one financial institution. Such deposits may, at times, exceed federally insured limits. The Company invests its cash equivalents and short-term investments in highly rated money market funds and its short-term investments in U.S. Government Bonds.

Customers and collaboration partners who represent 10% or more of the Company's total revenue during each period presented or accounts receivable balance at each respective balance sheet date are as follows:

	Revenue			Accounts Receivable, net	
	For the Year Ended December 31,			December 31,	
	2017	2016	2015	2017	2016
AbbVie Ireland Unlimited Company	$ 19,434	$ 3,268	$ —	**	$ —
Bristol-Myers Squibb Company	36,492	9,577	5,941	10,126	2,159
ImmunoGen, Inc.	12,503	—	—	—	—
Pfizer Inc.	*	2,198	1,771	**	**
Total revenue from customers who represent 10% or more of the Company's total revenue	$ 68,429	$ 15,043	$ 7,712	$ 10,126	$ 2,159

* Revenue from the customer was less than 10% of the Company's total revenue for the respective periods presented.

** Accounts receivable balance from the customer was less than 10% of the Company's total accounts receivable as of the respective periods presented.

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

Segments

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

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.

Short-term Investments

All investments have been classified as "available-for-sale" and are carried at fair value as determined based upon quoted market prices or pricing models for similar securities at period end. Generally, those investments with contractual maturities greater than 12 months are considered long-term investments. Unrealized gains and losses, deemed temporary in nature, are reported as a component of accumulated other comprehensive income (loss), net of tax.

A decline in the fair value of any security below cost that is deemed other than temporary results in a charge to earnings and the corresponding establishment of a new cost basis for the security. The amortized cost of securities is adjusted for amortization of premiums and accretion of discounts to maturity. Dividend and interest income are recognized when earned. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

Property and Equipment, net

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

Machinery and equipment	5 years
Computer equipment and software	3 years
Furniture and fixtures	3 years
Leasehold improvements	Shorter of remaining lease term or estimated life of the assets

Maintenance and repairs that do not extend the life or improve the asset are expensed when incurred.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price paid over the fair value of tangible and identifiable intangible assets acquired in business combinations. Goodwill and other intangible assets with indefinite lives are not amortized, but are assigned to reporting units and tested for impairment annually, or whenever there is an impairment indicator. Intangible assets are comprised of in-process research and development. The Company assesses impairment indicators annually as of December 31 or more frequently, if a change in circumstances or the occurrence of events suggests the remaining value may not be recoverable. Intangible assets that are not deemed to have an indefinite life are amortized over their estimated useful lives. There was no impairment of goodwill or intangible assets identified during the years ended December 31, 2017, 2016 and 2015.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable and prior to any goodwill impairment test. An impairment loss is recognized when the total of estimated undiscounted future cash flows expected to result from the use of the asset (or asset group) and its eventual disposition is less than its carrying amount. Impairment, if any, would be assessed using discounted cash flows or other appropriate measures of fair value. There was no impairment of long-lived assets during the years ended December 31, 2017, 2016 and 2015.

Accrued Research and Development Costs

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.

Convertible Preferred Stock Warrant Liability

Freestanding warrants for shares that are contingently redeemable are classified as liabilities on the balance sheet at their estimated fair value because the shares underlying the warrants may obligate the Company to transfer assets to the holders at a future date under certain circumstances such as a deemed liquidation event. The warrants are subject to re-measurement at each balance sheet date and the change in fair value, if any, is included in other income (expense), net. The Company adjusted the liability for changes in fair value until the consummation of its IPO in October 2015, at which time all convertible preferred stock warrants were net exercised into shares of common stock and the related convertible preferred stock warrant liability was reclassified to additional paid-in capital.

Convertible Preferred Stock Liability

The obligation to issue additional shares of Series B-1 and Series C redeemable convertible preferred stock at a future date pursuant to certain preferred stock purchase agreements entered into prior to the date of the IPO, was determined to be a freestanding instrument that should be accounted for as a liability. At initial recognition, the Company recorded the convertible preferred stock liability on the balance sheets at its estimated fair value. The liability was subject to remeasurement at each balance sheet date, with changes in fair value recognized as a component of other income (expense), net. At the time of each funding, the Company remeasured the liability, with the change in fair value recognized as a component of other income (expense), net and then reclassified the fair value associated with the convertible preferred stock liability to the applicable series of redeemable convertible preferred stock. Immediately prior to the consummation of the Company's IPO in October 2015, the convertible preferred stock converted to 27,135,453 shares of common stock.

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 represent the only component of other comprehensive income (loss) that is excluded from the reported net loss.

Revenue Recognition

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

The Company's revenues are primarily derived through its license, research, development and commercialization agreements. The terms of these types of agreements may include (i) licenses 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.

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

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

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

The Company's collaboration and license agreements may include contingent payments related to specified research, development and regulatory milestones and sales-based milestones. Such payments are typically payable under the collaborations when the collaboration partner claims or selects a target, or initiates or advances a covered product candidate in preclinical or clinical development, upon submission for marketing approval of a covered product with regulatory authorities, upon receipt of actual marketing approvals of a covered product or for additional indications, or upon the first commercial sale of a covered product. Sales-based milestones are typically payable when annual sales of a covered product reach specified levels. Each contingent and milestone payment is evaluated to determine whether it is substantive and at risk to both parties. The Company recognizes any payment that is contingent upon the achievement of a substantive milestone entirely in the period in which the milestone is achieved. Any payments that are contingent upon achievement of a non-substantive milestone are recognized as revenue prospectively, when such payments become due and collectible, over the remaining expected performance period under the arrangement, which is generally the remaining period over which the research and development services are expected to be provided.

Stock-Based Compensation

The Company measures its stock-based awards made to employees based on the fair values of the awards as of the grant date using the Black-Scholes option-pricing model. Stock-based compensation expense is recognized over the requisite service period using the ratable method and is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. Prior to 2017, the Company's stock-based compensation is reduced for the estimated forfeitures at the date of grant and revised in subsequent periods if actual forfeitures differ from those estimates. After the adoption of ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09") in 2017, the Company records forfeitures as they occur.

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

Income Taxes

The Company accounts for income taxes under the asset and liability method which requires, among other things, that deferred income taxes be provided for temporary differences between the tax basis of the Company's assets and liabilities and their financial statement reported amounts. Management makes estimates, assumptions and judgments to determine the Company's provision for income taxes and also for deferred tax assets and liabilities, and any valuation allowances recorded against the Company's deferred tax assets. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and to the extent the Company believes that recovery is not more likely than not, the Company must establish a valuation allowance

The Company has adopted ASC 740-10, *Accounting for Uncertainty in Income Taxes*, that prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in the Company's income tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. To date, there have been no interest or penalties charged in relation to the unrecognized tax benefits.

Net Loss per Share Attributable to Common Stockholders

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period, without consideration of potentially dilutive securities. Diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders since the effect of potentially dilutive securities is anti-dilutive.

Reclassifications

Certain amounts in the prior year's Statement of Operations and Comprehensive Loss have been reclassified to conform to the current presentation. These reclassifications had no effect on previously reported net income.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard will be effective for the Company on January 1, 2018. The standard permits the use of either the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. Additionally, in March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net*), which clarifies the implementation guidance on principal versus agent considerations in ASU No. 2014-09. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarifies certain aspects of identifying performance obligations and licensing implementation guidance. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, which relates to disclosures of remaining performance obligations, as well as other amendments to guidance on collectability, non-cash consideration and the presentation of sales and other similar taxes collected from customers. These standards have the same effective date and transition date of January 1, 2018. The Company adopted this standard on January 1, 2018 using the modified retrospective method. This approach allows the Company to apply the new standard to (1) all new contracts entered into after January 1, 2018 and (2) all existing contracts for which all (or substantially all) of the revenue has not been recognized under legacy revenue guidance as of January 1, 2018 through a cumulative adjustment to equity. Revenue presented in the Company's comparative financial statements for periods prior to January 1, 2018 would not be revised.

The new revenue recognition standard referred to as ASC 606 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 and replaces most of the existing revenue recognition standards in U.S. GAAP. A five-step model will be utilized to achieve the core principle; (1) identify the customer contract, (2) identify the contract's performance obligations, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations and (5) recognize revenue when or as a performance obligation is satisfied. Under ASC 606, the timing of recognizing royalties, sales-based milestones and other forms of contingent consideration is not expected to change. However, transaction prices are no longer required to be fixed or determinable and certain variable consideration might be recognized prior to the occurrence or resolution of the contingent event to the extent it is probable that a significant reversal in the amount of estimated cumulative revenue will not occur.

The Company evaluated its contracts with customers under the above ASUs (collectively, "ASC 606"). The impact of adopting ASC 606 on the Company's results of operations, financial condition, and cash flows varies depending on the contract. For some contracts, there is no change to timing or method of recognizing revenue while for others, there are changes to timing and/or method of recognizing revenue. The Company will record adjustments upon the adoption of ASC 606 as a result of different accounting treatment of our revenue agreements with respect to the inclusion of milestone payments in the initial transaction price and the method to be used to recognize upfront fees. Under the old standard, milestone payments are recognized when earned and upfront fees were generally recognized as revenue over the research term on a straight-line basis if another method of revenue recognition did not more clearly match the pattern of delivery of goods or services to the customer. Under the new standard, milestone payments are included in the initial transaction price when it is probable that a significant reversal of the milestone payment will not occur. In addition, the Company can no longer default to the straight-line method as the default method in recognizing revenue for goods or services delivered over time. As such, the amount and timing of revenue recognition for our collaboration agreements will change under the new revenue standard.

The Company has substantially completed its analysis of the impact of adopting ASC 606 and expects the impact of adopting ASC 606 to result in an increase in accumulated deficit between $6.0 million to $10.0 million with a corresponding increase to deferred revenues.

In addition to the above impact on the financial statements, the Company will include expanded disclosures, including the disaggregation of revenue, significant judgments made with regard to revenue recognition and reconciliation of contract balances, among other disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under ASU 2016-2, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. For public companies, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company plans to adopt this guidance beginning with its first quarter ending March 31, 2019. The Company is in the process of evaluating the future impact of ASU 2016-02 on its financial statements.

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.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The new standard provides clarification on the cash flow presentation and classification of certain transactions, including debt prepayment or extinguishment, settlement of certain debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of certain insurance claims and distributions received from equity method investees. The new standard is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, with early adoption permitted. An entity that elects early adoption must adopt all of the amendments in the same period. The Company plans to adopt this standard in its first quarter ended March 31, 2018.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash, Statement of Cash Flows (Topic 230)*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The amendments in this ASU should be applied using a retrospective transition method to each period presented. The Company plans to adopt this standard in its first quarter ended March 31, 2018.

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 assessing the impact of this new guidance.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*. This accounting standard update provides clarity when a change to terms or conditions of a share-based payment award must be accounted for as a modification. The new guidance requires modification accounting if the vesting condition, fair value or the award classification is not the same both before and after a change to the terms and conditions of the award. The new guidance is effective on a prospective basis beginning on January 1, 2018 with early adoption permitted.

3. Fair Value Measurements and Short-Term Investments

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

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

The carrying amounts of the Company's financial instruments, including restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their relatively short maturities. The Company's financial instruments consist of Level I and II assets. Level I assets consist primarily of highly liquid money market funds, some of which is included in restricted cash. The Company's Level II assets consist of 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 (in thousands):

		December 31, 2017			
	Valuation Hierarchy	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value
Assets					
Money market funds	Level I	$ 164,440	$ —	$ —	$ 164,440
Restricted cash (money market funds)	Level I	917	—	—	917
U.S. Government bonds	Level I	196,629	—	(67)	196,562
Total Securities		$ 361,986	$ —	$ (67)	$ 361,919

		December 31, 2016			
	Valuation Hierarchy	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value
Assets					
Money market funds	Level I	$ 89,626	$ —	$ —	$ 89,626
Restricted cash (money market funds)	Level I	917	—	—	917
U.S. Government bonds	Level II	77,295	8	(10)	77,293
Total Securities		$ 167,838	$ 8	$ (10)	$ 167,836

No securities have contractual maturities of longer than one year.

4. Property and Equipment

Property and equipment, net consisted of the following (in thousands):

	December 31	
	2017	2016
Machinery and equipment	$ 7,162	$ 5,973
Computer equipment and software	897	888
Furniture and fixtures	643	651
Leasehold improvements	701	578
Construction in progress	23	45
	9,426	8,135
Less: accumulated depreciation and amortization	(5,208)	(3,743)
	$ 4,218	$ 4,392

Depreciation and amortization expense was $1.5 million, $1.7 million and $1.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

5. Goodwill and Intangible Assets

Goodwill and in-process research and development assets resulted from a series of integrated financing transactions in 2010 that was accounted for as a business combination. The in-process research and development relates to the Company's proprietary Probody Platform and is accounted for as an indefinite-lived intangible asset until the underlying project is completed or abandoned. In connection with the collaboration agreements, the Company began amortizing the intangible asset in 2017. The intangible asset is being amortized over the estimated lives of the patents which average 12 years. The amortization for the year ended December 31, 2017 was $0.1 million.

Goodwill and intangible assets consisted of the following (in thousands):

	December 31,	
	2017	2016
Goodwill	$ 949	$ 949
In-process research and development	1,604	1,750

6. Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	December 31,	
	2017	2016
Research and clinical expenses	$ 10,068	$ 3,909
Payroll and related expenses	4,526	3,971
Legal and professional expenses	1,523	264
Property and equipment	—	331
Other accrued expenses	266	349
Total	$ 16,383	$ 8,824

7. Research and Collaboration Agreements

AbbVie Ireland Unlimited Company

In April 2016, the Company and AbbVie Ireland Unlimited Company ("AbbVie") entered into two agreements, a CD71 Co-Development and Licensing Agreement (the "CD71 Agreement") and a Discovery Collaboration and Licensing Agreement (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. AbbVie, at its sole discretion, may stop development of any CD71 PDC and terminate the CD71 Agreement if the Company does not meet certain preclinical research criteria by the applicable deadline. In such case, the Company and AbbVie may evaluate and approve an alternate CD71 PDC. If such alternate CD71 PDC is approved, then the Company and AbbVie will, in good faith, negotiate amendments to the timelines and, if necessary, the content in the research and development plan and budget and extensions to the deadlines to achieve defined success criteria.

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 and royalties on ex-US sales in the high teens to low twenties if the Company participates in the co-development of the CD71 Licensed Product subject to a reduction in such royalties 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 the associated sublicense fee), which the Company recognized as revenues during the period, from AbbVie for achieving certain milestones required to be met to begin GLP toxicology studies under the CD71 Agreement.

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

Under the Discovery Agreement, the Company received an upfront payment of $10.0 million in April 2016 and may receive an additional payment upon the selection by AbbVie of the second target and the satisfaction of certain performance conditions under the CD71 Agreement. AbbVie has not selected the second target, but the performance conditions under the CD71 Agreement were met in September 2016. The Company is also eligible to receive up to $275.0 million in target nomination, development, regulatory and commercial milestone payments and royalties in the high single to low teens from commercial sales of any resulting PDCs.

The Company has determined that the CD71 and Discovery Agreements 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 deliverables 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 determined that the research, development and commercialization licenses for CD71 and discovery targets do not have standalone value without 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 also determined that the CD71 Agreement research, development and commercialization license, related research service and participation in the joint research committee as a single unit of accounting has a standalone value 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 units of accounting: CD71 Agreement unit of accounting consisting of the CD71 Agreement research, development and commercialization license, related research service and participation in the joint research committee, and the Discovery Agreement unit of accounting consisting of the Discovery Agreement research, development and commercialization license, related research service and participation in the joint research committee.

The upfront payments under the AbbVie Agreements are allocated between two units of accounting based on the estimated relative selling prices of each unit. In order to determine the best estimate of selling price, the Company used the discounted cash flow method by calculating risk-adjusted net present values of estimated cash flows. The Company recognizes the allocated amounts ratably over the estimated research service period of five years. The Company recognized revenue of $19.4 million and $3.2 million for the years ended December 31, 2017 and 2016, respectively, related to the AbbVie Agreements. As of December 31, 2017 and 2016, deferred revenue related to the CD71 Agreement unit of accounting was $12.0 million and $17.7 million, respectively, and deferred revenue related to the Discovery Agreement unit of accounting was $6.0 million and $8.9 million, respectively.

Amgen, Inc.

On September 29, 2017, the Company and Amgen, Inc. ("Amgen") entered into a Collaboration and License Agreement (the "Amgen Agreement"). Pursuant to the Amgen Agreement, the Company received an upfront payment of $40.0 million in October 2017. Concurrent with the entry into the Amgen Agreement, the Company and Amgen entered into a Share Purchase Agreement (the "Purchase Agreement") pursuant to which Amgen agreed to purchase 1,156,069 shares of the Company's common stock, par value $0.00001 per share, 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. On the closing date, the Registration Rights Agreement (the "Registration Rights Agreement") between the Company and Amgen went into effect. Pursuant to the Registration Rights Agreement, Amgen agreed not to dispose of any of the shares purchased during the six-month period following the closing date (the "lock-up period") without the prior approval of a majority of the Company's Board of Directors. 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 will be 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 only receive 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 will 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 does not represent a deliverable of the agreement because it is a substantive option and was not issued at a significant or incremental discount.

CytomX has 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. CytomX will be responsible, at its expense, for converting this program to a Probody T-cell engaging bispecific product, and thereafter, 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 605 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 significant deliverables 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 do not have stand-alone value from the research and development services and therefore those deliverables were combined into one unit of accounting. The Amgen Other Products will be accounted for as a separate unit of accounting from the EGFR Products as each has a standalone value to Amgen.

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 us 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, the Company is obligated to make a royalty payment to UCSB equal to 15% of certain sublicense revenue payments owed to or received by the Company. The Company determined that the calculation of the sublicense fee is not specifically addressed in the sublicense agreement when the Company simultaneously licenses the UCSB technology along with the technology the Company has developed internally. As of December 31, 2017, the Company recorded a liability of $2.1 million, which represents the Company's best estimate of the amount to be remitted to UCSB.

The total transaction price of $51.2 million, consisting of the $40.0 million upfront payment, an estimated fair value of $10.7 million for the CytomX Product and $0.5 million of premium on the sale of our equity, was allocated between two units of accounting based on the estimated relative standalone selling price of each unit. To determine the best estimate of selling price, the Company used the discounted cash flow method by calculating risk-adjusted net present values of estimated cash flows. The Company will recognize the allocated amounts ratably over the estimated research service period.

The Company estimated the fair value of the CytomX Product received from Amgen and the EGFR Products and the Amgen Products provided to Amgen based on significant unobservable inputs. Accordingly, they were considered to be level 3 fair value measurements. The significant inputs into these measurements were the Company's evaluation of the probability of successful product development of 11%, remaining patent life at the time of product launch of 12 years, estimated projected future cash flows to be realized, and the Company's estimated discount rate of 9%.

The $10.7 million allocated to the CytomX Product was recorded to research and development expense because it has no alternative future use. The proceeds from the sale of our common stock, net of the $0.5 million premium, was recorded to equity. The estimated fair value of assets and services received approximates the total fair value of consideration given, resulting in no gain or loss recognized on the transaction.

The Company recognized revenue of $1.3 million for the year ended December 31, 2017. As of December 31, 2017, deferred revenue relating to the EGFR Products and the Amgen Other Products was $45.3 million and $4.6 million, respectively. As of December 31, 2017, 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 has a two-year research term and the two additional targets must be nominated by BMS within five years of the effective date of the BMS Agreement. The research term for each collaboration target can be extended in one-year increments up to three times.

Pursuant to the BMS Agreement, the financial consideration from BMS was comprised of an upfront payment of $50.0 million and were 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-digit to low double-digit percentage from potential future sales. The Company will also receive research and development service fees based on a prescribed full-time employee ("FTE") rate that is capped.

The BMS Agreement also required BMS to purchase the Company's common stock upon an IPO if certain conditions were met. In connection with the IPO in October 2015, BMS purchased 833,333 shares of the Company's common stock at the initial public offering price and on the same terms as other purchasers in the offering.

The Company identified the following deliverables 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 does not have stand-alone value to BMS without the Company's research services and expertise related to the development of the product candidates, and accordingly, it was combined with the research services and participation in the joint research committee as a single unit of accounting.

The Company received an upfront payment of $50.0 million from BMS in July 2014. The upfront payment was recorded as deferred revenue and being recognized on a ratable basis over the estimated performance period of ten years. The Company determined that the contingent payments under the BMS Agreement relating to development, sales milestone and royalties do not constitute substantive milestones and will not be accounted for under the milestone method of revenue recognition. The events leading to these payments do not meet the definition of a substantive milestone because the achievement of these events solely depends on BMS's performance.

In January 2016, BMS selected the third target pursuant to the BMS Agreement. Under the terms of the BMS Agreement, BMS paid the Company a $10.0 million payment. In December 2016, BMS selected the fourth and its final target pursuant to the BMS Agreement. Under the terms of the BMS Agreement, BMS paid the Company a $15.0 million payment. Both payments were recorded as deferred revenue and as a result of the fourth target selection, the performance period has been reduced from ten years to seven years and the deferred revenue is being recognized over this new performance period. 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, BMS received acceptance of the IND from the FDA for a CTLA-4-directed Probody therapeutic, which triggered a $10.0 million milestone payment to the Company. Both of these milestone payments were recognized as revenue in its entirety upon the achievement of the criteria necessary to earn the milestone payments.

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 will continue 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 was comprised of an upfront payment of $200.0 million and the Company will be 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; (iii) 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' royalty obligation under the BMS Agreement. BMS' royalty obligation continues on a licensed product-by licensed-product basis until the later of (i) the expiration of the last claim of the licensed patents covering the licensed products in the country, (ii) the twelfth anniversary of the first commercial sale of a licensed product in a country, or (iii) the expiration of any applicable regulatory, pediatric, orphan drug or data exclusivity with respect to such product.

The Company received an upfront payment from BMS under the Amendment of $200.0 million in May 2017. Upon receipt of the upfront payment from BMS, the Company made a payment of $10.0 million to the Regents of the University of California, acting through its Santa Barbara campus ("UCSB"), under the terms of our exclusive license agreement with UCSB. The upfront payment was recorded as deferred revenue and is being recognized on a ratable basis over the estimated performance period of eight years. In addition, the Company concluded the Amendment to be a modification of the BMS Agreement. As a result, the Company was recognizing the remaining deferred revenue balance relating to the upfront payment received under the BMS Agreement as of the Amendment Effective Date prospectively over the new estimated performance period of eight years.

The Company determined that the contingent payments under the Amendment relating to development, sales milestone and royalties do not constitute substantive milestones and will not be accounted for under the milestone method of revenue recognition. The events leading to these payments do not meet the definition of a substantive milestone because the achievement of these events solely depends on BMS's performance.

The Company recognized revenue of $36.5 million, $9.6 million and $5.9 million for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017 and 2016, deferred revenue relating to the BMS Agreement was $235.0 million and $60.9 million, respectively. The amount due from BMS under the BMS Agreement was $10.1 million and $2.2 million as of December 31, 2017 and 2016, respectively.

ImmunoGen, Inc.

In January 2014, the Company and ImmunoGen, Inc. ("ImmunoGen") entered into the Research Collaboration Agreement (the "ImmunoGen Agreement"). The ImmunoGen Agreement provides the Company with the right to use ImmunoGen's Antibody Drug Conjugate ("ADC") technology in combination with the Company's Probody 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 research license and to subsequently obtain exclusive, worldwide development and commercialization licenses to develop and commercialize such PDCs. In February 2017, ImmunoGen exercised its option to obtain a development and commercialization license for one of the two targets. ImmunoGen discontinued one of the two programs being developed under the ImmunoGen Agreement in July 2017 and substitution rights for this program terminated in February 2017. The Company recognized the remaining deferred revenue related to the discontinued program upon the termination of the program. ImmunoGen continues research work on the second collaboration target.

Under the terms of the agreement, both the Company and ImmunoGen are required to perform research activities on behalf of the other party for no monetary consideration. Each party is solely responsible for the development, manufacturing and commercialization of any products resulting from the exclusive development and commercialization license obtained by such party under the agreement. Each party may be liable to pay annual maintenance fees to the other party if the licensed product candidate covered under each development and commercialization license has not progressed to the clinical stage of development within six years of the exercise of the development and commercialization license.

In consideration for the exclusive development and commercialization license that may be obtained by ImmunoGen, the Company is entitled to receive up to $30.0 million in development and regulatory milestone payments per the research program target, up to $50.0 million in sales milestone payments per target and royalties in the mid-single digits on the commercial sales of any resulting product. For the development and commercialization license that may be obtained by the Company, ImmunoGen is entitled to receive up to $60.0 million in development and regulatory milestone payments, up to $100.0 million in sales milestone payments and royalties in the mid to high single digits on the commercial sales of any resulting product. In August 2017, the Company made a milestone payment of $1.0 million to ImmunoGen for the first patient dosing with CX-2009.

The Company accounted for the ImmunoGen Agreement based on the fair value of the assets and services exchanged. The Company identified the following significant deliverables at the inception of the ImmunoGen Agreement: (1) the research license, (2) the research services, (3) the obligation to participate in the joint research committee, (4) the exclusive research, development and commercialization license and (5) the obligation to provide future technology improvements, when available. The Company determined that the research license, participation in the joint steering committee and the research services do not have stand-alone value from the development and commercialization license and therefore those deliverables were combined into one unit of accounting. The Company considered factors such the limited economic benefits to ImmunoGen if development and commercialization license is not obtained and the lack of sublicensing rights in the research license.

The estimated total fair value of the consideration of $13.2 million was recorded as deferred revenue, of which $13.0 million, or $6.5 million per target, was allocated to the unit of accounting comprised of the research license, research services, participation in the joint research committee and the development and commercialization license, and $0.2 million was allocated to the future technological improvements. The Company recognized $6.6 million on the terminated program in March 2017. In December 2017, the Company entered into a license agreement with ImmunoGen (the “ImmunoGen Amendment”) pursuant to ImmunoGen’s exercise of its option to obtain a development and commercialization license for the second research program target under the ImmunoGen Agreement. The ImmunoGen Amendment extended the Company’s obligation to provide research services from January 8, 2018 to June 30, 2018. Upon the execution of the ImmunoGen Amendment, the final deliverable would now be the overall research services as the Company is obligated to provide research services to ImmunoGen through June 30, 2018. As a result, the Company made a cumulative catch-up adjustment and recognized $5.9 million of the total $6.6 million in deferred revenue through December 31, 2017.

The estimated fair value of assets and services received was also $13.2 million during the year ended December 31, 2017, of which $12.7 million was allocated to the licenses received and was charged to research and development expense, with the remaining amount of $0.5 million was allocated to the research services, joint research committee participation and technology improvements, which will be expensed over the period of services to be provided.

The Company recognized revenue of $12.5 million for the year ended December 31, 2017. No revenue was recognized for the years ended December 31, 2016 and December 31, 2015. As of December 31, 2017 and 2016, deferred revenue relating to the ImmunoGen Agreement was $0.7 million and $13.2 million, respectively.

MD Anderson

In November 2015, the Company entered into a research collaboration agreement with MD Anderson to research Probody-enabled chimeric antigen receptor killer (CAR-NK) cell therapies, known as ProCAR-NK cell therapies. Under this collaboration, MD Anderson will use the Company’s Probody technology to conduct research of ProCAR-NK cell therapies against certain targets selected by the Company in cancer immunotherapy. In October 2017, the Company extended the research term of the agreement. Under the research collaboration agreement, the Company has the right to exercise an option, during the option period expiring on October 23, 2019 and upon payment of an option exercise fee, to negotiate and acquire a worldwide, exclusive, sublicensable license from MD Anderson for development and commercialization of products directed against any of the selected targets. The research collaboration agreement will continue in effect until the earlier of (i) the date that the Company exercises the option to acquire the license from MD Anderson and (ii) the expiration of the option period.

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. 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 of 2018. On March 6, 2018, Pfizer notified the Company that it was terminating the Pfizer Agreement. See Note 19, *Subsequent Events* for more details.

The Company recognized revenue of $1.9 million, $2.2 million and $1.8 million for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017 and 2016, deferred revenue relating to the Pfizer Agreement was $1.6 million and $3.4 million, respectively. The amount due from Pfizer under the Pfizer Agreement was $0 million and $0.1 million as of December 31, 2017 and 2016, respectively.

8. License Agreement

The Company has an exclusive, worldwide license agreement (the "UCSB Agreement") with the UCSB, 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.

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

In the years ended December 31, 2017, 2016 and 2015, the Company incurred expenses of $13.5 million, $2.1 million and $0.3 million respectively, to UCSB under the provisions of the UCSB Agreement.

Royalty obligations

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.

9. Long-term Debt

In May 2012, the Company entered into a Master Loan and Security Agreement (the "Debt Facility"). Under the terms of the agreement, an aggregate of $2.0 million could be drawn down during the initial basic loan term of 42 months. In January and December 2013, the Company amended the Debt Facility to borrow an additional $0.3 million and $3.0 million, respectively, with similar terms. Borrowings under the debt facility bore interest at 11.74% per annum. This debt was paid off during 2015.

In connection with the execution and the amendment of the Debt Facility, the Company issued warrants to the lender to purchase an aggregate of 81,620 shares of the Company's Series B-1 redeemable convertible preferred stock. The warrants were exercisable in cash at an exercise price of $3.084396 per share or through a cashless exercise provision.

In connection with the consummation of the IPO in October 2015, all of the warrants were net exercised, resulting in issuance of an aggregate of 60,640 shares of the Company's common stock.

Upon issuance of the warrants, the Company recorded a preferred stock warrant liability based on its initial fair value estimated using the Black-Scholes model with an offset to debt discount. The debt discount was amortized to interest expense using the effective interest method over the term of the Debt Facility. The warrant liability was subject to remeasurement to fair value at each balance sheet date until the exercise date, and any change in fair value is recognized in other income (expense), net.

The Company repaid and terminated the Debt Facility in September 2015.

10. Commitments and Contingencies

Operating Lease

New Lease Agreement

On December 10, 2015, the Company entered into a lease (the "Lease") with HCP Oyster Point III LLC (the "Landlord") to lease approximately 76,173 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 provides 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 will be 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 December 31, 2016 and 2015.

Rent expense is recognized on a straight-line basis over the term of the lease and accordingly the Company records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability.

The future minimum lease payments for all of the Company's facility leases are as follows (in thousands):

Year Ending December 31:		
2018	$	4,724
2019		4,854
2020		4,990
2021		5,129
2022 and beyond		26,382
Total	$	46,079

Rent expense during the years ended December 31, 2017, 2016 and 2015 was $4.2 million, $1.8 million and $0.9 million, respectively.

Legal Proceedings

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

Indemnifications

In the ordinary course of business, the Company enters into agreements that may include indemnification provisions.

Pursuant to such agreements, the Company may indemnify, hold harmless and defend an indemnified party for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has never incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. The Company has also entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by Delaware corporate law. The Company currently has directors' and officers' insurance.

11. Convertible Preferred Stock

In December 2014, the Company granted a second tranche option ("Second Tranche Option") to one of its investors to purchase 659,209 shares of its Series C redeemable convertible preferred stock upon the achievement of certain milestones. At initial recognition, the Company recorded the Second Tranche Option as a derivative liability on the balance sheet at its estimated fair value of $395,000. In May 2015, the Company achieved the relevant milestones and the investor exercised their right to purchase 659,209 shares of Series C convertible redeemable preferred stock for net proceeds of $3.5 million. Immediately prior to the closing of this tranche, the Company remeasured the preferred stock liability to its then fair value and recorded a loss from remeasurement of $1.1 million in other income (expense), net. The fair value of the preferred stock liability in the amount of $1.5 million was reclassified to redeemable convertible preferred stock.

In connection with the consummation of the IPO in October 2015, all outstanding shares of Series A-1, Series A-2, Series B-1, Series B-2, Series C and Series D were converted into 27,135,453 shares of common stock on a one-for-one basis. As such, no convertible preferred stock shares were outstanding as of December 31, 2017 and 2016.

12. Common Stock

In October 2015, the Company's board of directors and stockholders approved the amended and restatement of the Company's certificate of incorporation. The Amended and Restated Certificate of Incorporation was effective as of October 14, 2015, which provides for 75,000,000 authorized shares of common stock with par value of $0.00001 per share and 10,000,000 shares of preferred stock with a par value of $0.00001 per share.

Common stockholders are entitled to dividends if and when declared by the Board of Directors subject to the prior rights of the preferred stockholders. As of December 31, 2017 and 2016, no dividends on common stock had been declared by the Board of Directors.

The Company had reserved shares of common stock for issuance, as follows:

	December 31,	
	2017	2016
Options issued and outstanding	6,503,458	6,158,746
Shares available for future stock option grants	2,324,793	2,493,188
Total	8,828,251	8,651,934

13. Stock-based Compensation

Equity Incentive Plan

In 2010, the Company adopted its 2010 Stock Incentive Plan (the "2010 Plan") which provided for the granting of stock options to employees, directors and consultants of the Company. Options granted under the 2010 Plan were either incentive stock options ("ISOs") or nonqualified stock options ("NSOs").

In February 2012, the Company adopted its 2011 Stock Incentive Plan (the "2011 Plan"). The 2011 Plan is divided into two separate equity programs, an option and stock appreciation rights grant program and a stock award program. In conjunction with adopting the 2011 Plan, the Company discontinued the 2010 Plan and released the shares reserved and still available under that plan.

In connection with the consummation of the IPO in October 2015, the board of directors adopted the Company's 2015 Equity Incentive Plan (the "2015 Plan" and collectively with the 2010 Plan and 2011 Plan, the "Plans"). In conjunction with adopting the 2015 Plan, the Company discontinued the 2011 Plan with respect to new equity awards.

The initial number of shares of common stock available for future issuance under the 2015 Plan was 2,444,735. Beginning on January 1, 2016 and continuing until the expiration of the 2015 Plan, the total number of shares of common stock available for issuance under the 2015 Plan will automatically increase annually on January 1 by 4% of the total number of issued and outstanding shares of common stock as of January 1 of the same year. As of December 31, 2017, 2,324,793 shares of common stock were available for future issuance under the 2015 Plan.

Stock Options

Options under the 2015 Plan may be granted for periods of up to ten years. All options issued to date have had a 10-year life. Under the terms of the 2015 Plan, options may be granted at an exercise price not less than the estimated fair value of the shares on the date of grant, as determined by the Company's board of directors. For employees holding more than 10% of the voting rights of all classes of stock, the exercise price of ISOs and NSOs may not be less than 110% of the estimated fair value of the shares on the date of grant, as determined by the board of directors. To date, options granted generally vest over four years and vest at a rate of 25% upon the first anniversary of the issuance date and 1/48th per month thereafter.

Activity under the Company's stock option plans is set forth below:

			Options Outstanding		
	Options Available for Grant	Number of Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)
Balances at December 31, 2014	1,896,617	2,147,872	$ 1.197		
Options authorized	3,801,597	—	—		
Options granted	(3,309,708)	3,309,708	5.174		
Options exercised	—	(173,929)	1.507		
Options forfeited	12,900	(12,900)	1.405		
Balances at December 31, 2015	2,401,406	5,270,751	1.197		
Options authorized	1,441,328	—	—		
Options granted	(1,367,546)	1,356,546	13.234		
Options exercised	—	(414,396)	1.549		
Options forfeited	18,000	(54,155)	4.578		
Balances at December 31, 2016	2,493,188	6,158,746	3.694		
Options authorized	1,459,606	—	—		
Options granted	(2,138,620)	2,138,620	13.566		
Options exercised	—	(764,576)	4.140		
Options forfeited	510,619	(1,029,332)	9.118		
Balances at December 31, 2017	2,324,793	6,503,458	8.157	7.2	$ 84,243
Options Exercisable—December 31, 2017		3,727,754	5.509	6.2	$ 58,159
Options vested and expected to vest—December 31, 2017		6,503,458	8.157	7.2	$ 84,243

The aggregate intrinsic values of options outstanding, exercisable, vested and expected to vest were calculated as the difference between the exercise price of the options and the estimated fair value of the underlying common stock as of December 31, 2017, 2016 and 2015, respectively.

The aggregate intrinsic value of stock options exercised in the years ended December 31, 2017, 2016 and 2015 was $10.5 million, $4.6 million and $2.3 million, respectively.

The options granted in the years ended December 31, 2017, 2016 and 2016 had a weighted-average per share grant-date fair value of $8.207, $8.936, and $7.169, respectively. At December 31, 2017, the unrecognized compensation expense with respect to options granted to employees was $22.3 million, and is expected to be recognized over 2.4 years.

Early Exercise of Employee Options

Certain stock options granted under the Plans provide option holders the right to elect to exercise unvested options in exchange for restricted common stock. Such unvested restricted shares are subject to a repurchase right held by the Company at the original issuance price in the event the optionee's service to the Company is terminated either voluntarily or involuntarily. The right usually lapses 25% on the first anniversary of the vesting start date and in 36 equal monthly amounts thereafter. These repurchase terms are considered to be a forfeiture provision. The cash or full recourse notes received from employees for exercise of unvested options is treated as a refundable deposit and is classified as a liability on the balance sheets.

Employee Stock Purchase Plan

Concurrent with the completion of the IPO in October 2015, the Company's Employee Stock Purchase Plan ("ESPP") became effective. The ESPP allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. The ESPP generally provides for six-month offering periods, and at the end of each offering period, employees are able to purchase shares at 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the last trading day of the offering period. We issued 67,746 shares and 31,564 shares of common stock under the ESPP in 2017 and 2016, respectively.

Shares available for future purchase under the ESPP were 980,389 at December 31, 2017. The compensation expense related to the ESPP was $247,000, $145,000 and $0 for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017 and 2016, there was $123,000 and $113,000, respectively, of unrecognized compensation cost related to the ESPP, which we expect to recognize over 5 months.

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 (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Research and development	$ 5,161	$ 4,925	$ 1,972
General and administrative	6,126	5,170	2,014
Total stock-based compensation expense	$ 11,287	$ 10,095	$ 3,986

Stock-based compensation expense for employees was $11.0 million, $9.4 million and $3.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Stock-based compensation expense related to stock options granted to non-employees is recognized as the stock options are earned. The Company determined that the estimated fair value of the stock options is more readily measurable than the fair value of the services received. The fair value of stock options granted to non-employees is calculated at each grant date and re-measured at each reporting date using the Black-Scholes option pricing model. The stock-based compensation expense related to a grant will fluctuate as the estimated fair value of the common stock fluctuates over the period from the grant date to the vesting date.

Stock-based compensation expense for non-employees was $0.3 million, $0.9 million and $0.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The Company estimated the fair value of employee stock options and ESPP using the Black-Scholes valuation model based on the date of grant with the following assumptions:

	Options			ESPP	
	Year Ended December 31,			Year Ended December 31,	
	2017	2016	2015	2017	2016
Expected volatility	69.1%-72.4%	76.4% – 83.5%	62.9% – 68.9%	52.3%-63.8%	50.4% – 75.6%
Risk-free interest rate	1.7%-2.2%	1.2% – 2.1%	1.4% – 1.9%	1.1%-1.5%	0.5% – 0.6%
Dividend yield	— %	— %	— %	— %	— %
Expected term (in years)	4.9-5.3	5.3 – 5.9	5.2 – 7.2	0.5	0.5

Expected Term. The expected term of stock options represents the period that the stock options are expected to remain outstanding and is based on vesting terms, exercise term and contractual lives of the options. The expected term of the ESPP shares is equal to the six-month look-back period.

Expected Volatility. The expected stock price volatility for the Company's stock options was derived from the average historical volatilities of the Company's stock price and the stock price of several comparable publicly traded companies within the biotechnology and pharmaceutical industry. The Company will continue to apply this process until a sufficient amount of historical information on the Company's own stock price becomes available. Volatility for ESPP shares is equal to our historical volatility over the six-month look-back period.

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 Rate. The expected dividend was assumed to be zero as the Company has never paid dividends and has no current plans to do so.

14. Related Party Transactions

In 2015, certain employees of Third Rock Ventures, a greater than 10% stockholder of the Company, provided consulting services to the Company. One of the Company's board members is affiliated with Third Rock Ventures. General and administrative expenses for consulting services and board service fees incurred were $35,000, $48,000 and $33,000 for the years ended December 31, 2017, 2016 and 2015, respectively. The amounts outstanding and included in accounts payable were $0 and $12,000 as of December 31, 2017 and December 31, 2016, respectively. This board member resigned in December 2017.

Revenues from related parties refer to the collaboration agreement with Pfizer, one of the Company's stockholders. The Company recognized revenue of $2.2 million and $1.8 million for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, deferred revenue relating to the Pfizer Agreement was $3.4 million. The amount due from Pfizer under the agreement was $0.1 million as of December 31, 2016. As of and during the year ended December 31, 2017, Pfizer owned less than 10% of the Company's outstanding common stock and was no longer a related party for purposes of disclosure.

15. Income Taxes

The Company derives its income only from the United States. The components of the provision (benefit from) for income taxes are as follows (in thousands):

	Years Ended December 31,		
	2017	2016	2015
Current:			
Federal	$ —	$ —	$ —
State	1	1	2
Total current	1	1	2
Deferred:			
Federal	(514)	(20)	8
State	—	—	—
Total deferred	(514)	(20)	8
Provision for (benefit from) income taxes	$ (513)	$ (19)	$ 10

A reconciliation of the Company's effective tax rate to the statutory U.S. federal rate is as follows:

	Years Ended December 31,		
	2017	2016	2015
U.S. federal taxes at statutory rate	34.0%	34.0%	34.0%
State tax, net of federal benefit	7.6%	0.8%	0.8%
Stock compensation	2.3%	(0.6)%	(1.1)%
Tax attributes subject to 382 limitation	27.5%	0.0%	(35.4)%
Tax credits	2.7%	2.2%	0.8%
Change in valuation allowance	(9.3)%	(35.6)%	2.7%
Change in deferreds due to rate change	(58.6)%	0.0%	0.0%
Other	(5.0)%	(0.8)%	(1.8)%
Total	1.2%	0.0%	0.0%

The types of temporary differences that give rise to significant portions of the Company's deferred income tax liabilities are set out below (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Net operating loss carryforwards	$ 24,682	$ 24,528	$ 5,688
Research and development credits	5,757	2,683	1,337
Intangible—in-process R&D	—	81	88
Deferred revenue	15,631	13,857	16,182
Accruals and deferred rent	1,256	1,335	998
Stock-based compensation	3,831	3,963	1,125
Other	32	1	26
Total gross deferred income tax assets	51,189	46,448	25,444
Less: valuation allowance	(50,791)	(46,137)	(25,043)
Deferred tax assets, net of valuation allowance	398	311	401
Fixed assets	(282)	(229)	(313)
In-process R&D	—	(595)	(595)
Intangible assets	(116)	—	—
Deferred tax liabilities	(398)	(824)	(908)
Net deferred income tax liabilities	$ —	$ (513)	$ (507)

A valuation allowance has been established for the portion of deferred assets for which realization is not probable. The net change in the total valuation allowance for the year ended December 31, 2017 and 2016 was an increase of $4.7 million and an increase of $21.1 million, respectively and for the year ended December 31, 2015 was a decrease of $1.0 million.

The Company had net operating loss carryforwards for federal and state income tax purposes of approximately $105.6 million and $58.6 million, respectively, as of December 31, 2017 available to reduce future income subject to income taxes. The federal and state net operating loss carryforwards will begin to expire in 2030 if not utilized.

The Company also has federal and state research and development tax credits carryforwards of $4.6 million and $3.9 million, respectively, as of December 31, 2017 available to reduce future income taxes. The federal research and development tax credits will begin to expire in 2030 if not utilized. The state research and development tax credits have no expiration date.

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings. The Company has calculated its best estimate of the impact of the Tax Act in accordance with our understanding of the Tax Act and guidance available as of the date of this filing. The tax rate decrease resulted in a reduction of $25.7 million in our deferred tax assets, and a corresponding decrease of the same amount in the valuation allowance against these deferred tax assets, as substantially all of our U.S. deferred tax assets, net of deferred tax liabilities, are subject to a full valuation allowance. The deferred tax asset remeasurement is provisional because the Company continues to evaluate the impact of various domestic provisions of the Act as well as the impact of additional guidance that may be provided.

Due to the adoption of ASU 2016-09 in 2017, the Company recorded an immaterial increase in the deferred tax assets for previously unrecognized excess tax benefits that existed as of December 31, 2016, and a corresponding increase in the valuation allowance against these deferred tax assets. In addition, all excess tax benefits and deficiencies are recognized as income tax expense and will result in increased volatility in the Company's income tax.

Internal Revenue Code section 382 ("IRC Section 382") places a limitation (the "Section 382 Limitation") on the amount of taxable income that can be offset by net operating loss ("NOL") carryforwards after a change in control (generally greater than 50% change in ownership) of a loss corporation. California has similar rules. The Company has performed an IRC Section 382 analysis and determined there was an ownership change in 2017. None of the identified ownership changes resulted in Section 382 limitations with material restrictions such that all of the tax attributes become available for use prior to expiration of their respective carryforward periods. Accordingly, none of the tax attributes have been reduced. There may be further ownership changes after December 31, 2017. The Company has determined that, while an ownership change has occurred, the applicable limits would not impair the value or anticipated use of the Company's federal and state net operating losses. Although realization is not assured, management believes it is more likely than not that any limitation under IRC Section 382 will not impair the realizability of the deferred income tax assets related to federal and state net operating loss carryforwards.

The Company had approximately $4.3 million and $1.2 million of unrecognized tax benefits as of December 31, 2017 and December 31, 2016, respectively, none of which would affect the Company's effective tax rate if recognized, due to the Company's valuation allowance.

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

	Year Ended December 31,		
	2017	2016	2015
Balance at the beginning of the year	$ 1,182	$ 666	$ 3,019
Additions based on tax positions related to current year	521	23	(2,312)
Adjustment based on submitted prior year tax returns	2,617	493	(41)
Balance at end of the year	$ 4,320	$ 1,182	$ 666

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the provision for income taxes in the period that such determination is made. Interest and penalties have not been accrued at December 31, 2017, 2016 and 2015.

The Company files income tax returns in the United States, including California state jurisdiction. The tax years 2010 to 2017 remains open to U.S. federal and state examination to the extent of the utilization of net operating loss and credit carryovers. As of December 31, 2017, the Company is not under examination by the Internal Revenue Service or any state or foreign tax jurisdiction.

16. Defined Contribution Plan

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code covering substantially all full-time U.S. employees. Employee contributions are voluntary and are determined on an individual basis subject to the maximum allowable under federal tax regulations. During the years ended December 31, 2017, 2016 and 2015, the Company made contributions to the plan of $255,000, $201,000 and $25,000, respectively.

17. Net Loss Per Share Attributable to Common Stockholders

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

	Year Ended December 31,		
	2017	2016	2015
Redeemable convertible preferred stock (on an as-converted basis)	—	—	17,507,788
Convertible preferred stock (on an as-converted basis)	—	—	192,473
Options to purchase common stock	6,891,123	6,086,939	3,865,842
Convertible preferred stock warrants	—	—	64,178
Total	6,891,123	6,086,939	21,630,281

A reconciliation of the numerator and denominator used in the calculation of the basic and diluted net loss per share attributable to common stockholders is as follows (in thousands except share and per share amounts):

	Year Ended December 31,		
	2017	2016	2015
Numerator:			
Net loss	$ (43,099)	$ (58,900)	$ (35,374)
Add: accretion to redemption value and cumulative dividends on preferred stock	—	—	(6,705)
Net loss attributable to common stockholders	(43,099)	(58,900)	(42,079)
Denominator:			
Weighted-average common shares outstanding used to calculate net loss per share attributable to common stockholders, basic and diluted	37,166,830	36,234,732	8,595,247
Net loss per share attributable to common stockholders, basic and diluted	$ (1.16)	$ (1.63)	$ (4.90)

18. Supplementary Data – Quarterly Financial Data (Unaudited)

The following table represents certain unaudited financial information for each of the quarters ended December 31, 2017 and 2016:

	Three Months Ended			
(in thousands, except per share data)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Revenue	$ 27,074	$ 24,144	$ 8,752	$ 11,653
Net income (loss)	$ 621	$ (10,247)	$ (25,216)	$ (8,257)
Net loss per share attributable to common stockholders, basic and diluted	$ 0.02	$ (0.28)	$ (0.69)	$ (0.23)

(in thousands, except per share data)	Three Months Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Revenue	$ 6,272	$ 3,454	$ 3,094	$ 2,223
Net loss	$ (14,033)	$ (14,662)	$ (14,176)	$ (16,029)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.39)	$ (0.40)	$ (0.39)	$ (0.44)

19. Subsequent Event

On March 6, 2018, Pfizer notified the Company that it was terminating the Research Collaboration, Option and License Agreement. Such termination will become effective 60 days after the notification. As a result of such termination, the Company is no longer eligible to receive any further proceeds from license options, milestones, royalties or research and development fees.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

The information required by this Item 9 was previously reported in the company's Current Report on Form 8-K that was filed with the Securities and Exchange Commission on July 17, 2017.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures.

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2017, the end of the period covered by this Annual Report on Form 10-K. Management's assessment of internal control over financial reporting was conducted using the criteria defined in the *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of such date.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f). Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework*, management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Changes in Internal Control 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 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item will be set forth in the Company's proxy statement to be filed with the Securities and Exchange Commission within 120 days after the Company's fiscal year end and is incorporated herein by reference.

We have adopted a code of business conduct and ethics that applies to all employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The code of business conduct and ethics is available on our website at www.cytomx.com. Amendments to, and waivers from, the code of business conduct and ethics that apply to any director, executive officer or persons performing similar functions will be disclosed at the website address provided above and, to the extent required by applicable regulations, on a Current Report on Form 8-K filed with the SEC.

Item 11. Executive Compensation

The information required by this Item will be set forth in the Company's proxy statement to be filed with the Securities and Exchange Commission within 120 days after the Company's fiscal year end and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be set forth in the Company's proxy statement to be filed with the Securities and Exchange Commission within 120 days after the Company's fiscal year end and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this Item will be set forth in the Company's proxy statement to be filed with the Securities and Exchange Commission within 120 days after the Company's fiscal year end and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item will be set forth in the Company's proxy statement to be filed with the Securities and Exchange Commission within 120 days after the Company's fiscal year end and is incorporated herein by reference.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(1) *Financial Statements:*

The financial statements required by Item 15(a) are filed as part of this Annual Report on Form 10-K under Item 8 "Financial Statements and Supplementary Data."

(2) *Financial Statement Schedules*

The financial statement schedules required by Item 15(a) are omitted because they are not applicable, not required or the required information is included in the financial statements or notes thereto as filed in Item 8 of this Annual Report on Form 10-K.

(3) *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	
4.4	Registration Rights Agreement dated as of September 29, 2017 by and between CytomX Therapeutics, Inc. and Amgen, Inc.	10-Q	11/7/2017	4.4	
10.1(a)#	2010 Stock Incentive Plan adopted on September 21, 2010 ("2010 Plan").	S-1	8/28/2015	10.3	
10.1(b)#	Form of Stock Option Agreement under the 2010 Plan.	S-1	8/28/2015	10.4	
10.2(a)#	2011 Stock Incentive Plan, adopted on February 7, 2012, as amended ("2011 Plan").	S-1	8/28/2015	10.1	
10.2(b)#	Form of Restricted Stock Award Agreement and Option Exercise Agreement under the 2011 Plan.	S-1	8/28/2015	10.2	
10.3(a)#	2015 Equity Incentive Plan ("2015 Plan").	S-1/A	10/6/2015	10.5	
10.3(b)#	Form of 2015 Plan Option Agreement under the 2015 Plan.	10-Q	11/23/2015	10.4	
10.3(c)#	Form of 2015 Plan Early Exercise Option Agreement	10-Q	11/23/2015	10.5	
10.4#	2015 CytomX Therapeutics, Inc. Employee Stock Purchase Plan.	S-1/A	9/28/2015	10.6	
10.5(a)#	Employment Offer Letter Agreement between CytomX Therapeutics, Inc. and Sean A. McCarthy, D. Phil, dated as of December 15, 2010.	S-1	8/28/2015	10.7	
10.5(b)#	Severance and Change of Control Agreement, by and between CytomX Therapeutics, Inc. and Sean A. McCarthy, D. Phil, dated as of April 1, 2015.	S-1	8/28/2015	10.8	
10.5(c)#	Amended and Restated Severance and Change of Control Agreement effective as of October 3, 2016, by and between CytomX Therapeutics, Inc. and Sean McCarthy, D. Phil.	10-K	3/2/2017	10.5(c)	
10.6(a)#	Employment Offer Letter Agreement between CytomX Therapeutics, Inc. and Bob Goeltz, dated as of March 19, 2015.	S-1	8/28/2015	10.9	
10.6(b)#	Severance and Change of Control Agreement, by and between CytomX Therapeutics, Inc. and Bob Goeltz, dated as of May 11, 2015.	S-1	8/28/2015	10.10	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.6(c)#	Severance and Change of Control Agreement and First Amendment to Severance and Change of Control Agreement effective as of March 23, 2016, by and between CytomX Therapeutics, Inc. and Robert C. Goeltz.	10-K	3/2/2017	10.6(c)	
10.6(d)#	Separation Agreement, by and between CytomX Therapeutics, Inc. and Robert C. Goeltz, dated as May 15, 2017.	10-Q	8/7/2017	10.1	
10.7(b)#	Severance and Change of Control Agreement, by and between CytomX Therapeutics, Inc. and Michael Kavanaugh, dated as of April 1, 2015.	S-1/A	8/28/2015	10.12	
10.7(c)#	Severance and Change of Control Agreement and First Amendment to Severance and Change of Control Agreement effective as of March 23, 2016, by and between CytomX Therapeutics, Inc. and Michael Kavanaugh, M.D.	10-K	3/2/2017	10.7(c)	
10.8(a)#	Employment Offer Letter Agreement between CytomX Therapeutics, Inc. and Cynthia J. Ladd, dated as of May 1, 2015.	S-1	8/28/2015	10.13	
10.8(b)#	Severance and Change of Control Agreement, by and between CytomX Therapeutics, Inc. and Cynthia J. Ladd, dated as of June 15, 2015.	S-1	8/28/2015	10.14	
10.8(c)#	Severance and Change of Control Agreement and First Amendment to Severance and Change of Control Agreement effective as of March 23, 2016, by and between CytomX Therapeutics, Inc. and Cynthia J. Ladd.	10-K	3/2/2017	10.8(c)	
10.9#	Severance and Change of Control Agreement and First Amendment to Severance and Change of Control Agreement effective as of March 23, 2016, by and between CytomX Therapeutics, Inc. and Rachel W. Humphrey, M.D.	10-Q	5/6/2016	10.2	
10.10#	Severance and Change of Control Agreement and First Amendment to Severance and Change of Control Agreement effective as of March 23, 2016, by and between CytomX Therapeutics, Inc. and Debanjan Ray.	10-Q	8/7/2017	10.2	
10.11#	Form of First Amendment to Severance and Change of Control Agreement by and between CytomX Therapeutics, Inc. and certain of its officers.	8-K	3/7/2016	10.1	
10.12#	Form of Indemnification Agreement by and between CytomX Therapeutics, Inc. and each of its directors.	S-1	8/28/2015	10.16	
10.13†	Research Collaboration Agreement dated as of January 8, 2014, by and between ImmunoGen, Inc. and CytomX Therapeutics, Inc., as amended by the First Amendment to Research Collaboration Agreement effective as of April 3, 2015.	S-1/A	10/2/2015	10.17	
10.14†	Collaboration and License Agreement dated as of May 23, 2014, by and between CytomX Therapeutics, Inc. and Bristol-Myers Squibb Company.	S-1/A	10/2/2015	10.18	
10.15†	Amendment to Extend Collaboration and License Agreement, dated March 17, 2017, by and between the Company and Bristol-Myers Squibb.	10-Q	5/5/2017	10.1	
10.16†	Co-Development and License Agreement, dated April 21, 2016, by and between CytomX Therapeutics, Inc. and AbbVie Ireland Unlimited Company.	10-Q	8/3/2016	10.1	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.17†	Discovery Collaboration and License Agreement, dated April 21, 2016, by and between CytomX Therapeutics, Inc. and AbbVie Ireland Unlimited Company.	10-Q	8/3/2016	10.2	
10.18	Exclusive License Agreement dated as of August 19, 2010, by and between The Regents of the University of California and CytomX Therapeutics, Inc., as amended by Amendment No. 1 to Exclusive Agreement effective as of May 30, 2013 and Amendment No. 2 to Exclusive Agreement effective as of November 8, 2013.	S-1/A	9/18/2015	10.21	
10.19†	Collaboration and License Agreement by and between CytomX Therapeutics, Inc. and Amgen, Inc. dated as of September 29, 2017.	10-Q	11/7/2017	10.1	
10.20	Lease dated as of December 10, 2015, by and between CytomX Therapeutics, Inc. and HCP Oyster Point III LLC.	8-K	12/16/2015	10.1	
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.				X
23.2	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.				X
24.1	Power of Attorney (included on signature page)				X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1**	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	XBRL Instance 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

† Confidential treatment has been granted for certain information contained in this exhibit. Such information has been omitted and filed separately with the Securities and Exchange Commission.

# Indicates management contract or compensatory plan.

** The certifications attached as Exhibit 32.1 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission 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 Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

Item 16. Form 10-K Summary.

Registrants may voluntarily include a summary of information required by Form 10-K under Item 16. We have elected not to include such summary.

SIGNATURES

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

CYTOMX THERAPEUTICS, INC.

Date: March 7, 2018

By: /s/ Sean A. McCarthy
Name: Sean A. McCarthy, D.Phil.
Title: President and Chief Executive Officer

By: /s/ Debanjan Ray
Name: Debanjan Ray
Title: Chief Financial Officer

POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints Sean A. McCarthy, D. Phil. and Robert C. Goeltz II and each of them, with full power of substitution and resubstitution, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agents full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorney-in-fact and agents or his substitute or substitutes may lawfully do or cause to be done by virtue thereof. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Sean A. McCarthy Sean A. McCarthy, D.Phil.	President, Chief Executive Officer and Director *(Principal Executive Officer)*	March 7, 2018
/s/ Debanjan Ray Debanjan Ray	Chief Financial Officer *(Principal Financial and Accounting Officer)*	March 7, 2018
/s/ Hoyoung Huh, M.D., Ph.D. Hoyoung Huh, M.D., Ph.D.	Chairman of the Board	March 7, 2018
/s/ Charles S. Fuchs Charles S. Fuchs	Director	March 7, 2018
/s/ Frederick W. Gluck Frederick W. Gluck	Director	March 7, 2018
/s/ John A. Scarlett, M.D. John A. Scarlett, M.D.	Director	March 7, 2018
/s/ Timothy M. Shannon, M.D. Timothy M. Shannon, M.D.	Director	March 7, 2018
/s/ Matthew P. Young Matthew P. Young	Director	March 7, 2018

Exhibit 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-214418 and 333-216567) and Form S-8 (Nos. 333-207694, 333-209992 and 333-215795) of CytomX Therapeutics, Inc. of our report dated March 7, 2018, with respect to the financial statements of CytomX Therapeutics, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Redwood City, California
March 7, 2018

Exhibit 23.2

CONSENT OF PRICEWATERHOUSECOOPERS LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-214418 and 333-216567) and Form S-8 (Nos. 333-207694, 333-209992 and 333-215795) of CytomX Therapeutics, Inc. of our report dated March 2, 2017 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 7, 2018

Exhibit 31.1

CERTIFICATIONS

I, Sean A. McCarthy, D.Phil., certify that:

1. I have reviewed this Annual Report on Form 10-K of CytomX Therapeutics, Inc. for the year ended December 31, 2017;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 7, 2018

/s/ Sean A. McCarthy
Sean A. McCarthy, D.Phil.
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Debanjan Ray, certify that:

1. I have reviewed this Annual Report on Form 10-K of CytomX Therapeutics, Inc. for the year ended December 31, 2017;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 7, 2018

/s/ Debanjan Ray
Debanjan Ray
Chief Financial Office
(Principal Financial and Accounting Officer)

Exhibit 32.1

SECTION 1350 CERTIFICATIONS*

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350), Sean A. McCarthy, D.Phil., President and Chief Executive Officer *(Principal Executive Officer)* of CytomX Therapeutics, Inc. (the "Company"), and Debanjan Ray, Chief Financial Officer *(Principal Financial and Accounting Officer)* of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2017, to which this Certification is attached as Exhibit 32.1 (the "Annual Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Annual Report.

Dated: March 7, 2018

/s/ Sean A. McCarthy	/s/ Debanjan Ray
Sean A. McCarthy, D.Phil.	Debanjan Ray
President and Chief Executive Officer	Chief Financial Officer
(Principal Executive Officer)	*(Principal Financial and Accounting Officer)*

* This certification accompanies the Annual Report on Form 10-K, 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 the Company 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-K), irrespective of any general incorporation language contained in such filing.