OncoMed Pharmaceuticals, Inc.

Delaware
(State or other jurisdiction of incorporation or organization)

800 Chesapeake Drive
Redwood City, California
(Address of principal executive offices)

38-3572512
(I.R.S. Employer Identification No.)

94063
(Zip Code)

(650) 995-8200
(Registrant's telephone number, including area code)

Common stock, par value $0.001 per share

The NASDAQ Global Select Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act. ☒

Indicate by check mark whether the registrant (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. ☒

Indicate by check mark whether the registrant (1) has filed electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 Securities Exchange Act). ☒

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2017, was $104,398,387. There is no non-voting stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant’s Proxy Statement for the registrant’s 2018 Annual Meeting of Stockholders will be filed with the Commission within 120 days after the close of the registrant’s 2017 fiscal year and are incorporated by reference in Part III.
# OncoMed Pharmaceuticals, Inc.
Annual Report on Form 10-K
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PART I

Forward-Looking Statements and Market Data

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts contained in this Annual Report on Form 10-K are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “could,” “will,” “would,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “intend,” “predict,” “seek,” “contemplate,” “potential” or “continue” or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- the initiation, timing, progress and results of our preclinical studies and clinical trials, and our research and development programs;
- our ability to advance drug candidates into, and successfully complete, clinical trials;
- our receipt of future milestone payments and/or royalties, and the expected timing of such payments;
- our collaborators’ exercise of their license options;
- the commercialization of our therapeutic candidates;
- the implementation of our business model, strategic plans for our business, drug candidates and technology;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our drug candidates and technology;
- estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- the timing or likelihood of regulatory filings, including Investigational New Drug applications, and approvals;
- our ability to maintain and establish collaborations or obtain additional government grant funding;
- our financial performance; and
- developments relating to our competitors and our industry.

These statements relate 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 “Risk Factors” and elsewhere in this Annual Report on Form 10-K.

Any forward-looking statement in this Annual Report on Form 10-K reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, industry and future growth. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “Risk Factors” and elsewhere in this Annual Report on Form 10-K.

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, 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 this 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 this data is derived. In that regard, when we refer to one or more sources of this type of data in any paragraph, you should assume that other data of this type appearing in the same paragraph is derived from the same sources, unless otherwise expressly stated or the context otherwise requires.
ITEM 1.  BUSINESS

OncoMed is a clinical-stage biopharmaceutical company focused on discovering and developing novel therapeutics that address the fundamental biology driving cancer’s growth, resistance, recurrence and metastasis.

We have four internally discovered anti-cancer therapeutic candidates currently in clinical development. We are also pursuing discovery of additional novel approaches to cancer treatment, including new immuno-oncology therapeutic candidates. All of the therapeutic candidates in our pipeline were discovered by OncoMed scientists. We have established a number of proprietary technologies to aid in ongoing drug discovery, candidate validation and predictive biomarker efforts. We currently have a significant strategic alliance with Celgene Corporation and revenues from this collaboration (as well as prior collaborations with GlaxoSmithKline LLC and Bayer Pharma AG) have supported the advancement and growth of our pipeline. The following summarizes the status of our therapeutic candidates and select preclinical programs, each of which will be described and discussed in further detail below under “Our Therapeutic Candidates and Preclinical Programs.”

• **Navicixizumab (Anti-DLL4/VEGF Bispecific, OMP-305B83).** Navicixizumab is our bispecific monoclonal antibody that targets and inhibits both Delta-like ligand 4, or DLL4, and vascular endothelial growth factor, or VEGF. We have completed a Phase Ia single-agent clinical trial of navicixizumab in patients with advanced solid tumors, and we are currently conducting two Phase Ib clinical trials to assess navicixizumab in combination with standard chemotherapy regimens in patients with platinum-resistant ovarian cancer and second line metastatic colorectal cancer. This program is part of our strategic collaboration with Celgene, which is discussed below under “Key Collaboration and License Agreements—Strategic Alliance with Celgene.” Celgene retains an option during certain time periods through the end of certain Phase I clinical trials to obtain an exclusive license to co-develop and co-commercialize navicixizumab in the U.S. with us, sharing profits 50/50, while Celgene would lead development and commercialization outside the U.S. If Celgene exercises its option on navicixizumab, we would be eligible for a $25.0 million opt-in payment.

• **Anti-TIGIT (OMP-313M32).** T-cell immunoreceptor with immunoglobulin and ITIM domains, or TIGIT, is an inhibitory receptor that is thought to potentially stop T-cells from attacking certain tumor cells. Our Phase Ia clinical trial of anti-TIGIT, our antibody that binds to and inhibits TIGIT, is currently enrolling patients. This program is part of our collaboration with Celgene, which is discussed below under “Key Collaboration and License Agreements—Strategic Alliance with Celgene.” We also plan to amend the existing Phase Ia single agent protocol to add a Phase Ib dose escalation of anti-TIGIT in combination with anti-PD1, and we anticipate that we will begin treating patients with this combination in the first half of 2018. Upon the completion of certain enrollment criteria in the Phase I clinical trial, Celgene would have the option to obtain an exclusive license to develop and commercialize anti-TIGIT. If Celgene exercises its option on anti-TIGIT, we would be eligible for a $35.0 million opt-in payment and Celgene would then lead and fully fund further development and commercialization.

• **GITRL-Fc (OMP-336B11).** Glucocorticoid-induced tumor necrosis factor receptor-related protein, or GITR, and its ligand, GITRL, are members of the tumor necrosis factor, or TNF, family of receptors and ligands. TNF ligands are trimeric proteins and their binding to receptors leads to activation of intracellular signaling. Activation of GITR enhances T-cell modulated immune responses, which we believe makes it a promising target for stimulating immune system activity against tumor cells. Our GITR ligand therapeutic candidate, GITRL-Fc, is engineered using a novel single-gene, linkerless trimer technology that is designed to enable effective activation of GITR. In preclinical models, this design has achieved robust anti-tumor immune responses alone and in combination with other immuno-oncology agents. This program is wholly owned by OncoMed, and we are now enrolling patients in a Phase I single agent clinical trial. OncoMed has worldwide rights to the GITRL-Fc program.

• **Rosmantuzumab (anti-RSPO3, OMP-131R10).** Rosmantuzumab is a monoclonal antibody targeting the RSPO-LGR cancer stem cell, or CSC, pathway, and is also part of our strategic collaboration with
Celgene, which is discussed below under “Key Collaboration and License Agreements—Strategic Alliance with Celgene.” Rosmuntuzumab was recently studied in a Phase Ia/b clinical trial, but the trial failed to provide compelling evidence of clinical benefit. We are currently discussing next steps for the program with Celgene.

We also have a number of ongoing drug discovery efforts to address biological pathways and targets that drive cancer’s growth, resistance, recurrence, and metastasis including multiple undisclosed immuno-oncology candidates. We believe these research efforts have the potential to produce multiple additional IND submissions in future years. Data for all of our therapeutic candidates are being gathered to inform the advancement of these therapeutic candidates into later stage clinical trials independently or with potential partners, with the goal of ultimately obtaining regulatory approvals and improving patient outcomes.

**Strategy**

We are focused on discovering and developing novel therapeutic candidates directed to fundamental biologic pathways and targets thought to drive cancer’s growth, resistance, recurrence and metastasis. The inability of the immune system to shut down tumor growth, through a series of tumor-associated resistance mechanisms, enables the growth and recurrence of cancers. We have discovered and advanced multiple therapeutic candidates specifically targeting CSC pathways, and we have a pipeline of immuno-oncology therapeutic candidates that aim to bolster immune system recognition of cancer cells and/or suppress immune system evasion mechanisms. Our goal is to build a leading biopharmaceutical company that discovers, develops and commercializes novel anti-CSC and immuno-oncology therapeutics. Key elements of our strategy to achieve this goal are:

- **Continue to discover and advance novel cancer therapeutics based on our proprietary discovery and drug development platform technologies.** Our proprietary cancer models and antibody engineering platforms have led to the discovery of multiple proprietary therapeutic candidates, three of which are currently being evaluated in clinical trials. We anticipate our insights into cancer biology and immuno-oncology, coupled with our novel discovery and development technologies, leading to the identification of additional therapeutic candidates.

- **Advance our therapeutic candidates in clinical trials to determine their utility as treatments for cancer.** Our Phase I clinical trials are designed to establish the maximum tolerated dose and safety profile, identify a therapeutic index, and look for initial indications of efficacy and biomarker effects of our drugs alone or as part of a combination regimen. Across our pipeline, we currently have four clinical trials ongoing.

- **Collaborate with our partner Celgene, to advance specific programs forward in clinical development.** We are working closely with our partner to advance our partnered programs in development. Under our collaboration, Celgene has certain options during certain time periods through the end of specified Phase I trials to obtain exclusive licenses to certain of our antibody-based therapeutic candidates. In the event that these options are not exercised at the end of the relevant option periods, we will have worldwide rights to these programs. Our Celgene collaboration currently includes three programs: navicixizumab, anti-TIGIT, and rosmuntuzumab.

- **Utilize biomarker approaches to identify subsets of cancer patients most likely to benefit from our therapies.** In our clinical programs, such as navicixizumab, GITRL-Fc and anti-TIGIT, we have extensive biomarker identification/validation research ongoing. We are developing these biomarkers for all of our programs to potentially utilize those biomarkers in late-stage trials to identify patients most likely to benefit from treatment and improve patient outcomes. Where biomarker approaches are successfully utilized in clinical testing, we may elect to develop companion diagnostics in conjunction with suitable third-party development and commercialization partners.

- **Use collaborations with pharmaceutical and biopharmaceutical companies to provide funding, create value and leverage partners’ expertise to bring medicines to patients.** To facilitate the capital-efficient development and commercialization of our wholly-owned programs, we routinely engage in partnering discussions with a range of pharmaceutical and biopharmaceutical companies. We believe that our existing collaboration with Celgene provides validation of our scientific approach, significant funding to advance our pipeline and access to development and commercial expertise for our partnered assets.
Since our founding in August 2004, we have raised $773.8 million, consisting of $399.5 million in the form of collaboration funding from our pharmaceutical partnerships, $373.1 million in the form of equity financings, including partner investments, and $1.2 million in grants.

We believe that our novel pipeline of antibody and protein-based therapeutics, our leadership in the fields of cancer biology and antibody engineering and our experienced scientific, clinical and business management team provide us with distinct advantages that enable us to continue to discover and advance novel anti-CSC and immuno-oncology therapeutics.

**OncoMed’s Research Focus**

Our drug discovery efforts focus on addressing biologic targets that are implicated in the growth, resistance, recurrence, and metastasis of cancer. Presently, this approach is focused on immuno-oncology therapeutics discovery. OncoMed’s pipeline of clinical- and preclinical-stage therapeutic candidates has been strategically designed to selectively block CSC pathways, to stimulate targeted immune responses against tumor cells, or to disable the tumor’s immune evasion mechanisms. By addressing the fundamental biology underlying cancer’s growth, resistance, recurrence, and metastasis, our novel therapeutic candidates are intended to improve patient outcomes and lead to more durable survival.

The immune system is naturally programmed to seek out and destroy abnormal cells. Cancer is believed to thrive, in part, because of a number of cellular mechanisms that aid in the evasion of immune response. Such mechanisms of immune system evasion include masking or reducing the expression of tumor antigens to avoid detection, recruiting T-cell suppressor cells or expressing inhibitory molecules that suppress immune activation, inducing conditions in the tumor microenvironment that promote tumor cell proliferation and survival, and a number of other factors. Immuno-oncology therapies that overcome immune suppression by stimulating responses directed to cancer cells may be a powerful means of counteracting the cellular mechanisms that enable the growth and spread of tumors. Immuno-oncology agents are rapidly emerging as a potential path to durable and long-lasting responses in certain patients.

We have built a number of proprietary platform technologies focused on understanding cancer biology to elucidate novel targets, design and optimize our biologics for the sought-after activity and evaluate the effects of our therapeutic candidates in state-of-the-art *in vivo* models. We develop antibodies against these targets using advanced protein engineering technologies, including antibody humanization, phage display, bispecific antibody and Fc-fusion protein platforms, and our proprietary mammalian display platforms. These protein engineering capabilities have been applied to our novel immuno-oncology agents, including technology to create linkerless trimers of TNF receptor superfamily ligands. We believe this technology provides a platform that may enable future discovery of multiple new immuno-oncology therapeutic candidates.

For our work in cancer immunotherapy, we typically deploy syngeneic mouse models which enable us to understand the potential mechanisms of immune system responses to our therapeutic interventions and to identify potential pharmacodynamic and predictive biomarkers. A more complete description of some of the proprietary platform technologies that we utilize in our drug discovery efforts is provided below under “Our Proprietary Drug Discovery Platform.” For our discovery of agents targeting CSCs, we have tested our antibodies in proprietary xenograft models derived from freshly resected human tumors subsequently propagated in mice. We believe these patient-derived models may be more representative of the clinical features of human tumors than the cell line-based models used in traditional cancer research. Accordingly, we have also implanted these patient-derived tumors into mice with humanized immune systems to validate the activity of our immuno-oncology agents against human tumors. These models also offer the ability to test the effects of therapeutic candidates on human tumors with varied genetic backgrounds, which further facilitates the identification of predictive biomarkers.

**Tackling Challenges in Immuno-Oncology**

Leveraging the body’s own immune system to combat cancer may have several potential benefits over traditional chemotherapy, radiation and targeted therapy approaches. Use of immuno-oncology agents may result in a highly selective targeting of disease, activate immunologic memory that could block the resurgence of tumors, and
amplify the effect of other anti-cancer drugs when used as part of a combination regimen. Recently introduced immuno-oncology agents hold promise of improving cancer outcomes, but based on clinical trial results to date limited populations of patients appear to benefit from these agents and there is evidence of serious potential toxicities associated with their use.

We are currently concentrating our immuno-oncology research efforts on several of the key core challenges to activating the immune system to recognize and eliminate tumor cells. These include: increasing the expression of tumor-specific antigens for immune system recognition, attracting essential immune cells, such as leukocytes, to the tumor and targeting fundamental mechanisms of immune evasion within the tumor microenvironment. We are utilizing our diverse protein engineering capabilities, and our understanding of receptor-ligand biology to create highly differentiated immuno-oncology therapeutic candidates.

Our first two immuno-oncology clinical candidates are anti-TIGIT and GITRL-Fc. TIGIT blocks T-cells from attacking tumor cells, and shares some properties with the inhibitory protein PD-1. Our anti-TIGIT therapeutic is intended to activate the immune system through multiple mechanisms and enable substantial anti-tumor activity. We are also advancing a GITRL-Fc fusion protein. GITRL is a member of the TNF family of ligands and functions to activate the co-stimulatory receptor GITR to enhance T-cell modulated immune responses. Our GITRL-Fc agent is engineered using a novel single-gene linkerless GITRL trimer which enables effective GITR activation and robust anti-tumor immune response in preclinical studies. We maintain a very active research effort in the area of immuno-oncology with earlier-stage research ongoing.

Our anti-CSC therapeutic candidate navicixizumab targets DLL4 on the Notch pathway in addition to VEGF. Through clinical and preclinical studies, we observed that navicixizumab has a multi-pronged mechanism of action, including anti-CSC, anti-angiogenesis and immuno-oncology properties. Navicixizumab’s activity on the immune system is believed to act on the regulation of T-cells through IL-17 and the suppression of monocytic myeloid-derived suppressor cells, or MDSCs. We have conducted preclinical studies of anti-DLL4 and anti-DLL4 plus anti-VEGF in combination with anti-PD-1 inhibitors and observed synergistic anti-tumor responses and heightened immune cell memory responses that are greater than can be achieved with any of the agents when used alone.

Our Therapeutic Candidates and Preclinical Programs

The following table summarizes the status of, and certain of our plans for, our therapeutic candidates and preclinical programs, each of which will be described and discussed in further detail below.

![Therapeutic Candidates and Preclinical Programs Table](image)

**Navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83)**

We utilized our proprietary bispecific antibody technology to generate a monoclonal antibody, navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83), that targets both DLL4 and VEGF. VEGF is the target for bevacizumab (Avastin®), which is currently approved and used to treat a number of solid tumors including colorectal, NSCLC, breast, renal cell, brain, cervical, and ovarian cancers and had worldwide revenues of $7.4
billion in 2015. DLL4 is a ligand which is responsible in part for tumor angiogenesis. Navicixizumab is designed to inhibit the function of both DLL4 and VEGF and thereby has the potential to induce anti-tumor activity while mitigating certain toxicities. Preclinical data of dual DLL4 and VEGF inhibition in xenograft tumor models have demonstrated superior anti-tumor activity compared to either anti-DLL4 or anti-VEGF alone and anti-tumor activity was observed in multiple tumor types including colon, ovarian, breast and pancreatic. We have also observed that navicixizumab induced a down-regulation of vasculature-related genes and decreased vasculature density. An improved cardiac safety profile was also observed in cynomolgus monkeys compared to anti-DLL4 alone.

We presented first-in-human data from a Phase Ia clinical trial of single-agent navicixizumab in November 2016 at the 28th EORTC-NCI-AACR Molecular Targets and Cancer Therapeutics Symposium. As of the data cut off of October 17, 2016, a total of 51 patients with advanced solid tumors had received single-agent doses ranging from 0.5 to 12.5 mg/kg every three weeks. Single-agent anti-tumor activity was observed and navicixizumab was safe enough to be administered on a continuous basis to most patients. Two of the 46 patients (4%) evaluable for anti-tumor effects had unconfirmed partial responses, while another sixteen (35%) patients achieved stable disease. The partial responses occurred in patients with ovarian cancer and uterine carcinosarcoma. Five of eight (63%) evaluable ovarian patients had reductions in tumor volume and remained on therapy ranging from 129 to greater than 323 days as of the data cut-off date. Navicixizumab was generally well tolerated with hypertension, headache, fatigue and pulmonary hypertension being the most common drug-related toxicities. The hypertension was successfully managed with a protocol-defined anti-hypertensive regimen and most pulmonary hypertension adverse events were reversible and of mild to moderate severity, although a few cases of Grade 3 pulmonary hypertension occurred at high doses.

We have initiated two Phase Ib clinical trials to assess the safety, preliminary efficacy, immunogenicity and pharmacokinetics of navicixizumab in combination with standard-of-care chemotherapy in ovarian and colorectal cancers. A Phase Ib multicenter, open-label, dose-escalation and expansion trial in ovarian cancer combines navicixizumab with paclitaxel and is expected to enroll approximately 30 patients with platinum-resistant ovarian cancer (including fallopian tube or primary peritoneal cancers) who have previously received bevacizumab and/or have failed greater than two prior therapies. The Phase Ib trial of navicixizumab in combination with FOLFIRI chemotherapy in colorectal cancer is also expected to enroll approximately 30 patients with metastatic colorectal cancer who have failed first-line treatment, typically bevicizumab plus folinic acid, fluorouracil and oxaliplatin, or FOLFOX, chemotherapy.

Navicixizumab is part of our strategic collaboration with Celgene. Celgene retains an option during certain time periods through the end of certain Phase I clinical trials to obtain an exclusive license to co-develop and co-commercialize navicixizumab. If Celgene exercises its option to navicixizumab, we would be entitled to receive a $25.0 million opt-in payment. Upon option exercise, we and Celgene would co-develop and co-commercialize navicixizumab in the U.S., sharing profits 50/50, while Celgene would lead development and commercialization outside the U.S. Additional details related to our collaboration with Celgene are described below under “Key Collaboration and License Agreements—Strategic Alliance with Celgene.”

**Anti-TIGIT (OMP-313M32)**

TIGIT is an inhibitory receptor similar to the inhibitory protein PD-1, and via interactions with its ligands may block T-cells from attacking tumor cells. Our anti-TIGIT therapeutic is intended to activate the immune system, through multiple mechanisms, and enable anti-tumor activity. In December 2016, we filed an IND application with the FDA for anti-TIGIT. A Phase I clinical trial of anti-TIGIT is currently enrolling patients. The protocol was recently amended to add an arm assessing the dose escalation of anti-TIGIT plus anti-PD1. We expect to begin treating patients in this arm of the study in first half of 2018.

In preclinical studies with anti-TIGIT antibodies, we have observed immune activation and robust anti-tumor activity — both as a single agent and in combination with other cancer immunotherapeutics including anti-PD1. At the 2017 American Association of Cancer Research (AACR) meeting, we presented preclinical data demonstrating the capacity of an anti-TIGIT antibody to induce long-term immune memory and durable anti-tumor response.

Anti-TIGIT is part of our collaboration with Celgene. Upon the completion of certain enrollment criteria in the Phase I clinical trial, Celgene will have the option to obtain an exclusive license to anti-TIGIT. If Celgene exercises
its option to obtain a license to anti-TIGIT, Celgene would then lead and fully fund further development and commercialization, and we would be entitled to receive a $35.0 million opt-in payment. Additional details related to our collaboration with Celgene are described below under “Key Collaboration and License Agreements—Strategic Alliance with Celgene.”

**GITRL-Fc (OMP-336B11)**

The TNF family of cytokines, which is comprised of approximately twenty members, plays a central role in immune system function and induces diverse effects such as apoptosis, immune cell activation, differentiation, and cell migration, among other cellular functions. As such, in cancer the TNF family plays an important role in immune surveillance, tumorigenesis and tumor progression. We are conducting research efforts to harness the ability of the TNF family of ligands to stimulate a targeted immune response against tumor cells. Among several novel discoveries in preclinical testing are robust T-cell activating agents utilizing fully human single-gene trimeric ligands attached to antibody frameworks. GITRL-Fc (OMP-336B11) is the first of these agents to advance to clinical testing.

Activation of GITR enhances T-cell modulated immune responses, making it a promising target for stimulating immune system activity against tumor cells. Our GITR ligand therapeutic candidate is engineered using a novel single-gene linkerless trimer technology which enables effective activation of the receptor, GITR. In preclinical models, this design has achieved robust anti-tumor immune responses alone and in combination with other immuno-oncology agents. This program is wholly owned by OncoMed. A Phase I clinical trial of GITRL-Fc is currently enrolling patients.

In a series of preclinical studies presented at the CRI-CIMT-EATI-AACR Inaugural International Cancer Immunotherapy Conference in September 2015, our GITRL-Fc activated GITR signaling more effectively than an agonist GITR antibody and promoted robust anti-tumor immune responses, including the potentiation of antigen-specific T-cell Th1 type immunity and a reduction of regulatory T-cell (Treg) immune suppressive activity. In multiple murine tumor graft models our GITRL-Fc enabled complete eradication of some tumors as a single agent.

At the 2016 American Association of Cancer Research (AACR) meeting we presented additional preclinical data that showed that as a single-agent, GITRL-Fc did not induce the broad release of cytokines in the plasma and spleen that we have observed with a GITR agonist antibody, suggesting the potential for an improved safety profile relative to agonist antibodies. The preclinical activity of GITRL-Fc was also studied in comparison and in combination with anti-PDL1 and anti-PD1. GITRL-Fc resulted in a number of complete tumor regressions as a single agent and demonstrated greater anti-tumor activity than single-agent anti-PDL1 or anti-PD1. The anti-tumor activity of GITRL-Fc in combination with either anti-PDL1 or anti-PD1 reduced tumor growth beyond that of any of the agents alone. Mice whose tumors showed complete regressions following treatment with GITRL-Fc, GITRL-Fc/anti-PDL1 or GITRL-Fc/anti-PD1 were protected from re-challenge with parental tumor cells, indicating the development of anti-tumor immunologic memory.

**Rosmantuzumab (anti-RSPO3, OMP-131R10).**

Rosmantuzumab is a first-in-class monoclonal antibody targeting the RSPO-LGR cancer stem cell pathway. RSPO overexpression is associated with the growth of a number of solid tumors, including certain colorectal cancers. Rosmantuzumab was recently studied in a Phase Ia/b clinical trial. The Phase Ia portion of the trial was in solid tumor patients, and the Phase Ib portion was in patients with certain colorectal or gastric cancers and combined rosmantuzumab with standard-of-care chemotherapy, and we used a CLIA-validated assay and a custom liquid biopsy test in the trial to identify tumors with RSPO3-high gene expression and gene fusions. Our clinical experience in treating patients in the Phase Ia/b clinical trial failed to provide compelling evidence of clinical benefit. The rosmantuzumab program is part of our strategic collaboration with Celgene, which is discussed below under “Key Collaboration and License Agreements—Strategic Alliance with Celgene.” We are currently discussing next steps for the rosmantuzumab program with Celgene.
**Wnt Pathway Small Molecule Inhibitors**

As part of our Bayer collaboration, we and Bayer jointly initiated discovery efforts to identify small molecule inhibitors of the Wnt pathway. We developed assay technologies and transferred those to Bayer. Bayer utilized its extensive medicinal chemistry assets and capabilities to discover small molecule drug candidates that modulate Wnt signaling, and we employed our internal lead validation technologies to evaluate candidate compounds as a basis for advancing them into development. OncoMed participates in a Joint Steering Committee, but is currently conducting no other activities related to the Wnt pathway small molecule program.

**Our Proprietary Drug Discovery Platform**

Since our founding, we have developed a suite of proprietary technologies which enable the identification of pathways and targets suited to drug intervention, as well as the testing and validation of new drug candidates. Some of our earliest technologies allowed us to identify and/or validate multiple potential targets critical to CSC self-renewal and differentiation, and then robustly test for in vivo efficacy and identify potential biomarkers. We are now leveraging these cancer biology resources in the identification of novel immuno-oncology candidates that we believe are differentiated from other emerging approaches. Across our portfolio, we apply specialized antibody and biologic engineering capabilities and technologies to discover and optimize our antibody and protein-based therapeutics for targeted modulation of the desired target. We believe that the use of these proprietary technologies described below may provide us with a competitive advantage in cancer drug discovery and development.

**Protein and Antibody Engineering Technologies**

Our antibody expertise is leveraged to enable novel biologics with characteristics tailored to the specific therapeutic target. We have utilized our technologies to enable bispecific and multi-specific antibodies, receptor-Fc fusion proteins, and trimeric ligand-Fc fusion proteins. We believe our breadth of protein and antibody engineering technologies provides an integrated platform for the development of next-generation immunotherapeutic agents.

**Mammalian Display Technology**

We have developed a proprietary mammalian display antibody technology (MAbTrap™) that may enhance our ability to find rare and unique antibody therapeutic candidates. This technology utilizes flow cytometry to isolate mammalian cells expressing antibodies on the cell surface with desired characteristics from large libraries of candidate antibodies. We can also utilize this technology to fine-tune the characteristics of newly discovered antibodies.

**Bispecific Antibody Technology**

We have also developed a proprietary bispecific antibody technology (BiMab™), which has been used to generate navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83) and is being used by our research group to generate other novel therapeutic candidates. This technology increases the potential for additional innovative antibodies that leverage the synergistic activity that we have observed with certain combinations of therapeutic targets.

**Hybridoma Technology**

We have substantial expertise in hybridoma technologies for isolating antibodies from mice, including proprietary multiplex single-cell screening techniques. This capability includes the ability to often identify antibodies that cross-react with similar affinity to targets in human, cynomolgus monkey, rat, mouse and other species useful to facilitate drug development and toxicology testing. Humanized antibody therapeutic candidates derived from this effort include our therapeutic candidate anti-TIGIT.

**Linkerless Trimer Technology**

We believe we have developed expertise in creating biologics that have the potential to robustly activate members of the TNF receptor family. Our approach utilizes a linkerless trimer technology that enables the
production of fully human ligand-Fc fusion proteins contacting single-gene trimers of TNF family ligands. We believe this approach may enable more robust efficacy than agonist antibody approaches. GITRL-Fc (OMP-336B11) is our first program utilizing this technology to advance towards clinical testing.

**Biologics Production and Manufacturing**

We also have assembled significant expertise in biologics production. We develop production cell lines, protein recovery processes and analytical methods in-house, and utilize contract manufacturing organizations for actual production of drug product and drug substance materials. We believe this approach allows us to generate quality antibodies and other biologics in a capital-efficient manner.

**Human Tumor Bank and Tumor Models**

We have developed a proprietary human tumor xenograft bank. This tumor bank consists of over 300 established tumors sourced from patients with various types of cancer, including pancreatic, breast, colon, lung, ovarian, melanoma and other cancers. We believe these patient-derived models are more representative of the clinical features of human tumors than the cell line-based models used in traditional cancer research, and our models also offer the ability to test the effects of therapeutic candidates on human tumors with varied genetic backgrounds.

As our portfolio of therapeutic candidates has expanded to include immuno-oncology therapeutic candidates, we have added numerous syngeneic mouse models to characterize the anti-tumor activity of a given agent as well as to gain insights into possible immune system activation. These efforts leverage our expertise in receptor-ligand biology, and have resulted in the potential identification of certain novel undisclosed targets that are intended to restore immune system function against tumors. We have generated several models in-house in mice with intact immune systems to study this biology, as well as several novel hybrid models with human tumors and partially-intact mouse immune function.

We have characterized our tumor models in detail, including sequencing of key genes that are known to drive cancer, histology and immunohistochemical (IHC) analysis, flow cytometry, single nucleotide polymorphism (SNP) assessment characterization of gene amplifications and deletions, and gene expression profiling. This characterization is useful for us to correlate response of our agents in relation to the genetic background and biochemical characteristics of the tumor. Our established tumor models continue to inform many of our clinical development strategies.

**Biomarker Discovery**

We have established capabilities for analyzing both predictive and pharmacodynamic biomarkers extensively in our preclinical studies and also in our clinical trials.

Predictive biomarkers are useful in identifying subsets of cancer patients with an increased probability of responding favorably to a particular treatment.

We have utilized our collection of patient-derived xenograft models and multiple other approaches to discover predictive biomarkers that correlate with response in preclinical studies and are evaluating these biomarkers for potential utility in patient selection for our clinical-stage molecules.

Pharmacodynamic biomarkers are useful for determining whether a therapeutic is effectively modulating its intended target—information that is critical for optimizing the dose and schedule for delivery of therapeutics. We conduct multiple pharmacodynamic analyses to look at gene expression, protein changes, and modulation of specific immune cell populations and markers, including key immune cell modulators and targets in response to our therapeutic candidates in tumor biopsies in blood and in surrogate tissues. Using state-of-the-art methods, we have demonstrated on-target pharmacodynamic effects for multiple therapeutic candidates in clinical and pre-clinical studies.
Programs Discontinued in 2017

During the course of 2017, we had multiple clinical trial data readouts and partner decisions, and as a result we decided to discontinue development of multiple therapeutic product candidates. The discontinued programs are as follows:

- **Demcizumab (Anti-DLL4, OMP-21M18).** Demcizumab was a first-in-class humanized monoclonal antibody that inhibits DLL4 in the Notch signaling pathway. Demcizumab was evaluated in a randomized Phase II trial in pancreatic cancer (known as “YOSEMITE”), a randomized Phase II trial in non-small cell lung cancer, or NSCLC (known as “DENALI”), and a Phase Ib trial combining demcizumab and pembrolizumab (Keytruda®), an anti-Programmed Death-1, or anti-PD-1, antibody in solid tumor patients. The results of these trials were not sufficiently encouraging. Thus, the development of demcizumab was discontinued.

- **Tarextumab (Anti-Notch2/3, OMP-59R5).** Tarextumab was a first-in-class fully human monoclonal antibody that inhibited signaling by the Notch2 and Notch3 receptors. We conducted a Phase Ib/II randomized trial (known as “PINNACLE”) of tarextumab in combination with etoposide and platinum-based chemotherapy in first-line extensive-stage small cell lung cancer and a Phase Ib/II randomized trial (known as “ALPINE”) of tarextumab in combination with gemcitabine/Abraxane in first line pancreatic cancer patients. The results of these trials were not sufficiently encouraging. Thus, the development of tarextumab was discontinued.

- **Brontictuzumab (Anti-Notch1, OMP-52M51).** Brontictuzumab inhibits signaling of the Notch1 pathway, an important CSC pathway implicated in chemoresistance, tumor angiogenesis and stem cell self-renewal, proliferation and differentiation. We conducted a Phase Ib clinical trial of brontictuzumab in combination with trifluridine/tipiracil (Lonsurf®) in colorectal cancer patients. Because the combination of brontictuzumab plus chemotherapy was not tolerable in this patient population, we discontinued our brontictuzumab program entirely.

- **Wnt pathway inhibitors - Vantictumab (Anti-Fzd, OMP-18R5) and Ipafricept (Fzd8-Fc, OMP-54F28).** Vantictumab was a fully human monoclonal antibody that binds a conserved epitope on five frizzled receptors and inhibits Wnt signaling. We conducted three Phase Ib clinical trials of vantictumab in combination with standard-of-care chemotherapy in HER2-negative breast cancer, pancreatic cancer and non-small cell lung cancer. Ipafricept, a proprietary fusion protein based on a truncated form of the frizzled 8 receptor, or Fzd8, was our second therapeutic candidate targeting the Wnt pathway. We conducted three Phase Ib clinical trials of ipafricept in combination with standard-of-care chemotherapy, in platinum-sensitive ovarian, hepatocellular carcinoma and pancreatic cancers. We have discontinued clinical development of these two therapeutic candidates but continue to evaluate potential partnering opportunities.

Key Collaboration and License Agreements

In the normal course of our business, we enter into a variety of collaboration, partnership and license arrangements with third parties, certain of which are discussed below.

**Strategic Alliance with Celgene**

In December 2013, we entered into a collaboration agreement with Celgene pursuant to which we and Celgene are collaborating on research and development programs directed to the discovery and development of novel biologic therapeutics, and, if Celgene exercises an option to do so, the discovery, development and commercialization of novel small molecule therapeutics.

The biologic therapeutic programs under the agreement include demcizumab, navicixizumab, rosmantuzumab, and anti-TIGIT. Celgene has options to obtain an exclusive license to develop further and commercialize biologic therapeutics in these programs, which may be exercised during time periods specified in the collaboration agreement through the earlier of completion of certain clinical trials or the twelfth anniversary of the date of the collaboration agreement. Celgene’s options may be exercised on a program-by-program basis. Celgene had the right to designate up to two additional biologic therapeutic programs targeting the RSPO-LGR signaling pathway or an undisclosed...
pathway for inclusion in the collaboration, but this right expired on the fourth anniversary of the date of the collaboration agreement. Celgene also had an additional option, which expired unexercised on the fourth anniversary of the date of the collaboration agreement, that would have permitted Celgene to discover, develop and commercialize small molecule therapeutics directed to targets in an undisclosed pathway under the collaboration.

Pursuant to the Agreement, we lead the discovery and development of each biologic therapeutic product prior to Celgene’s exercise of its option for the applicable program. Following Celgene’s exercise of its option for our demcizumab program, navicixizumab program, or rosmantuzumab program, we would enter into an agreed form of co-development and co-commercialization agreement with Celgene for such program, pursuant to which we will have the right to co-develop and to co-commercialize products arising out of such program in the United States, and Celgene will have the exclusive right to develop and commercialize products arising out of such program outside of the United States. Our involvement in co-commercialization will include participation in specified promotion activities by means of an OncoMed dedicated sales force of up to half of the overall sales force for the applicable program products, as well as marketing and other commercial activities, with Celgene booking sales of products. We will be responsible for a one-third share of the global development costs of product candidates for programs that we are co-developing with Celgene, with Celgene bearing the remaining two thirds of such costs.

We may elect not to co-develop and co-commercialize any products arising under such programs at any time, either prior to, or following Celgene’s option exercise, with the exception of a defined period of time near commercial launch of a product under a program. If we opt out of our co-development and co-commercialization rights with respect to a program, Celgene will have the exclusive right to develop and commercialize products arising out of such program on a worldwide basis. On June 29, 2017, Celgene informed us that it does not intend to exercise its option for the demcizumab program. Our clinical experience in treating patients in our Phase Ia/b clinical trial of rosmantuzumab has failed to provide compelling evidence of clinical benefit, and we are discussing next steps for the program with Celgene.

For our anti-TIGIT program, upon option exercise by Celgene, we will be required to enter into an agreed form of a license agreement with Celgene, pursuant to which Celgene retains all rights to develop further and commercialize biologic therapeutic products on a worldwide basis, with certain support for development from us.

In addition to an upfront cash payment of $177.2 million, including an equity investment of $22.2 million, we are eligible to receive opt-in payments upon Celgene’s exercise of the option for each biologic therapeutic program. The collaboration also includes milestone payments for achievement of specified development, regulatory and commercial milestones, paid on a per-product and per-program basis. The option exercise payments and payments for achievement of development, regulatory and commercial milestones may total up to (1) $505.0 million for products in the navicixizumab program, including a $25.0 million opt-in payment, (2) approximately $442.8 million for products in the rosmantuzumab program, including an approximately $37.8 million opt-in payment, and (3) $440.0 million for products in the anti-TIGIT program, including a $35.0 million opt-in payment.

For the navicixizumab program and the rosmantuzumab program, if we choose to co-develop and co-commercialize biologic therapeutic products in the United States, we are entitled to share 50% of all product profits and losses in the United States. For such programs outside the United States, we are eligible to receive tiered royalties equal to a percentage of net product sales outside of the United States in the mid-single digits to the mid-teens. For the anti-TIGIT program, and for the navicixizumab program and/or the rosmantuzumab program if we elect not to co-develop or co-commercialize biologic therapeutic products under such program, Celgene is required to pay us tiered royalties equal to a percentage of net product sales worldwide in the high-single digits to the high-teens, with such royalties being increased where we had the right to co-develop and co-commercialize such biologic therapeutic products under such program but elected not to do so. We are responsible for funding all research and development activities for biologic therapeutics under the collaboration prior to Celgene’s exercise of the option for such program.

Our collaboration agreement with Celgene will terminate upon the expiration of all of Celgene’s payment obligations under all license or co-development and co-commercialization agreements entered into with respect to programs following Celgene’s exercise of an option for a given program, or if all of Celgene’s options under the collaboration agreement expire without Celgene exercising any of its options. The collaboration agreement may be terminated by either party for the insolvency of, or an uncured material breach of the collaboration agreement by, the other party. In addition, Celgene may terminate the collaboration agreement in its entirety or with respect to one or more programs subject to the collaboration, for any reason, upon 120 days’ prior written notice to us and upon 60
days’ prior written notice in the event that Celgene reasonably believes that such termination is necessary in order to comply with any antitrust laws. We may also terminate the collaboration agreement with respect to one or more programs in the event that Celgene challenges the licensed patents with respect to such program.

If Celgene does not exercise its option with respect to a biologic therapeutic program before such option expires, we retain worldwide rights to such program, except that if Celgene exercises its option to obtain a license for either the demcizumab program or the navicixizumab program, then for so long as such license is in effect, we cannot develop or commercialize products under the other of such two programs. In addition, under certain termination circumstances, we would also have worldwide rights to the terminated biologic therapeutic programs.

In December 2013, we sold 1,470,588 shares of our common stock to Celgene at a price of $15.13 per share, which resulted in gross proceeds to us of $22.2 million. We agreed with Celgene that, after we have qualified for the use of Form S-3 and upon the written request of Celgene, we would prepare and file with the Securities and Exchange Commission a registration statement on Form S-3 for purposes of registering the resale of the shares specified in Celgene’s written request. We also agreed, among other things, to indemnify Celgene under the registration statement from certain liabilities and to pay all fees and expenses (excluding any legal fees of the selling holder(s) above $10,000 per registration statement and any underwriting discounts and selling commissions) incident to our obligations to register the resale of Celgene’s shares of our common stock.

**Strategic Alliance with Bayer**

In June 2010, we entered into a strategic alliance with Bayer to discover, develop and commercialize novel anti-CSC biologic and small molecule therapeutics targeting the Wnt signaling pathway. Under this collaboration, Bayer could have exercised its option to obtain an exclusive license to develop and commercialize biologic therapeutics in one or more defined biologic therapeutic classes. However, effective June 16, 2017, Bayer terminated all biologic therapeutic programs under this collaboration. Under this collaboration, we and Bayer also agreed to jointly conduct research to discover potential new small molecule therapeutics targeting the Wnt pathway, and we granted Bayer a non-exclusive license to our Wnt pathway assay technology for the research and development of such small molecule therapeutics. Bayer may, within a specified time period, elect to advance such small molecule therapeutics into development, and obtain an exclusive license to commercialize such therapeutics. Bayer leads discovery, development and commercialization of such small molecule therapeutics. Bayer is obligated to make payments to us upon achievement of research, development, regulatory and commercial milestones, plus advancement fees, for small molecule therapeutics that could total up to $112.0 million per program, in addition to single-digit percentage royalties on net product sales.

Our agreement with Bayer includes several committees, including a Joint Steering Committee and a Joint Development Sub-Committee, among others, that meet regularly to discuss our activities in the collaboration. Decisions are generally made jointly through these committees, however Bayer generally has final decision-making authority with respect to development of small molecule projects.

Our agreement with Bayer and their payment obligations thereunder will expire on a product by product and country by country basis on the last to occur of (i) the expiry of certain patent rights covering the product in such country, (ii) the expiration of any regulatory exclusivity period in such country, or (iii) ten years from first commercial sale of such product in such country. Our agreement will also expire if Bayer does not elect to advance the small molecule therapeutics program into development within the time period specified in the agreement. Either party may terminate the agreement for any material breach by the other party that the breaching party fails to cure. Bayer may terminate the agreement for any reason or no reason upon prior notice to us. Either party may terminate the agreement upon bankruptcy or insolvency of the other party, and we may terminate the agreement if Bayer challenges the licensed patents.
Summary of Potential Future Milestones from Bayer and Celgene Programs:

Overall, under our collaboration agreements with Celgene and Bayer, we are eligible for approximately $1.49 billion in total potential milestone, opt-in, and post-opt-in contingent consideration payments from our partners in future years beginning January 1, 2018, including up to the following approximate amounts for individual programs:

- Navicixizumab: $505.0 million
- Anti-TIGIT: $437.5 million
- Rosmantuzumab: $440.2 million
- Bayer small molecule programs: $110.0 million

As of December 31, 2017, we have received over $465.5 million in total from our prior and current partners since 2007, including upfront payments, milestones, fees, and equity investments.

The University of Michigan

In January 2001, Cancer Stem Cell Genomics, Inc. entered into a license agreement with the Regents of the University of Michigan, or the University of Michigan. In 2004, Cancer Stem Cell Genomics, Inc. merged with and into us, and we assumed this license agreement with the University of Michigan. Under the agreement and in exchange for certain additional consideration, the University of Michigan has granted to us an exclusive, royalty-bearing, worldwide license under certain patent rights, and a nonexclusive, worldwide license under certain technologies, to make, have made, import, use, market, offer for sale or sell products and to practice processes for any use, including human therapeutic or diagnostic use, that are covered by the licensed patents. Technologies covered by the licensed patents include certain enriched CSC compositions, CSC markers, diagnostic methods, as well as certain therapeutic methods using certain anti-CSC antibodies. Additional details regarding certain patent rights exclusively licensed to us under the agreement are described in more detail below under “Intellectual Property.” The University of Michigan reserved certain rights to the licensed patents for noncommercial research and education purposes.

We are required to pay to the University of Michigan an annual license maintenance fee and reimburse the University of Michigan for expenses associated with the prosecution and maintenance of the licensed patents, both of which are credited towards future royalty payments. We are also required to pay to the University of Michigan percentage royalties in the low single digits based on net sales by us or our sublicensees of products or processes covered by the licensed patents until expiry of the patents. With respect to one family of licensed patent applications that does not relate to any of our lead therapeutic programs, we are also required to pay a tiered, single-digit percentage of any sublicense revenues, including any upfront or milestone payments, received from any sublicensees under such family of patents. Once the University of Michigan has received $10.0 million in royalties, we may, at our option, convert the license to a fully paid-up license provided we transfer to the University of Michigan shares of our non-voting capital stock equal to 0.25% of the fully diluted number of shares outstanding at the time of our election. We are required to use commercially reasonable efforts to develop and commercialize products and processes within certain time periods.

If not terminated earlier, this agreement terminates upon the expiration of all patent rights licensed under this agreement. Either party may terminate the agreement for any material breach by the other party that the breaching party fails to cure. We may terminate the agreement at any time upon expiration of a defined notice period.

Lonza Sales AG

In August 2012, we entered into a multi-product license agreement with Lonza Sales AG, or Lonza. This agreement relates to the process development and manufacturing of our biologics portfolio with Lonza. Under the multi-product license agreement, we receive licenses to utilize Lonza’s glutamine synthetase gene expression system and related technologies for commercial production of our product candidates. Under this license agreement, we paid an upfront payment of $488,000 and is obligated to pay Lonza payments up to £200,000 (approximately $270,000) per licensed product on achievement of specified milestones, and royalties up to the very low single digits on sales of licensed products. The multi-product license agreement shall remain in force on a product by product and
country by country basis until expiration of our obligation to make payments to Lonza with respect to such product in such country. The agreement can otherwise be terminated by us for any reason or no reason upon advance written notice to Lonza, or by either us or Lonza upon the other party’s material breach of the agreement, or if the other party ceases to carry on business. Lonza may also terminate the licenses granted under the agreement if we challenge any of the Lonza patent rights.

Intellectual Property

Our commercial success depends in part on our ability to obtain and maintain proprietary protection for our product candidates, novel biological discoveries, antibody technologies, biomarkers, screening technologies and other know-how, to operate without infringing on the proprietary rights of others and to prevent others from infringing our proprietary rights. Our policy is to seek to protect our proprietary position by, among other methods, filing U.S., international and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development and implementation of our business. We also rely on trade secrets, know-how and continuing technological innovation to develop and maintain our proprietary position.

As a normal course of business, we pursue both composition-of-matter patents and method-of-use patents for our product candidates. We also seek patent protection with respect to novel biological discoveries, including new targets and applications, as well as to biomarkers and novel antibody technologies.

As of December 31, 2017, our patent portfolio includes over 50 OncoMed-owned patent families, which collectively include hundreds of individual patents and pending patent applications. In addition to the patents and patent applications owned solely by us, our patent portfolio also includes patents and patent applications licensed from the University of Michigan. As of December 31, 2017, we had an exclusive, worldwide license from the University of Michigan to over 40 issued U.S. and foreign patents, as well as a few pending patent applications in the U.S. or Europe. A few of the patents in the portfolio licensed from the University of Michigan are jointly owned by us.

The patent portfolios for navicixizumab, anti-TIGIT, GITRL-Fc, and rosmantuzumab as of December 31, 2017, are summarized below.

• **Navicixizumab (Anti-DLL4/VEGF bispecific, OMP-305B83).** Our navicixizumab portfolio includes a core patent family that is solely owned by us and covers both the composition of matter and methods of use of navicixizumab. As of December 31, 2017, this family includes three issued U.S. patents, an allowed U.S. patent application, and another pending U.S. patent application, as well as corresponding patents or patent applications in certain foreign jurisdictions. Patents that have issued or will issue in this core family are generally expected to expire in 2032.

  Our portfolio also includes several other issued U.S. and foreign patents that relate to navicixizumab, certain methods of its use, and/or related biomarkers, which expire between 2021 and 2033. An issued U.S. patent exclusively licensed by us from the University of Michigan that broadly covers the use of anti-DLL4 antibodies for the treatment of cancer expires in 2022.

  Additional U.S., PCT, and foreign patent applications solely owned by us that relate to navicixizumab, certain methods of its use, and/or related biomarkers are also pending and, to the extent they issue, are expected to expire between 2027 and 2036.

• **Anti-TIGIT (OMP-313M32).** A core patent family in our anti-TIGHT portfolio is solely owned by us and covers both the composition of matter and methods of use of our anti-TIGIT therapeutic candidate. This family includes pending patent applications in the U.S. and certain foreign jurisdictions. To the extent that these patent applications issue as patents, they are generally expected to expire in 2036.

  Also included in our anti-TIGIT portfolio is a PCT application that relates to certain uses of our anti-TIGIT therapeutic candidate. To the extent that this application is used to establish U.S. and/or foreign patent applications that issue as patents, the patents are generally expected to expire in 2037.

• **GITRL-Fc (OMP-336B11).** Our GITRL-Fc portfolio includes a core patent family that is solely owned by us and covers both the composition of matter and methods of use of our GITRL-Fc therapeutic candidate, as well as certain other trimers of TNF family ligands. The core patent family includes an
issued U.S. patent, a pending U.S. patent application, and corresponding patent applications in certain foreign jurisdictions. Patents that have issued or will issue in this core family are generally expected to expire in 2036.

Our GITRL-Fc portfolio also includes provisional applications that relate to certain uses of our GITRL-Fc therapeutic candidate. To the extent that these applications are used to establish nonprovisional patent applications that issue as patents, the patents are generally expected to expire in 2038.

- **Rosmantuzumab (Anti-RSPO3; OMP-131R10).** A core patent family in our rosmantuzumab portfolio is solely owned by us and covers both the composition of matter and methods of use of rosmantuzumab. This family includes two issued U.S. patents and one pending U.S. patent application, as well as corresponding foreign patents or patent applications in certain foreign jurisdictions. Patents that have issued or will issue in this core family are generally expected to expire in 2033.

  We are also sole owners of a patent family that includes issued U.S. patents broadly covering certain anti-RSPO3 antibodies or certain uses of such anti-RSPO3 antibodies. The family also includes pending U.S. patent applications, as well as several foreign patents and patent applications. The patents in this family are generally expected to expire in 2028. The granted European patent in this family was recently revoked in an opposition proceeding at the European Patent Office, or EPO, but we are appealing that decision. For details, see "Risk Factors – Risks related to our Intellectual Property“.

  Also included in our rosmantuzumab portfolio are additional foreign, PCT, and U.S. patent applications that relate to rosmantuzumab, certain uses of rosmantuzumab, and/or related biomarkers. To the extent these applications issue as patents, they will generally be expected to expire between 2032 and 2037.

The term of individual patents depends upon the legal term for patents in the countries in which they are obtained. In most countries, including the United States, the patent term is 20 years from the earliest filing date of a non-provisional patent application. In the United States, a patent’s term may be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the U.S. Patent and Trademark Office, or the USPTO, in examining and granting a patent, or may be shortened if a patent is terminally disclaimed over an earlier filed patent. The term of a patent that covers a drug or biological product may also be eligible for patent term extension when FDA approval is granted, provided statutory and regulatory requirements are met. Under the Biologics Price Competition and Innovation Act of 2009, or BPCIA, products approved as a biological product under a biologics license application, or BLA, in the United States may qualify for a 12-year period of non-patent exclusivity. See “Government Regulation—Biologics License Applications” below for additional information on such exclusivity. In the future, if and when our product candidates receive approval by the FDA or foreign regulatory authorities, we expect to apply for patent term extensions on issued patents covering those products, depending upon the length of the clinical trials for each drug and other factors, including those involved in the filing of a BLA.

As with other biotechnology and pharmaceutical companies, our ability to maintain and solidify our proprietary position for our product candidates and technologies will depend on our success in obtaining effective claims and enforcing those claims once granted. However, patent applications that we may file or license from third parties may not result in the issuance of patents. We also cannot predict the breadth of claims that may be allowed or enforced in our patents. The issued patents that we own or license, or may receive in the future, may be challenged, invalidated or circumvented. For example, we cannot be certain of the priority of inventions covered by pending third-party patent applications. If third parties have prepared and filed patent applications in the United States that also claim technology or therapeutics to which we have rights, we may have to participate in interference proceedings in the USPTO to determine priority of invention, which could result in substantial costs to us, even if the eventual outcome is favorable to us. We may also need to participate in legal proceedings before courts in the U.S. or foreign countries, inter partes or post-grant review proceedings before the USPTO, or opposition proceedings before the EPO regarding patents in our portfolio. In addition, because of the extensive time required for clinical development and regulatory review of a product candidate we may develop, it is possible that, before any of our product candidates can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby reducing any advantage of any such patent.

Our commercial success, like the commercial success of other companies in our industry, will depend in part on not infringing upon the proprietary rights of third parties. It is uncertain whether the issuance of any third-party
We or our collaborators may not have rights under some patents that may cover the composition of matter, manufacture or use of product candidates that we seek to develop and commercialize, drug targets to which our product candidates bind, or technologies that we use in our research and development activities. As a result, our ability to develop and commercialize our product candidates may depend on our ability to obtain licenses or other rights under such patents. The third parties who own or control such patents may be unwilling to grant those licenses or other rights to us or our collaborators under terms that are commercially viable or at all. We may become involved in legal proceedings before courts in the U.S. or foreign countries or other proceedings, such as opposition proceedings before the EPO or inter partes review, post-grant review, or interference proceedings before the USPTO, challenging the validity or enforceability of such patents owned by third parties, but such proceedings may not be resolved in our favor. Third parties who own or control such patents could bring claims based on patent infringement against us or our collaborators and seek monetary damages and to enjoinder further clinical testing, manufacturing and marketing of the affected product candidates or products. The biotechnology and pharmaceutical industries are characterized by extensive litigation regarding patents and other intellectual property rights. If a third party commences a patent infringement action against us, or our collaborators, it could consume significant financial and management resources, regardless of the merit of the claims or the outcome of the litigation. If we do not settle and are not successful in defending against any such patent infringement action, we could be required to pay substantial damages or we, or our collaborators, could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is claimed by the third party’s patent. For more information related to third party rights, see "Risk Factors – Risks related to our Intellectual Property".

In addition to patents, we rely upon unpatented trade secrets and know-how and continuing technological innovation to develop and maintain our competitive position. We seek to protect our proprietary information, in part, using confidentiality agreements with our collaborators, employees and consultants, and invention assignment agreements with our employees. We also have agreements requiring assignment of inventions with selected consultants and collaborators. The confidentiality agreements are designed to protect our proprietary information and, in the case of agreements or clauses requiring invention assignment, to grant us ownership of technologies that are developed through a relationship with a third party.

**Competition**

We compete in the pharmaceutical, biotechnology and other related markets that address solid tumor cancers and hematologic cancers. We face significant competition from many pharmaceutical and biotechnology companies that are also researching and selling products designed to address these markets. Many of our competitors have materially greater financial, manufacturing, marketing, legal, research and drug development resources than we do. Large pharmaceutical companies in particular have extensive expertise in preclinical and clinical testing and in obtaining regulatory approvals for drugs. In addition, academic institutions, government agencies, and other public and private organizations conducting research may seek patent protection with respect to potentially competitive products or technologies. These organizations may also establish exclusive collaborative or licensing relationships with our competitors.

It is possible that our competitors will develop and market drugs or other treatments that are less expensive and more effective than our product candidates, or that will render our product candidates obsolete. It is also possible that our competitors will commercialize competing drugs or treatments before we or our current or future partners can launch any products developed from our product candidates. If approved for marketing by the FDA or other regulatory agencies worldwide, our product candidates would compete against existing cancer treatments such as Avastin®, Erbitux®, Yervoy™, Keytruda®, Opdivo®, chemotherapies, and potentially against other novel drug candidates or treatments that are currently in development. Additionally, there have been several additional monoclonal antibodies in development for cancer, such as Abbvie’s ABT-165, an anti-DLL4/VEGF dual variable domain immunoglobulin, which is reportedly being studied in clinical trials.

In the immuno-oncology field, there are several companies reportedly advancing programs modulating TIGIT and/or GITR in early stage research and development, including Genentech (Roche), Merck, and Bristol-Myers Squibb or BMS.
Established pharmaceutical and biotechnology companies that are known to be involved in oncology research and currently sell or are developing drugs in our markets of interest include Amgen, AbbVie, Astellas, AstraZeneca, Bayer, BMS, Celgene, Genentech (Roche), GSK, Johnson & Johnson, Lilly, Merck, Merck Serono, Novartis, Pfizer, Regeneron, Sanofi, and others. There are also biotechnology companies of various sizes that are developing therapies against immuno-oncology targets, and others also compete with us in recruiting and retaining qualified scientific and management personnel, and in acquiring technologies complementary to, or necessary for, our programs.

Manufacturing

Our current product candidates are manufactured using specialized biopharmaceutical process techniques. We generally conduct mammalian cell line development and process development in house, and then transfer the production cell line and process to our contract manufacturers for bulk protein production. Our contract manufacturers to date have included Lonza and Bayer. If Celgene exercises its options for the further development of programs under its collaboration agreement, it would assume manufacturing responsibility for the applicable product candidates. We rely on contract manufacturing organizations to produce other product candidates in accordance with the FDA's current good manufacturing practices, or cGMP, regulations for use in our clinical trials. However, we currently rely on a single source supplier for our requirements of the bulk drug substance of each of our product candidates. The manufacture of drug and biologic products is subject to extensive cGMP regulations, which impose various procedural and documentation requirements and govern all areas of recordkeeping, production processes and controls, personnel and quality control. We expect to rely on contract manufacturers for the manufacture of clinical and commercial supplies of our compounds other than those product candidates for which Celgene has exercised its option.

We purchase quantities of our product candidates from our contract manufacturers pursuant to purchase orders that we place from time to time. If we were unable to obtain sufficient quantities of product candidates or receive raw materials in a timely manner, we could be required to delay our ongoing clinical trials and seek alternative manufacturers, which would be costly and time-consuming. We may consider adding secondary sources for manufacturing in the future.

Government Regulation

The FDA and comparable regulatory authorities in state and local jurisdictions and in other countries impose substantial and burdensome requirements on the clinical development, manufacture, marketing and distribution of our product candidates. These agencies and other federal, state and local entities regulate research and development activities and the testing, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion, and export and import of our product candidates.

In the United States, the FDA regulates drugs, medical devices and biologic products under the Federal Food, Drug, and Cosmetic Act, or FFDCA, its implementing regulations and other laws, including, in the case of biologics, the Public Health Service Act. Our product candidates are subject to regulation by the FDA as biologics. Biologics require the submission of a Biologics License Application, or BLA, and approval by the FDA before being marketed in the United States. None of our product candidates has been approved by the FDA for marketing in the United States, and we currently have no BLAs pending. If we fail to comply with applicable FDA or other requirements at any time during the product development process, clinical testing, the approval process or after approval, we may become subject to administrative or judicial sanctions. These sanctions could include the FDA’s refusal to approve pending applications, license suspension or revocation, withdrawal of an approval, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties or criminal prosecution. Any FDA enforcement action could have a material adverse effect on us.

The process required by the FDA before our biologic product candidates may be marketed in the United States generally involves the following:

- completion of extensive preclinical laboratory tests, preclinical animal studies and formulation studies all performed in accordance with the FDA’s good laboratory practice, or GLP, regulations;
- submission to the FDA of an IND application which must become effective before human clinical trials in the United States may begin;
• performance of adequate and well-controlled human clinical trials all performed in accordance with the FDA’s good clinical practice, or GCP, regulations, to establish the safety and efficacy of the drug candidate for each proposed indication;

• submission to the FDA of a BLA;

• satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product is produced to assess compliance with cGMP regulations; and

• FDA review and approval of the BLA prior to any commercial marketing, sale or shipment of the product.

The testing and approval process requires substantial time, effort and financial resources, and we cannot be certain that any approvals for our drug candidates will be granted on a timely basis, if at all.

Once a product candidate is identified for development, it enters the preclinical testing stage. Preclinical studies include laboratory evaluations of drug chemistry, formulation and stability, as well as studies to evaluate toxicity in animals. The results of the preclinical studies, together with manufacturing information and analytical data, are submitted to the FDA as part of an IND application. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises concerns or questions about the conduct of the clinical trial, including concerns that human research subjects will be exposed to unreasonable health risks. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. Submission of an IND may result in the FDA not allowing the clinical trials to commence or not allowing the clinical trials to commence on the terms originally specified in the IND. A separate submission to an existing IND must also be made for each successive clinical trial conducted during drug development, and the FDA must grant permission, either explicitly or implicitly by not objecting, before each clinical trial can begin.

Clinical trials involve the administration of the product candidate to human subjects under the supervision of qualified investigators. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, the parameters to be used in monitoring safety and the effectiveness criteria to be used. Each protocol must be submitted to the FDA as part of the IND. An independent institutional review board, or IRB, for each medical center proposing to conduct a clinical trial must also review and approve a plan for any clinical trial before it can begin at that center and the IRB must monitor the clinical trial until it is completed. The FDA, the IRB, or the sponsor may suspend or discontinue a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk. Clinical testing also must satisfy extensive GCP requirements, including the requirements for informed consent.

All clinical research performed in the United States in support of a BLA must be authorized in advance by the FDA under the IND regulations and procedures described above. However, a sponsor who wishes to conduct a clinical trial outside the United States may, but need not, obtain FDA authorization to conduct the clinical trial under an IND. If a foreign clinical trial is not conducted under an IND, the sponsor may submit data from the clinical trial to the FDA in support of a BLA so long as the clinical trial is conducted in compliance with an international guideline for the ethical conduct of clinical research known as the Declaration of Helsinki and/or the laws and regulations of the country or countries in which the clinical trial is performed, whichever provides the greater protection to the participants in the clinical trial. We currently conduct trials only in the United States. However, we have previously conducted trials in many countries and regions including the United States, Canada, Europe, the United Kingdom, Australia, and New Zealand, and we may include clinical trial centers in these and other territories in any other clinical trials that we may initiate for our therapeutic candidates in the future, including later-stage clinical development programs for our therapeutic candidates that we develop independently, prior to submitting a BLA to the FDA, or comparable applications to the European Medicines Agency, or EMA, and other relevant regulatory agencies in global markets. We have designed our clinical trials to comply with FDA regulatory requirements for the use of foreign clinical data in support of a BLA, and we intend to utilize data from our current clinical trials in support of our future U.S. and worldwide development and potential commercialization.
Clinical Trials
For purposes of BLA submission and approval, clinical trials are typically conducted in three sequential phases, which may overlap or be combined.

- Phase I clinical trials are initially conducted in a limited population of subjects to test the product candidate for safety, dose tolerance, absorption, metabolism, distribution and excretion in healthy humans or, on occasion, in patients with severe problems or life-threatening diseases to gain an early indication of its effectiveness.

- Phase II clinical trials are generally conducted in a limited patient population to: evaluate preliminarily the efficacy of the product candidate for specific targeted indications in patients with the disease or condition under study; evaluate dosage tolerance and appropriate dosage; and identify possible adverse effects and safety risks.

- Phase III clinical trials are commonly definitive efficacy studies of the experimental medication. Phase III trials are typically conducted when Phase II clinical trials demonstrate that a dose range of the product candidate is effective and has an acceptable safety profile. Phase III clinical trials are generally undertaken with large numbers of patients, such as groups of several hundred to several thousand, to provide substantial evidence of clinical efficacy and to further test for safety in an expanded patient population at multiple, geographically-dispersed clinical trial sites.

In some cases, the FDA may condition approval of a BLA on the sponsor’s agreement to conduct additional clinical trials to further assess the biologic’s safety and effectiveness after BLA approval. Such post-approval clinical trials are typically referred to as Phase IV clinical trials.

Concurrent with clinical trials, companies usually complete additional animal trials and must also develop additional information about the chemistry and physical characteristics of the biologic and finalize a process for manufacturing the biologic in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, the manufacturer must develop methods for testing the identity, strength, quality and purity of the final biologic product. Additionally, 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 shelf life.

Biologics License Applications
The results of preclinical studies and of the clinical trials, together with other detailed information, including extensive manufacturing information and information on the composition of the biologic, are submitted to the FDA in the form of a BLA requesting approval to market the biologic for one or more specified indications. The FDA reviews a BLA to determine, among other things, whether a biologic is safe and effective for its intended use.

Once a BLA has been accepted for filing, by law the FDA has 180 days to review the application and respond to the applicant. However, the review process is often significantly extended by FDA requests for additional information or clarification. Under the Prescription Drug User Fee Act, the FDA has a goal of responding to 90% of standard original BLA submissions within ten months of the filing date, but this timeframe is often extended. The FDA may refer the application to an advisory committee for review, evaluation and recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. The FDA may deny approval of a BLA if the applicable statutory and regulatory criteria are not satisfied, or it may require additional clinical data or an additional Phase III clinical trial. Even if such data are submitted, the FDA may ultimately decide that the BLA does not satisfy the criteria for approval. Data from clinical trials are not always conclusive and the FDA may interpret data differently than we interpret data. Once the FDA approves a BLA, or supplement thereto, the FDA may withdraw the approval if ongoing regulatory requirements are not met or if safety problems are identified after the biologic reaches the market. Where a withdrawal may not be appropriate, the FDA still may seize existing inventory of such biologic or require a recall of any biologic already on the market. In addition, the FDA may require testing, including Phase IV clinical trials and surveillance programs to monitor the effect of approved biologics which have been commercialized. The FDA has the authority to prevent or limit further marketing of a biologic based on the results of these post-marketing programs.
A sponsor may also seek approval of its product candidates under programs designed to accelerate FDA review and approval of BLAs. For instance, a sponsor may seek FDA designation of a product candidate as a “fast track” product. Fast track products are those products intended for the treatment of a serious or life-threatening disease or condition and which demonstrate the potential to address unmet medical needs for such diseases or conditions. If fast track designation is obtained, the FDA may initiate review of sections of a BLA before the application is complete. This “rolling review” is available if the applicant provides a schedule for the remaining information. In some cases, a fast track product may be approved on the basis of 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, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments, under the FDA’s accelerated approval program. Approvals of this kind typically include requirements for appropriate post-approval Phase IV clinical trials to validate the surrogate endpoint or otherwise confirm the effect of the clinical endpoint.

In addition, the Food and Drug Administration Safety and Innovation Act, or FDASIA, which was enacted and signed into law in 2012, established a category of drugs referred to as “breakthrough therapies” that may be subject to accelerated approval. A sponsor may seek FDA designation of a drug candidate as a “breakthrough therapy” if the drug is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. Breakthrough therapy designation provides all of the features of fast track designation in addition to intensive guidance on an efficient drug development program beginning as early as Phase I, and FDA organizational commitment to expedited development, including involvement of senior managers and experienced review staff in a cross-disciplinary review, where appropriate. Product candidates may also be eligible for “priority review,” or review within a six month timeframe from the date a complete BLA is accepted for filing, if a sponsor shows that its product candidate, if approved, would provide a significant improvement in safety and effectiveness compared to available therapies. When appropriate, we intend to seek fast track designation for our biologics. We cannot predict whether any of our product candidates will obtain a fast track and/or accelerated approval designation, or the ultimate impact, if any, of the fast track designation on the timing or likelihood of FDA approval of any of our proposed biologics.

Biologics may be marketed only for the FDA approved indications and in accordance with the provisions of the approved labeling. Further, if there are any modifications to the biologic, including changes in indications, labeling, or manufacturing processes or facilities, the applicant may be required to submit and obtain FDA approval of a new BLA or BLA supplement, which may require us to develop additional data or conduct additional preclinical studies and clinical trials.

Before approving an application, the FDA will inspect the facility or the facilities at which the biologic product is manufactured, and will not approve the product unless cGMP compliance is satisfactory. The FDA may also inspect the sites at which the clinical trials were conducted to assess their compliance, and will not approve the biologic unless compliance with GCP requirements is satisfactory.

The testing and approval processes require substantial time, effort and financial resources, and each may take several years to complete. The testing and approval processes require substantial time, effort and financial resources, and each may take several years to complete. The FDA may not grant approval on a timely basis, or at all. Even if we believe a clinical trial has demonstrated safety and efficacy of one of our product candidates for the treatment of a disease, the results may not be satisfactory to the FDA. Preclinical and clinical data may be interpreted by the FDA in different ways, which could delay, limit or prevent regulatory approval. We may encounter difficulties or unanticipated costs in our efforts to secure necessary governmental approvals which could delay or preclude us from marketing our product candidates. The FDA may limit the indications for use or place other conditions on any approvals that could restrict the commercial application of the products. After approval, certain changes to the approved biologic, such as adding new indications, manufacturing changes or additional labeling claims, are subject to further FDA review and approval. Depending on the nature of the change proposed, a BLA supplement must be filed and approved before the change may be implemented.

We believe that any of our products approved as a biological product under a BLA should qualify for a 12-year period of non-patent exclusivity currently permitted by the BPCIA. Specifically, the BPCIA established an abbreviated pathway for the approval of biosimilar biologics, including the possible designation of a biosimilar as...
“interchangeable,” based on their similarity to existing brand products. Under the BPCIA, an application for a biosimilar product cannot be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA, and the approval of a biosimilar product may not be made effective by the FDA until 12 years from the date on which the reference product was first licensed. The BPCIA also created certain exclusivity periods for biosimilars approved as interchangeable products. There is a risk that the U.S. Congress could amend the BPCIA to significantly shorten this 12-year exclusivity period or that the FDA will not consider our product candidates to be reference products for competing products, potentially creating the opportunity for competition sooner than anticipated. Moreover, the extent to which a biosimilar, once approved, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing. The BPCIA is complex and is still being interpreted and implemented by the FDA, and the FDA has approved few biosimilars to date. As a result, its ultimate impact, implementation and meaning are subject to uncertainty. While it is uncertain when any such processes may be fully adopted by the FDA, any such processes that operate to limit the scope or length of exclusivity afforded by the BPCIA could have a material adverse effect on the future commercial prospects for our biological products. In addition, foreign regulatory authorities may also provide for exclusivity periods for approved biological products. For example, biological products in Europe may be eligible for a 10-year period of exclusivity.

Other Regulatory Requirements

Any biologics manufactured or distributed by us or our collaborators pursuant to FDA approvals would be subject to continuing regulation by the FDA, including recordkeeping requirements and reporting of adverse experiences associated with the product. Manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with ongoing regulatory requirements, including cGMPs, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. Failure to comply with the statutory and regulatory requirements can subject a manufacturer to possible legal or regulatory action, such as warning letters, suspension of manufacturing, seizure of product, injunctive action or possible civil penalties. We cannot be certain that we or our present or future third-party manufacturers or suppliers will be able to comply with the cGMP regulations and other ongoing FDA regulatory requirements. If we or our present or future third-party manufacturers or suppliers are not able to comply with these requirements, the FDA may halt our clinical trials, require us to recall a drug from distribution or withdraw approval of the BLA for that product.

The FDA closely regulates the post-approval marketing and promotion of biologics, including standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities, and promotional activities involving the Internet. A company can make only those claims relating to safety and efficacy that are approved by the FDA. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising, and potential civil and criminal penalties. Physicians may prescribe legally available biologics for uses that are not described in the product’s labeling and that differ from those tested by us and approved by the FDA. Such off-label uses are common across medical specialties. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, impose stringent restrictions on manufacturers’ communications regarding off-label use.

Orphan Drug Designation and Exclusivity

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biologic intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the United States, or more than 200,000 individuals in the United States and for which there is no reasonable expectation that the cost of developing and making available in the United States a drug or biologic for this type of disease or condition will be recovered from sales in the United States for that drug or biologic. Orphan drug designation must be requested before submitting a BLA. After the FDA grants orphan drug designation, the generic identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. The orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review or approval process.
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 product exclusivity, which means that the FDA may not approve any other applications, including a full BLA, to market the same biologic 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. Orphan drug exclusivity does not prevent FDA from approving a different drug or biologic for the same disease or condition, or the same drug or biologic for a different disease or condition. Among the other benefits of orphan drug designation are tax credits for certain research and a waiver of the BLA application user fee.

A designated orphan drug may not receive orphan drug exclusivity if it is approved for a use that is broader than the indication for which it received orphan designation. In addition, exclusive marketing rights in the United States 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.

**Regulation of Diagnostic Tests**

In the United States, the FFDCA and its implementing regulations, and other federal and state statutes and regulations govern, among other things, medical device design and development, preclinical and clinical testing, premarket clearance or approval, registration and listing, manufacturing, labeling, storage, advertising and promotion, sales and distribution, export and import, and post-market surveillance. Diagnostic tests are classified as medical devices under the FFDCA. Unless an exemption or FDA exercise of enforcement discretion applies, diagnostic tests generally require marketing clearance or approval from the FDA prior to commercialization. The two primary types of FDA marketing authorization applicable to a medical device are premarket notification, also called 510(k) clearance, and approval of a premarket, or PMA approval.

To obtain 510(k) clearance for a medical device, or for certain modifications to devices that have received 510(k) clearance, a manufacturer must submit a premarket notification demonstrating that the proposed device is substantially equivalent to a previously cleared 510(k) device or to a preamendment device that was in commercial distribution before May 28, 1976, or a predicate device, for which the FDA has not yet called for the submission of a PMA. In making a determination that the device is substantially equivalent to a predicate device, the FDA compares the proposed device to the predicate device or predicate devices and assesses whether the subject device is comparable to the predicate device or predicate devices with respect to intended use, technology, design and other features which could affect safety and effectiveness. If the FDA determines that the subject device is substantially equivalent to the predicate device or predicate devices, the subject device may be cleared for marketing. The 510(k) premarket notification pathway generally takes from three to twelve months from the date the application is completed, but can take significantly longer.

PMA applications must be supported by valid scientific evidence, which typically requires extensive data, including technical, preclinical, clinical and manufacturing data, to demonstrate to the FDA’s satisfaction the safety and effectiveness of the device. For diagnostic tests, a PMA application typically includes data regarding analytical and clinical validation studies. As part of its review of the PMA, the FDA will conduct a pre-approval inspection of the manufacturing facility or facilities to ensure compliance with the Quality System Regulation, or QSR, which requires manufacturers to follow design, testing, control, documentation and other quality assurance procedures. The FDA’s review of an initial PMA application is required by statute to take between six to ten months, although the process typically takes longer, and may require several years to complete. If the FDA evaluations of both the PMA application and the manufacturing facilities are favorable, the FDA will either issue an approval letter or an approvable letter, which usually contains a number of conditions that must be met in order to secure the final approval of the PMA. If the FDA’s evaluation of the PMA or manufacturing facilities is not favorable, the FDA will deny the approval of the PMA or issue a not approvable letter. A not approvable letter will outline the deficiencies in the application and, where practical, will identify what is necessary to make the PMA approvable. Once granted, PMA approval may be withdrawn by the FDA if compliance with post-approval requirements, conditions of approval or other regulatory standards is not maintained or problems are identified following initial marketing.

On July 31, 2014, the FDA issued a final guidance document addressing the development and approval process for “In Vitro Companion Diagnostic Devices.” According to the guidance document, for novel therapeutic products that depend on the use of a diagnostic test and where the diagnostic device could be essential for the safe
and effective use of the corresponding therapeutic product, the premarket application for the companion diagnostic device should be developed and approved or cleared contemporaneously with the therapeutic, although the FDA recognizes that there may be cases when contemporaneous development may not be possible. However, in cases where a drug cannot be used safely or effectively without the companion diagnostic, the FDA’s guidance indicates it will generally not approve the drug without the approval or clearance of the diagnostic device. The FDA also issued a draft guidance in July 2016 setting forth the principles for co-development of an in vitro companion diagnostic device with a therapeutic product. The draft guidance describes principles to guide the development and contemporaneous marketing authorization for the therapeutic product and its corresponding in vitro companion diagnostic.

**Healthcare Reform**

In March 2010, the U.S. Congress passed and President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively known as the Affordable Care Act. The Affordable Care Act substantially changes the way healthcare is financed by both governmental and private insurers, and significantly impacts the pharmaceutical industry. The Affordable Care Act contains a number of provisions, including those governing enrollment in federal healthcare programs, reimbursement changes and fraud and abuse measures, which have impacted existing government healthcare programs and have resulted in the development of new programs, including Medicare payment for performance initiatives and improvements to the physician quality reporting system and feedback program. Additionally, the Affordable Care Act:

- increases the minimum level of Medicaid rebates payable by manufacturers of brand-name drugs from 15.1% to 23.1%;
- extends the rebate program to individuals enrolled in Medicaid managed care organizations;
- addresses a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected;
- expands the eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new mandatory eligibility categories for certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer’s Medicaid rebate liability;
- expands access to commercial health insurance coverage through new state-based health insurance marketplaces, or exchanges;
- requires manufacturers to participate in a coverage gap discount program, under which they must agree to offer 50% point-of-sale discounts, which, through subsequent legislative amendments, were increased to 70%, 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;
- imposes a non-deductible annual fee on pharmaceutical manufacturers or importers who sell “branded prescription drugs” to specified federal government programs; and
- establishes a Center for Medicare Innovation at the Centers for Medicare & Medicaid Services, or CMS, to test innovative payment and service delivery models to lower Medicare and Medicaid spending.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the Affordable Care Act. We expect that 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 Affordable Care Act. 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. There is still uncertainty with respect to the impact President Trump’s administration and the U.S. Congress may have, if any, and any changes will likely take time to unfold, and could have an impact on coverage and reimbursement for healthcare items and services covered by plans that were authorized by the Affordable Care Act.

In addition, other legislative changes have been proposed and adopted in the United States since the Affordable Care Act was enacted. These changes include aggregate reductions to Medicare payments to providers of
2 percent per fiscal year, which went into effect on April 1, 2013, and, due to subsequent legislative amendments, will remain in effect through 2025 unless additional Congressional action is taken. In January 2013, the American Taxpayer Relief Act was enacted, 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.

Moreover, payment methodologies, including payment for companion diagnostics, may be subject to changes in healthcare legislation and regulatory initiatives. For example, the CMS has begun bundling the Medicare payments for certain laboratory tests ordered while a patient received services in a hospital outpatient setting and, in 2018, the CMS began paying 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. In addition, recently, there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed bills designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. For example, the 21st Century Cures Act changed the reimbursement methodology for infusion drugs and biologics furnished through durable medical equipment in an attempt to remedy over- and underpayment of certain products. Individual states in the United States have also become increasingly active in 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. These new laws and the regulations and policies implementing them, as well as other healthcare reform measures that may be adopted in the future, may have a material adverse effect on our industry generally and on our ability to successfully develop and commercialize our products.

**Third-Party Payor Coverage and Reimbursement**

Although none of our drug candidates has been commercialized for any indication, if they are approved for marketing, commercial success of our drug candidates will depend, in part, upon the availability of coverage and reimbursement from third-party payors at the federal, state and private levels. Government payor programs, including Medicare and Medicaid, private health care insurance companies and managed-care plans have attempted to control costs by limiting coverage and the amount of reimbursement for particular procedures or drug treatments. The U.S. Congress and state legislatures from time to time propose and adopt initiatives aimed at cost-containment. Ongoing federal and state government initiatives directed at lowering the total cost of health care will likely continue to focus on health care reform, the cost of prescription pharmaceuticals and on the reform of the Medicare and Medicaid payment systems. Examples of how limits on drug coverage and reimbursement in the United States may cause reduced payments for drugs in the future include:

- changing Medicare reimbursement methodologies;
- fluctuating decisions on which drugs to include in formularies;
- revising drug rebate calculations under the Medicaid program; and
- reforming drug importation laws.

Some third-party payors also require pre-approval of coverage for new or innovative devices or drug therapies before they will reimburse health care providers who use such therapies. While we cannot predict whether any proposed cost-containment measures will be adopted or otherwise implemented in the future, the announcement or adoption of these proposals could have a material adverse effect on our ability to obtain adequate prices for our drug candidates and operate profitably.
Other Healthcare Laws and Regulations

We are also subject to healthcare regulation and enforcement by the federal government and the states and foreign governments in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs. 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;
- federal false claims laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent;
- federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters. 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;
- the federal Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information; and
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

In addition, there has been a recent trend of increased federal and state regulation of payments made to physicians and other healthcare providers. The Affordable Care Act, among other things, imposes new reporting requirements on certain drug manufacturers for payments and “transfers of value” 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. Drug manufacturers are required to submit reports to the government by the 90th day of each calendar year. Certain states also mandate implementation of commercial 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 to physicians and other healthcare professionals and entities.

The shifting commercial compliance environment and the need to build and maintain robust and expandable systems to comply with different compliance and/or reporting requirements in multiple jurisdictions increase the possibility that a healthcare company may violate one or more of the requirements. If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, the exclusion from participation in federal and state healthcare programs and imprisonment, any of which could adversely affect our ability to operate our business and impact our financial results.

International Regulation

In addition to regulations in the United States, we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our future drugs. Whether or not we obtain FDA approval for a drug, we must obtain approval of a drug by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the drug in those countries. The approval process varies from country
to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

Under European Union regulatory systems, marketing authorizations may be submitted either under a centralized 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 mutual recognition procedure provides for mutual recognition of national approval decisions. Under this procedure, the holder of a national marketing authorization may submit an application to the remaining member states. Within 90 days of receiving the applications and assessment report, each member state must decide whether to recognize approval.

In addition to regulations in Europe and the United States, we will be subject to a variety of foreign regulations governing clinical trials and commercial distribution of our future drugs.

Employees

As of December 31, 2017, we had 56 employees, 19 of whom hold Ph.D.s, M.D.s, D.V.M.s, Pharm.D.s or multiple advanced degrees. Of our total workforce, 41 employees are engaged in research and development, and 15 employees are engaged in business development, finance, legal, human resources, facilities, information technology administration and general management. We have no collective bargaining agreements with our employees, and we have not experienced any work stoppages. We believe that our relations with our employees are good.

Research and Development

Our research and development costs were $59.9 million, $109.7 million and $92.9 million for the years ended December 31, 2017, 2016, and 2015, respectively. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional detail regarding our research and development activities, which are funded in part through payments received from our prior and current collaborators, GSK, Bayer and Celgene.

Customer Concentration and Geographic Information

All or a significant portion of our revenues for the years ended December 31, 2017, 2016, and 2015 were derived from GSK, Bayer, and Celgene. GSK and Bayer are located outside of the United States, in the United Kingdom and Germany, respectively. See Notes 2 and 10 to our audited financial statements included elsewhere in this Annual Report on Form 10-K for additional information.

All of our revenues for the years ended December 31, 2017, 2016, and 2015 were earned in the United States. All of our long-lived assets are located in the United States.

About OncoMed

We were incorporated in Delaware and commenced operations in 2004. Our principal offices are located at 800 Chesapeake Drive, Redwood City, California 94063, and our telephone number is (650) 995-8200. Our website address is www.oncomed.com. The information contained in, or that can be accessed through, our website is not part of this Annual Report on Form 10-K.

Financial Information about Segments

We operate only in one business segment. See Note 1 to our financial statements included in this Annual Report on Form 10-K. For financial information regarding our business, see “Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes.

Available Information

We file electronically with the Securities and Exchange Commission, or SEC, our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K pursuant to Section 13(a) or 15(d) of the Securities
Item 1A. RISK FACTORS

The following section includes the most significant factors that may adversely affect our business and operations. You should carefully consider the risks and uncertainties described below and all information contained in this Annual Report on Form 10-K before deciding to invest in our common stock. If any of the following risks actually occur, our business, financial condition, results of operations and growth prospects may be materially and adversely affected. In that event, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Related to Our Business

We anticipate that we will continue to incur significant losses for the foreseeable future, and if we are unable to achieve and sustain profitability, the market value of our common stock will likely decline.

We are a clinical-stage biopharmaceutical company. Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of risk. We do not currently have any therapeutic candidates in pivotal clinical trials or approved for sale, and we continue to incur significant research and development and general and administrative expenses related to our operations. We are not profitable and have incurred losses in each year since our founding in 2004. Our net losses for the years ended December 31, 2017, 2016, and 2015 were $39.1 million, $103.1 million and $85.4 million, respectively. As of December 31, 2017, we had an accumulated deficit of $452.0 million.

We expect to continue to incur significant losses for the foreseeable future. We expect these losses and our cash utilization to continue in the near term as we continue to conduct clinical trials for navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83), anti-TIGIT (OMP-313M32), and GITRL-Fc (OMP-336B11), and conduct research and development of our other therapeutic candidates.

We are collaborating with Celgene Corporation, or Celgene, to discover, develop and commercialize certain novel biologic therapeutic candidates, including navicixizumab, rosmantuzumab (anti-RSPO3, OMP-131R10), and anti-TIGIT. Under this agreement, Celgene has certain options to obtain exclusive licenses for the development and commercialization of the therapeutic candidates being developed in the collaboration. If Celgene exercises its option to obtain a license to develop and commercialize biologic therapeutic candidates for the navicixizumab program or the rosmantuzumab program, on a program-by-program basis, then, unless we elect not to co-develop and co-commercialize the therapeutic candidates for the applicable program in the United States, we will be responsible for a one-third share of the global development costs of therapeutic candidates for such program, with Celgene bearing the remaining two-thirds of such costs, and we will be entitled to participate in the commercialization activities for therapeutic candidates for such program in the United States, and to share 50% of all profits and losses arising from U.S. sales of such therapeutic candidates. For the anti-TIGIT program, and for the navicixizumab program and/or the rosmantuzumab program if we elect not to co-develop and co-commercialize the therapeutic candidates for such program, Celgene will generally assume responsibility for funding obligations with respect to clinical development and commercialization of the therapeutic candidate for such program after option exercise, with the exception of certain costs for certain continuing clinical trials for which we were responsible prior to option exercise.

If Celgene does not exercise its options, or if our collaboration with Celgene terminates, we will be responsible for funding further development of the relevant biologic therapeutic candidates unless we enter into another collaboration for such biologic therapeutic candidates. In addition, we are responsible for all costs associated
with the development of any unpartnered therapeutic candidate. GITRL-Fc is not currently partnered. Unless and until we enter into a collaboration with respect to our unpartnered therapeutic candidates, which we may never do, any ongoing or future development of these therapeutic candidates, including any activities associated with the completion of ongoing clinical trials, will generally be funded entirely by us.

We intend to initiate the Phase Ib portion of the Phase I clinical trial of our anti-TIGIT therapeutic candidate in the first half of 2018. Under our collaboration agreement, we are responsible for funding all research and development activities for our anti-TIGIT program, including the costs associated with conducting this Phase Ib portion of our Phase I clinical trial, prior to Celgene’s exercise of its option for the program. Celgene has not yet exercised its option for our anti-TIGIT program, which it may exercise during certain time periods through the end of certain Phase I clinical trials. Furthermore, there is no guarantee that Celgene will exercise its option for our anti-TIGIT program, and if Celgene does not exercise its option, we will be responsible for funding the Phase Ib portion of our Phase I clinical trial and any further development of our anti-TIGIT program.

All of our therapeutic candidates are in development, and none has been approved for sale. To date, we have derived all of our revenues from upfront payments, milestone payments and other payments we received under our prior and current collaborations with GSK, Bayer and Celgene, and have also supported our research and development efforts by utilizing certain government grants for research and development. We do not anticipate that we will generate revenue from the sale of our therapeutic candidates for the foreseeable future. If any of our therapeutic candidates receive regulatory approval, we may incur significant costs to commercialize our therapeutic candidates. Even after obtaining such regulatory approval, our products may never gain sufficient market acceptance and adequate market share. If our therapeutic candidates fail to demonstrate safety and efficacy in clinical trials, do not gain regulatory approval, or do not achieve market acceptance following regulatory approval and commercialization, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. If we are unable to achieve and sustain profitability, the market value of our common stock will likely decline. Because of the numerous risks and uncertainties associated with developing biopharmaceutical products, we are unable to predict the extent of any future losses or whether we will become profitable.

We are heavily dependent on the success of our most advanced therapeutic candidates, which are in various stages of clinical development. All of our therapeutic candidates are still in preclinical or clinical development. If we, or our current or future collaborators, are unable to commercialize our therapeutic candidates or if we, or our current or future collaborators, experience significant delays in obtaining regulatory approval for, or commercializing, any or all of our therapeutic candidates, our business will be materially and adversely affected.

We have invested a significant portion of our efforts and financial resources in the development of our most advanced therapeutic candidates that are in clinical development, including navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83), anti-TIGIT (OMP-313M32), and GITRL-Fc (OMP-336B11) for the treatment of various types of cancer.

All of our therapeutic candidates are still in preclinical and clinical development. Our ability to generate product revenues will depend heavily on our ability, and/or the ability of our current or future collaborators, to successfully develop and commercialize these therapeutic candidates. We do not expect that such commercialization of any of our therapeutic candidates will occur for at least the next several years, if ever. Our ability, and/or the ability of our current or future collaborators, to commercialize our therapeutic candidates effectively will depend on several factors, including the following:

- Successful completion of preclinical studies and clinical trials, including the ability to demonstrate safety and efficacy of our therapeutic candidates;
- Receipt of marketing approvals from the U.S. Food and Drug Administration, or FDA, and similar regulatory authorities outside the United States;
- Establishing commercial manufacturing capabilities, for example, by making arrangements with third-party manufacturers;
- Successfully launching commercial sales of the product, whether alone or in collaboration with others;
• acceptance of the product by patients, the medical community and third-party payors;
• establishing market share while competing with other therapies;
• a continued acceptable safety and adverse event profile of our products following regulatory approval; and
• qualifying for, identifying, registering, maintaining, enforcing and defending intellectual property rights and claims covering our therapeutic candidates.

If we, or our collaborators, do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to commercialize our therapeutic candidates, which would materially and adversely affect our business, financial condition and results of operations.

We depend on the successful development of our programs and therapeutic candidates. The development of new drugs and biologics is a highly risky undertaking, which involves a lengthy process, and the results of preclinical and early clinical trials are not necessarily predictive of future results. Our product discovery and development activities, or those of our current or future collaborators, therefore may not be successful on the time schedule we have planned, or at all.

Our programs and therapeutic candidates are in the early stages of drug discovery or clinical trials and are subject to the risks of failure inherent in drug development. As of the date of this Annual Report on Form 10-K, three of our therapeutic candidates are currently in active clinical development: navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83), anti-TIGIT (OMP-313M32), and GITRL-Fc (OMP-336B11). We and/or our current or future collaborators will need to conduct significant additional preclinical studies and/or clinical trials before we can demonstrate that any of our therapeutic candidates is safe and effective to the satisfaction of the FDA and other regulatory authorities. Preclinical studies and clinical trials are expensive and uncertain processes that may take years to complete.

Success in preclinical studies and early clinical trials does not ensure that later clinical trials will generate adequate data to demonstrate the efficacy and safety of a therapeutic candidate. A number of companies in the biotechnology industry, including those with greater resources and experience than us, have suffered significant setbacks in Phase II and Phase III clinical trials, despite promising results in earlier clinical trials. We do not know whether any Phase II, Phase III or other clinical trials we may conduct, or our current or future collaborators may conduct, will demonstrate adequate efficacy and safety to result in regulatory approval to market any of our therapeutic candidates. If later stage clinical trials do not produce favorable results, our ability, or the ability of our current or future collaborators, to achieve regulatory approval for any of our therapeutic candidates may be adversely impacted.

In addition, even if initial or interim data from a clinical trial appear encouraging, subsequent analyses of the mature data from the same trial at a later time point may or may not be favorable. For example, even if interim median overall survival data from a clinical trial appear positive or encouraging, the final median overall survival data obtained from the trial at a later date may be less favorable.

Delays in the commencement or completion of clinical testing could significantly affect our product development costs or the product development costs of our current or future collaborators. We do not know whether planned clinical trials will begin on time or be completed on schedule, if at all. The commencement and completion of clinical trials can be delayed for a number of reasons, including delays related to:

• obtaining regulatory authorization to commence a clinical trial or complying with conditions imposed by a regulatory authority regarding the scope or design of a clinical trial;
• reaching agreement on acceptable terms with prospective clinical research organizations, or CROs, and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
• manufacturing, including manufacturing sufficient quantities of a therapeutic candidate or other materials for use in clinical trials;
• obtaining IRB approval or the approval of other reviewing entities to conduct a clinical trial at a prospective site;
• recruiting and enrolling patients to participate in clinical trials for a variety of reasons, including size of patient population, complexity of clinical trial protocol, the availability of approved effective treatments for the relevant disease, changed standards of care during the conduct of the trial, and competition from other clinical trial programs for similar indications;
• severe or unexpected drug-related adverse effects experienced by patients in a clinical trial; and
• retaining patients who have initiated a clinical trial, but may withdraw due to treatment protocol, adverse effects from the therapy, lack of efficacy from the treatment, personal issues or who are lost to further follow-up.

Clinical trials may also be delayed, suspended or terminated as a result of ambiguous or negative interim results, or results that are inconsistent with earlier results.

In addition, a clinical trial may be suspended or terminated by us, the FDA, the IRB or other reviewing entity overseeing the clinical trial at issue, any of our clinical trial sites with respect to that site, 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 sites by the FDA or other regulatory authorities resulting in the imposition of a clinical hold;
• unforeseen safety issues or any determination that a clinical trial presents unacceptable health risks; and
• lack of adequate funding to continue the clinical trial, including the incurrence of unforeseen costs due to enrollment delays, requirements to conduct additional clinical trials and increased expenses associated with the services of our CROs and other third parties.

Product development costs to us and our collaborators will increase if we or our collaborators have delays in testing or approval of our therapeutic candidates or if we or they need to perform more or larger clinical trials than planned. Additionally, changes in regulatory requirements and policies may occur in any jurisdiction and we or our collaborators may need to amend clinical trial protocols to address these changes. Amendments may require us to resubmit our clinical trial protocols to IRBs for reexamination, which may impact the costs, timing or successful completion of a clinical trial. If we or our collaborators experience delays in completion of, or if we, the FDA or other regulatory authorities, the IRB or other reviewing entities, or any of our clinical trial sites suspend or terminate any of our clinical trials, the commercial prospects for our therapeutic candidates may be harmed and our ability to generate product revenues will be delayed. In addition, many of the factors that cause, or lead to, termination or suspension of, or a delay in the commencement or completion of, clinical trials may also ultimately lead to the denial of regulatory approval of a therapeutic candidate. Also, if one or more clinical trials are delayed, our competitors may be able to bring products to market before we do, and the commercial viability of our therapeutic candidates could be significantly reduced.

If a clinical trial of a therapeutic candidate that is part of one of our collaborations is delayed, suspended, or terminated for any reason, any potential future opt-in, milestone, and contingent consideration payments to us under that collaboration may be delayed or may not occur at all. Also, a delay, suspension, or termination of a clinical trial for a therapeutic candidate under our collaboration agreement with Celgene prior to option exercise, or the factors
that led to such delay, suspension or termination, may negatively impact the decision by Celgene as to whether or not to exercise its option with respect to such therapeutic candidate.

Data from clinical trials of some of our previous therapeutic candidates have not been sufficiently encouraging for us to continue clinical development of those candidates. For example, our demcizumab (anti-DLL4; OMP-21M18) program, which is a part of our strategic collaboration with Celgene, was unsuccessful in the clinic and has been discontinued. In 2017, demcizumab failed to meet its primary efficacy endpoints in two Phase II clinical trials. Celgene subsequently notified us that it does not intend to exercise its option for demcizumab.

We cannot assure you that any of our clinical trials will succeed or that any of our therapeutic candidates will reach the point where they are able to be successfully commercialized.

If we or our current or future collaborators are required to suspend or discontinue clinical trials due to side effects or other safety risks, or if we or they are required to conduct studies on the long-term effects associated with the use of our therapeutic candidates, our ability to commercialize our therapeutic candidates could be adversely affected or delayed.

Our clinical trials, and any clinical trials with our therapeutic candidates that may be run by our current or future collaborators, may be suspended, delayed, or terminated at any time for a number of safety-related reasons. For example, we may voluntarily suspend, delay, or terminate our clinical trials if at any time we believe that our therapeutic candidates present an unacceptable safety risk to the clinical trial patients, and our current or future collaborators may voluntarily suspend, delay, or terminate clinical trials they may run with our therapeutic candidates, if at any time they believe that our therapeutic candidates present an unacceptable safety risk to the clinical trial patients. In addition, IRBs or regulatory agencies may order the temporary discontinuation or termination of our clinical trials at any time if they believe that the clinical trials are not being conducted in accordance with applicable regulatory requirements, including if they present an unacceptable safety risk to patients. Administering any therapeutic candidate to humans may produce undesirable side effects. The existence of undesirable side effects resulting from our therapeutic candidates could cause us, or our collaborators, or regulatory authorities, such as the FDA, to interrupt, delay or halt clinical trials of our therapeutic candidates and could result in the FDA or other regulatory agencies denying further development or approval of our therapeutic candidates for any or all targeted indications. This, in turn, could affect whether Celgene exercises its development options under our collaboration and could prevent us from commercializing our therapeutic candidates. Further, our programs modulate novel classes of targets and/or modulate targets in novel ways. As a result, we may experience unforeseen adverse side effects with our therapeutic candidates currently in clinical development and any future therapeutic candidates, including navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83), anti-TIGIT (OMP-313M32), and GITRL-Fc (OMP-336B11).

The pharmacokinetic, pharmacodynamic, and safety profile of preclinical studies may not be indicative of results in any clinical trial. As of the date of this Annual Report on Form 10-K, we have observed adverse events in clinical trials for all three of our therapeutic candidates currently in clinical development. We currently believe these adverse events are manageable. Nevertheless, such adverse events may cause challenges in development, approval and/or commercialization.

Patients treated with navicixizumab in our clinical trials have experienced treatment-related adverse events including hypertension, infusion reactions, gastrointestinal/gallbladder perforation, thrombocytopenia, headache, fatigue, and pulmonary hypertension. In our earlier clinical trials with a related anti-DLL4 antibody, demcizumab (anti-DLL4, OMP-21M18), cardiopulmonary events, including reversible pulmonary hypertension and/or heart failure, were observed in certain patients and resulted in demcizumab being placed on partial clinical hold until a risk mitigation strategy including cardiac monitoring and early intervention with cardioprotective medication, if indicated, was implemented. A similar risk mitigation strategy has been implemented in our navicixizumab clinical trials. The presence of anti-drug antibodies was observed in a subset of patients receiving navicixizumab in our Phase I clinical trials. In at least some instances, the anti-drug antibodies were associated with infusion reactions to the drug resulting in suspension or termination of navicixizumab administration. Additionally, anti-drug antibodies negatively impacted the pharmacokinetics of navicixizumab in some patients. Treatment-related adverse events that have occurred in more than one patient treated with anti-TIGIT include rash and fatigue. Nausea has occurred as a
treatment-related adverse event in at least one patient treated with GITRL-Fc. In addition, anti-drug antibodies have been observed in patients being treated with GITRL-Fc.

Further treatment of patients in the ongoing trials or subsequent trials of any of our therapeutic candidates could reveal significant harmful side effects. We have not conducted complete studies on the long-term effects associated with the use of all of our therapeutic candidates. Studies of these long-term effects may be required for regulatory approval and such requirement would delay the introduction of our therapeutic candidates, including those under our collaborations with Celgene, into the market. These studies could also be required at any time after regulatory approval of any of our therapeutic candidates. Absence of long-term data may also limit the approved uses of our products, if any, to short-term use. Some or all of our therapeutic candidates may prove to be unsafe for human use, which would materially harm our business.

The successful development and commercialization of our independent programs and any therapeutic candidate over which Celgene declines to exercise an option, for which we do not obtain anticipated research or development milestone payments prior to a decision by Celgene to exercise such option, or which we choose to co-develop and co-commercialize with Celgene after option exercise, will depend in large part on our ability either to raise capital to advance development of those programs or to secure collaborations with strategic partners that have the capital and expertise to bring products to market. We may be unable to secure such funds and/or secure such future collaborations.

If Celgene declines to exercise its options with respect to one or more therapeutic candidates covered by its collaboration agreement with us, terminates one or more programs under the collaboration agreement, or terminates the entire agreement, we will need to secure funding to advance development of those programs on our own and/or secure relationships with collaborators that have the necessary capital and expertise. In addition, if we are unable to achieve or are delayed in achieving anticipated research or development milestones, and are unable to obtain or are delayed in obtaining the applicable milestone payments, for any biologic therapeutic candidate under our collaboration agreement with Celgene, we are likely to need additional funding to advance such therapeutic candidate prior to our achievement of such research or development milestones or Celgene’s decisions regarding option exercise with respect to such therapeutic candidate if development of that program is not discontinued.

Under our collaboration agreement with Celgene, we are not eligible to receive any further research or development milestone payments for any of our therapeutic candidates currently in clinical trials prior to Celgene’s decisions regarding option exercise with respect to such therapeutic candidates. In addition, if Celgene exercises its option to any of the programs to which we have co-development and co-commercialization rights, and we retain our option to co-develop and co-commercialize that program, then, despite having certain mechanisms in place in our collaboration agreement with Celgene to control expenses, we may need to secure additional funding to support our obligations to pay one-third of global development costs for such program. If we are unable to secure such additional funding or are otherwise unable or unwilling to support our obligations for a program to which we have co-development and co-commercialization rights, we may need to opt out of our co-development and co-commercialization rights for the program and instead enter into an exclusive license agreement with Celgene regarding the program.

We may also choose to advance our therapeutic candidates and programs that are not part of the Celgene collaboration independently without partnering such therapeutic candidates and programs, which will require substantial funds. We are currently independently advancing GITRL-Fc (OMP-336B11) through clinical development, which is currently being funded entirely by us. If any of our independent therapeutic candidates receive regulatory approval and are commercialized, substantial expenditures will also be required. As of December 31, 2017, we had approximately $103.1 million in cash, cash equivalents and short-term investments. We believe that our available cash, cash equivalents and short-term investments will be sufficient to fund our anticipated level of operations through the third quarter of 2019, even without taking into account potential future milestone payments to us. Our future financing requirements will depend on many factors, some of which are beyond our control, including:

- the rate of progress and cost of our clinical trials, preclinical studies and other discovery and research and development activities;
• the timing of, and costs involved in, seeking and obtaining FDA and other regulatory approvals;

• the continuation and success of our strategic alliance with Celgene and future collaboration partners, including the exercise or non-exercise of further development options by Celgene, and the continuation and success of our small molecule program collaboration with Bayer, including the advancement or non-advancement of the small molecule programs into further development and potential commercialization by Bayer;

• the costs of preparing, filing, prosecuting, maintaining, defending and enforcing any patent claims and other intellectual property rights, including litigation costs and the results of such litigation;

• our ability to enter into additional collaboration, licensing, government or other arrangements and the terms and timing of such arrangements;

• the potential need to acquire, by acquisition or in-licensing, other products or technologies; and

• the emergence of competing technologies, changes in standard-of-care treatment, or other adverse market developments.

Future capital requirements will also depend on the extent to which we acquire or invest in additional complementary businesses, products and technologies. We currently have no understandings, commitments or agreements relating to any of these types of transactions.

Until we can generate a sufficient amount of product revenue to finance our cash requirements, which we may never do, we expect to finance future cash needs primarily through public or private equity offerings, debt financings, a credit facility, government grants and contracts and/or strategic collaborations. Additional financing may not be available to us when we need it or it may not be available to us on favorable terms, if at all. Additionally, to the extent that we seek a new strategic partner to develop any of our programs, we may not be able to secure a collaboration on favorable terms, if at all. A collaboration may not provide sufficient funding or value to bring a product to market, and further funding and/or collaborations may be required. The terms of any such collaboration may also significantly limit our share of potential future profits from the associated program, may require us to relinquish potentially valuable rights to our current therapeutic candidates, potential products or proprietary technologies, or may grant licenses on terms that are not favorable to us. If we are unable to obtain adequate financing or form favorable collaborations, when needed, we may have to delay, reduce the scope of, or eliminate one or more of our clinical trials or research and development programs or our commercialization efforts.

If Celgene does not exercise its options or if it terminates any development program under its collaboration with us or terminates its entire collaboration agreement with us, or if Bayer terminates the small molecule program under its collaboration agreement with us, whether as a result of our inability to meet milestones or otherwise, any potential revenue from those collaborations will be significantly reduced or non-existent, and our results of operations and financial condition will be materially and adversely affected.

Since our founding, we have invested a significant portion of our time and financial resources in the development of multiple biologic therapeutic candidates, including our navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83) and anti-TIGIT (OMP-313M32) programs, which are currently in clinical development and a part of our collaboration with Celgene. It may not be possible to advance our current programs further in development if Celgene chooses not to exercise its options with respect to these programs.

Under our agreement with Celgene, Celgene has options to obtain an exclusive license to develop further and commercialize biologic therapeutics in specified programs, which may be exercised during specified time periods through completion of certain clinical trials, provided that such completion occurs within a specified time period. Celgene’s options may be exercised on a program-by-program basis for the demcizumab (anti-DLL4, OMP-21M18) program, the navicixizumab program, the rosmantuzumab (anti-RSPO3, OMP-131R10) program, and the anti-TIGIT program. Celgene may decide not to exercise any or all of its options. On June 29, 2017, Celgene informed us that it does not intend to exercise its option for the demcizumab program. Our clinical experience in treating
patients in our Phase Ia/b clinical trial of rosmantuzumab has failed to provide compelling evidence of clinical benefit, and we are discussing next steps for the program with Celgene.

In addition to the upfront payment of $177.2 million, including a $22.2 million equity investment, we are eligible to receive opt-in payments upon Celgene’s exercise of the option for each biologic therapeutic program. The collaboration also includes milestone payments for achievement of specified development, regulatory and commercial milestones, paid on a per-product and per-program basis. The opt-in payments and payments for achievement of development, regulatory and commercial milestones may total up to (1) $505.0 million for products in the navicixizumab program, including a $25.0 million opt-in payment, (2) approximately $442.8 million for products in the rosmantuzumab program, including an approximately $37.8 million opt-in payment, and (3) $440.0 million for products in the anti-TIGIT program (including payments received as of December 31, 2017), including a $35.0 million opt-in payment. We have received $75.0 million in milestone payments related to programs in the Celgene collaboration to date.

Celgene is under no obligation to exercise its option with respect to any of the biologic candidates. If Celgene does not exercise its option on a program, we will not receive any opt-in payment for that program. Further, there is no guarantee that any programs under our collaboration with Celgene will successfully advance to achieve the relevant further development, regulatory and commercial milestones and that we will receive the associated milestone payments on our anticipated timelines or at all.

For the navicixizumab program and the rosmantuzumab program, if we choose to co-develop and co-commercialize biologic therapeutic products in the United States, we are also entitled to share 50% of all product profits and losses in the United States. For such programs outside the United States, we are eligible to receive tiered royalties equal to a percentage of net product sales outside of the United States in the mid-single digits to the mid-teens. For the anti-TIGIT program, and for the navicixizumab program and/or the rosmantuzumab program if we elect not to co-develop or co-commercialize biologic therapeutic products under such program, Celgene is required to pay us tiered royalties equal to a percentage of net product sales worldwide in the high-single digits to the high-teens, with such royalties being increased where we had the right to co-develop and co-commercialize such biologic therapeutic products under such program but elected not to do so. We are responsible for funding all research and development activities for biologic therapeutics under the collaboration prior to Celgene’s exercise of the option for such program.

The agreement with Celgene will terminate upon the expiration of all of Celgene’s payment obligations under all license or co-development and co-commercialization agreements entered into with respect to programs following Celgene’s exercise of an option for a given program, or if Celgene fails to exercise its options within the relevant option periods. The agreement may be terminated by either party for the insolvency of, or an uncured material breach of the agreement by, the other party. In addition, Celgene may terminate the agreement in its entirety or with respect to one or more programs subject to the collaboration, for any reason, with prior written notice to us. We may also terminate the agreement with respect to one or more programs in the event that Celgene challenges the licensed patents with respect to such program. Depending on the timing of any such termination we may not be entitled to receive the opt-in payments, or potential milestone payments, as these payments terminate with termination of the agreement.

If Celgene does not exercise its options with respect to rosmantuzumab, navicixizumab, or anti-TIGIT, or terminates its rights and obligations with respect to a program or the entire agreement, then depending on the timing of such event:

- under certain circumstances, we may owe Celgene single-digit percentage royalties on therapeutic candidates covered by our agreement with Celgene that we elect to continue to commercialize and are successfully commercialized, subject to a cap;
- the development of our therapeutic candidates subject to the Celgene agreement may be terminated or significantly delayed;
• our cash expenditures could increase significantly if it is necessary for us to hire additional employees and allocate scarce resources to the development and commercialization of therapeutic candidates that were previously funded by Celgene;
• we would bear all of the risks and costs related to the further development and commercialization of therapeutic candidates that were previously the subject of the Celgene agreement, including the reimbursement of third parties; and
• in order to fund further development and commercialization of new therapeutic candidates or programs, we may need to seek out and establish alternative collaboration arrangements with third-party partners; this may not be possible, or we may not be able to do so on terms which are acceptable to us, in which case, since assumption of sole responsibility for further development and commercialization would greatly increase our expenditures, it may be necessary for us to limit the size or scope of one or more of our programs, seek additional funding by other means, and/or choose to stop work altogether on one or more of the affected therapeutic candidates.

Any of these events could have a material adverse effect on our results of operations and financial condition.

In addition to our collaboration with Celgene, we have a collaboration with Bayer that currently consists of a small molecule program. Under our agreement with Bayer, if Bayer elects to advance the small molecule program into further development and commercialization, we would be entitled to receive a $10.0 million advancement fee for the small molecule program and, for each small molecule therapeutic candidate, up to $102.0 million in the aggregate for development, regulatory, and commercial milestones, plus single-digit percentage royalties on net product sales. However, Bayer is under no obligation to advance the small molecule program into further development and commercialization, and there is no guarantee that Bayer will elect to do so or that we will receive the advancement fee or any other payments related to the small molecule program on our anticipated timelines or at all. Moreover, there is no guarantee that any such small molecule therapeutic candidate will achieve the relevant further development, regulatory, or commercial milestones.

Bayer may terminate, for any or no reason, the collaboration agreement upon prior written notice to us. The agreement may also be terminated by either party for material breach by the other party that is not cured within a specified cure period. Either party may terminate the agreement for insolvency by the other party, and we may terminate the agreement if Bayer challenges the licensed patents. Depending on the timing of any such termination we may not be entitled to receive the small molecule advancement fee or potential milestone payments, as these payments terminate with termination of the agreement. The commercial success of our partnered therapeutic candidates that are part of our collaboration agreement with Celgene will depend in large part on Celgene’s development and marketing efforts, if and when Celgene exercises its options on those programs. If Celgene is unable to perform in accordance with the terms of our agreement, our potential to generate future revenue from these programs would be significantly reduced and our business would be materially and adversely harmed.

If Celgene opts to exercise its options to license any therapeutic candidates under our agreement (and we do not co-develop and co-commercialize the licensed therapeutic candidate), we will have limited influence and/or control over Celgene’s approaches to development and commercialization. While we will have potential milestone and royalty streams payable as Celgene or its sublicensees advance development of the therapeutic candidates that are not being co-developed and co-commercialized with us, we are likely to have limited ability to influence Celgene’s development and commercialization efforts. Even if Celgene exercises its option to license a therapeutic candidate under its agreement to which we have global co-development rights and co-commercialization rights in the United States and we co-develop and co-commercialize such therapeutic candidate with Celgene, our ability to influence Celgene’s development and commercialization plans may still be limited. Moreover, transitioning a therapeutic candidate to a collaboration partner after exercise of the partner’s option can be a complex process and may cause delays in the development program for that therapeutic candidate. If Celgene or any potential future collaboration partners do not perform in the manner that we expect or fulfill their responsibilities in a timely manner, or at all, or if significant delays arise from the transition of a therapeutic candidate to Celgene or a potential future
collaboration partner after option exercise, the clinical development, regulatory approval and commercialization efforts related to therapeutic candidates we have licensed to such collaboration partners could be delayed or terminated.

If we terminate our collaboration with Celgene, or any program thereunder, due to a material breach by Celgene, we have the right to assume the responsibility at our own expense for the development of the applicable biologic therapeutic candidates. Assumption of sole responsibility for further development will greatly increase our expenditures, and may mean we need to limit the size and scope of one or more of our programs, seek additional funding and/or choose to stop work altogether on one or more of the affected therapeutic candidates. This could result in a limited potential to generate future revenue from such therapeutic candidates, and our business could be materially and adversely affected. Further, under certain circumstances, we may owe Celgene a single-digit percentage royalty on a therapeutic candidate successfully commercialized, subject to a cap.

We rely on third parties to conduct some of our preclinical studies and all of our clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be unable to obtain regulatory approval for or commercialize any of our therapeutic candidates.

Although we conduct certain preclinical studies, we currently do not have the ability to independently conduct preclinical studies that comply with good laboratory practices, or GLP. We also do not currently have the ability to independently conduct any clinical trials. We rely on medical institutions, clinical investigators, contract laboratories, collaborative partners and other third parties, such as CROs, to conduct GLP compliant preclinical studies and clinical trials on our therapeutic candidates. The third parties with which we contract for execution of our GLP preclinical studies and our clinical trials play a significant role in the conduct of these studies and trials and the subsequent collection and analysis of data. These third parties are not our employees and, except for restrictions imposed by our contracts with such third parties, we have limited ability to control the amount or timing of resources that they devote to our programs. Although we rely on these third parties to conduct our GLP compliant preclinical studies and clinical trials, we remain responsible for ensuring that each of our GLP preclinical studies and clinical trials is conducted in accordance with its investigational plan and protocol. The FDA and regulatory authorities in other jurisdictions require us to comply with regulations and standards, commonly referred to as good clinical practices, or GCPs, for conducting, monitoring, recording and reporting the results of clinical trials, in order to ensure that the data and results are scientifically credible and accurate and that the trial subjects are adequately informed of the potential risks of participating in clinical trials.

Many of the third parties with whom we contract may also have relationships with other commercial entities, some of which may compete with us. If the third parties conducting our GLP preclinical studies or our clinical trials do not perform their contractual duties or obligations, experience work stoppages, do not meet expected deadlines, terminate their agreements with us or need to be replaced, or if the quality or accuracy of the clinical data they obtain is compromised due to their failure to adhere to our clinical trial protocols or to GCPs, or for any other reason, we may need to enter into new arrangements with alternative third parties. This could be costly, and our preclinical studies or clinical trials may need to be extended, delayed, terminated or repeated, and we may not be able to obtain regulatory approval in a timely fashion, or at all, for the applicable therapeutic candidate, or to commercialize such therapeutic candidate being tested in such studies or trials.

We rely on single source third-party contract manufacturing organizations to manufacture and supply our therapeutic candidates for us. If one of our suppliers or manufacturers fails to perform adequately or fulfill our needs, or if these agreements are terminated by the third parties, we may be required to incur significant costs and devote significant efforts to find new suppliers or manufacturers. We may also face delays in the development and commercialization of our therapeutic candidates.

We currently have limited experience in, and we do not own facilities for, manufacturing our therapeutic candidates. We rely upon single source third-party contract manufacturing organizations to manufacture and supply large quantities of our therapeutic candidates. We currently utilize Lonza Sales AG, or Lonza, for the bulk manufacturing of our therapeutic candidates. We have also used Synco Bio Partners B.V. for fill/finish services (e.g. filling vials with drug substance, sealing and inspecting vials and performance of release assays). In addition, a number of our clinical trials require us to source and supply our clinical trial sites with other medications that are administered in conjunction with our therapeutic candidates, or co-medications. We rely upon third-party suppliers
for the manufacture and supply of these co-medications, which are subject to the same risks as the manufacture and supply of our therapeutic candidates.

The manufacture of pharmaceutical products in compliance with current good manufacturing practice, or cGMP, regulations requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products often encounter difficulties in production, including difficulties with production costs and yields, quality control, including stability of the therapeutic candidate and quality assurance testing, or shortages of qualified personnel. We cannot assure you that any stability failures or other issues relating to the manufacture of our therapeutic candidates or the supply of co-medications will not occur in the future. If the manufacturers of our therapeutic candidates or co-medications were to encounter any of these difficulties or otherwise fail to comply with their obligations to us or under applicable regulations, or if we were unable to timely identify third party suppliers of co-medications or enter into agreements with these third party suppliers for the supply of co-medications, our ability to provide study materials in our preclinical studies and clinical trials would be jeopardized. Any delay or interruption in the supply of preclinical study or clinical trial materials could delay the initiation of, enrollment in, and/or completion of our preclinical studies and clinical trials, increase the costs associated with maintaining our preclinical study and clinical trial programs and, depending upon the period of delay, require us to commence new trials at significant additional expense or terminate the studies and trials completely.

All manufacturers of our therapeutic candidates must comply with cGMP requirements enforced by the FDA through its facilities inspection program. These requirements include, among other things, quality control, quality assurance and the maintenance of records and documentation. Manufacturers of our component materials may be unable to comply with these cGMP requirements and with other FDA, state and foreign regulatory requirements. The FDA or similar foreign regulatory agencies at any time may also implement new standards, or change their interpretation and enforcement of existing standards for manufacture, packaging or testing of products. We have little control over our manufacturers’ compliance with these regulations and standards. A failure to comply with these requirements may result in fines and civil penalties, suspension of production, suspension or delay in product approval, product seizure or recall, or withdrawal of product approval. If the safety of any product supplied is compromised due to our manufacturers’ failure to adhere to applicable laws or for other reasons, we may not be able to obtain regulatory approval for or successfully commercialize our products, and we may be held liable for any injuries sustained as a result. Any of these factors could cause a delay of clinical trials, regulatory submissions, approvals or commercialization of our therapeutic candidates or entail higher costs or impair our reputation.

Our current agreements with our suppliers do not provide for the entire supply of the bulk drug necessary for additional clinical trials or for full-scale commercialization. In the event that we and our suppliers cannot agree to the terms and conditions for them to provide some or all of our bulk drug clinical and commercial supply needs, or if any single-source supplier terminates the agreement in response to a breach by us, we would not be able to manufacture the bulk drug on a commercial scale until a qualified alternative supplier is identified, which could also delay the development of, and impair our ability to commercialize, our therapeutic candidates.

Although we believe that appropriate alternative sources of supply exist for each of our current therapeutic candidates, the number of third-party suppliers with the necessary manufacturing and regulatory expertise and facilities is limited, and it could be expensive and take a significant amount of time to arrange for alternative suppliers, which could have a material adverse effect on our business. New suppliers of any bulk drug would be required to qualify under applicable regulatory requirements and would need to have sufficient rights under applicable intellectual property laws to the method of manufacturing such ingredients. Obtaining the necessary FDA approvals or other qualifications under applicable regulatory requirements and ensuring non-infringement of third-party intellectual property rights could result in a significant interruption of supply and could require the new manufacturer to bear significant additional costs which may be passed on to us. In addition, we may be required to pay potential fees and royalties to Lonza if we utilize other suppliers for bulk drug, given that we have used their proprietary production cell lines in our programs.

The failure of third-party manufacturers or suppliers to perform adequately or the termination of our arrangements with any of them may adversely affect our business.
Even if our therapeutic candidates do obtain regulatory approval they may never achieve market acceptance or commercial success.

Even if we or our current or future collaborators obtain FDA or other regulatory approvals, and are able to launch our therapeutic candidates commercially, our therapeutic candidates may not achieve market acceptance among physicians, patients and third-party payors and, ultimately, may not be commercially successful. Market acceptance of our therapeutic candidates for which we receive approval depends on a number of factors, including:

- the efficacy and safety of the therapeutic candidates as demonstrated in clinical trials;
- the clinical indications for which the therapeutic candidate is approved;
- acceptance by physicians, operators of treatment facilities and parties responsible for reimbursement of the product as a safe and effective treatment;
- the potential and demonstrable advantages of our therapeutic candidates, including the cost of treatment and benefits over alternative treatments;
- the safety of therapeutic candidates seen in a broader patient group, including use outside the approved indications;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate reimbursement and pricing by third-party payors and government authorities;
- relative convenience and ease of administration;
- the tolerance of the products by patients, including prevalence and severity of adverse side effects; and
- the effectiveness of our sales and marketing efforts.

Any failure by our therapeutic candidates that obtain regulatory approval to achieve market acceptance or commercial success would adversely affect our financial results.

If any of our therapeutic candidates receives marketing approval and we or others later identify undesirable side effects caused by the therapeutic candidate, our ability to market and derive revenue from the therapeutic candidates, or our current or future collaborators' ability to do so, could be compromised.

In the event that any of our therapeutic candidates receive regulatory approval and we or others identify undesirable side effects caused by one of our products, any of the following adverse events could occur:

- regulatory authorities may withdraw their approval of the product or seize the product;
- we or our current or future 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 or our current or future collaborators 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 or our current or future collaborators may be required to create a Medication Guide outlining the risks of such side effects for distribution to patients;
- we or our current or future collaborators could be sued and held liable for harm caused to patients;
- the product may become less competitive; and
- our reputation or the reputation of our current or future collaborators may suffer.
Any of the foregoing events could result in the loss of significant revenues to us, which would materially and adversely affect our results of operations and business.

We currently have no sales and marketing staff or distribution organization. If we are unable to develop a sales and marketing and distribution capability on our own or through our collaboration with Celgene or other potential marketing partners, we will not be successful in commercializing our future products.

We currently have no sales or marketing staff or distribution organization. If Celgene elects to exercise its option for a program under its agreement, including a program we are co-commercializing in the United States with Celgene, then although we intend to exercise our right to participate in specified promotion activities in the United States by contributing up to half of the overall sales force for the applicable program products, as well as to perform certain marketing and other commercial activities, Celgene will be responsible for booking sales of products. There is no guarantee that Celgene will elect to market and distribute our products or that Celgene will not elect to terminate our collaboration arrangement, which they have a right to do at any time with prior notice under our agreement. Further, we are likely to have limited control over the marketing and distribution activities of Celgene for products for which Celgene is solely responsible for development and commercialization. This will be the case for all biologic products outside the United States, and for all biologic products within the United States for which we either do not have, or for which we opt out of, our right to co-develop and co-commercialize such therapeutic candidates. On the other hand, if Celgene does not exercise its options, and we develop the therapeutic candidates that are currently part of our collaboration with Celgene ourselves, or if we develop unpartnered product candidates to the point of commercialization, we may need to enter into distribution or co-marketing arrangements with other third parties. Further, if Celgene exercises its options for therapeutic candidates under its agreement to which we have co-commercialization rights in the United States and we choose to exercise our right to co-commercialize such therapeutic candidates, we will need to build certain sales and marketing capabilities. If we need to rely on third parties for marketing and distributing independently developed approved products, any revenue we receive will depend upon the efforts of third parties, which may not be successful and are only partially within our control, and our product revenue may be lower than if we directly marketed or sold our products. If we are unable to enter into arrangements with third parties to sell, market and distribute therapeutic candidates for which we have received regulatory approval on acceptable terms or at all, we will need to market these products ourselves. Marketing products ourselves or co-commercializing products with Celgene is likely to be expensive and logistically difficult, as it would require us to build our own sales force. We have no experience as a company in this area. If such efforts were necessary, we may not be able to successfully commercialize our future products. If we are not successful in commercializing our future products, either on our own or through our collaboration with Celgene or one or more third parties, or by co-promoting products with marketing partners, any future product revenue will be materially and adversely affected.

We may experience difficulties in managing our current activities and future growth given our level of managerial, operational, financial and other resources.

On April 24, 2017, our Board of Directors approved a restructuring plan, pursuant to which we reduced our workforce by 60 employees (or 48% of our then-current workforce). As of December 31, 2017, we had 56 employees. On January 4, 2018, we announced that Paul J. Hastings, our then-Chairman, President, and Chief Executive Officer, resigned effective January 1, 2018. On January 31, 2018, we reported that Sunil Patel, our Executive Vice President and Chief Financial Officer, and previously a member of the Office of the President, will resign effective on or about March 9, 2018. We will need to manage our operations and clinical trials, continue our development activities and commercialize our therapeutic candidates with our reduced workforce and management team. Our management and personnel, systems and facilities currently in place may not be adequate to support our current activities or future growth. Our need to effectively execute our business strategy requires that we:

• manage our clinical trials effectively, including two Phase Ib trials for navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83), a Phase Ia/b trial for anti-TIGIT (OMP-313M32), and a Phase Ia trial for GITRL-Fc (OMP-336B11), all of which are being conducted at multiple trial sites, as well as additional clinical trials we may initiate in the future;
• manage our internal research and development efforts effectively while carrying out our contractual obligations to licensors, contractors, collaborators, government agencies and other third parties;
• continue to improve our operational, financial and management controls, reporting systems and procedures; and
• maintain and motivate our remaining employees and identify, recruit, and integrate additional employees.

If we are unable to maintain or expand our managerial, operational, financial and other resources to the extent required to manage our development and commercialization activities, our business will be materially adversely affected.

We are highly dependent on the services of our President, John Lewicki, Ph.D., and other key executives, and if we are not able to retain these members of our management, recruit and retain a Chief Executive Officer and Chief Financial Officer, or retain or recruit additional management, clinical and scientific personnel, our business will suffer.

Paul J. Hastings, previously our Chairman, President, and Chief Executive Officer, resigned effective January 1, 2018, and Sunil Patel, our Executive Vice President and Chief Financial Officer, and previously a member of the Office of the President, will resign effective on or about March 9, 2018. We may not be able to retain our remaining management, scientific and clinical personnel, or attract qualified management, scientific and clinical personnel in the future, due to the intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses, particularly in the San Francisco Bay Area. In particular, although our board of directors has retained an executive search firm and has initiated a search for a full-time successor to Mr. Hastings, we cannot guarantee that we will find a successor with our desired qualifications, on our preferred terms, on our anticipated timelines, or at all. Our industry has experienced a high rate of turnover of management personnel in recent years. In addition to the competition for personnel, the San Francisco Bay Area in particular is characterized by a high cost of living. As such, we could have difficulty attracting experienced personnel to our company and may be required to expend significant financial resources in our employee recruitment and retention efforts. If we are not able to attract, retain and motivate necessary personnel to accomplish our business objectives, we may experience constraints that will significantly impede the achievement of our development objectives, our ability to raise additional capital and our ability to implement our business strategy.

We are highly dependent on the principal members of our management and scientific staff. The loss of service of any of our management could harm our business. In addition, we are dependent on our continued ability to retain and motivate our existing management, clinical and scientific personnel, and to potentially attract highly qualified additional management, clinical and scientific personnel. The competition for qualified personnel in the pharmaceutical industry is intense. Due to our limited resources, we may not be able to effectively retain our existing personnel or attract additional qualified personnel. If we are not able to retain our management, particularly our President, Dr. Lewicki, and to attract, on acceptable terms, additional qualified personnel necessary for the continued development of our business, such as a new chief executive officer or chief financial officer, we may not be able to sustain our operations or grow. Although we have executed employment agreements with each member of our current executive management team, including Dr. Lewicki, these agreements are terminable at will with or without notice and, therefore, we may not be able to retain their services as expected.

In addition, we have scientific and clinical advisors who assist us in formulating our product development and clinical strategies. These advisors are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us, or may have arrangements with other companies to assist in the development of products that may compete with ours.

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If we are not successful in discovering, developing and commercializing additional therapeutic candidates, our ability to expand our business and achieve our strategic objectives, or receive payments from our future collaboration partners, would be impaired.

Although a substantial amount of our efforts will focus on the clinical testing and potential approval of our most advanced therapeutic candidates, which include navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83), anti-TIGIT (OMP-313M32), and GITRL-Fc (OMP-336B11), a key element of our strategy is to discover, develop and potentially commercialize a portfolio of antibody-based products and other biologics useful in the treatment of cancer. We are seeking to do so through our internal research programs. We may explore strategic partnerships for the development of new products or develop new unpartnered therapeutic candidates on our own. All of our potential therapeutic candidates, other than our three therapeutic candidates currently in clinical development, remain in the discovery and preclinical study stages. Research programs to identify therapeutic candidates require substantial technical, financial and human resources, whether or not any therapeutic candidates are ultimately identified. Our research programs may initially show promise in identifying potential therapeutic candidates, yet fail to yield therapeutic candidates for clinical development for many reasons, including the following:

- the research methodology used may not be successful in identifying potential therapeutic candidates;
- competitors may develop alternatives that render our therapeutic candidates obsolete;
- a therapeutic candidate may, on further study, be shown to have harmful side effects or other characteristics that indicate it is unlikely to be effective or otherwise does not meet applicable regulatory criteria;
- a therapeutic candidate may not be capable of being produced in commercial quantities at an acceptable cost, or at all; and
- a therapeutic candidate may not be accepted as safe and effective by patients, the medical community or third-party payors.

If we are unsuccessful in identifying and developing additional therapeutic candidates, our potential for growth, or our ability to receive payments from our future collaboration partners, may be impaired.

We face substantial competition and our competitors may discover, develop or commercialize products faster or more successfully than us.

The biotechnology and pharmaceutical industries are highly competitive, and we face significant competition from companies in the biotechnology, pharmaceutical and other related markets that are researching and marketing products designed to address solid tumors and hematologic malignancies. Established pharmaceutical and biotechnology companies that are known to be involved in oncology research and currently sell or are developing drugs in our markets of interest include AbbVie, Amgen, Astellas, AstraZeneca, Bayer, BMS, Celgene, Genentech (Roche), GSK, Johnson & Johnson, Lilly, Merck, Merck Serono, Novartis, Pfizer, Regeneron, Sanofi, Teva and others. There are also biotechnology companies of various sizes that are developing therapies against immuno-oncology targets.

It is possible that our competitors will develop and market drugs or other treatments that are less expensive and more effective than our therapeutic candidates, or that will render our therapeutic candidates obsolete. It is also possible that our competitors will commercialize competing drugs or treatments before we or our collaboration partners can launch any products developed from our therapeutic candidates. If approved for marketing by the FDA or other regulatory agencies worldwide, our therapeutic candidates would compete against existing cancer treatments such as Avastin®, Erbitux®, Yervoy™, Keytruda®, Opdivo®, and chemotherapies, and potentially against other novel drug candidates or treatments that are currently in development. Additionally, there have been several additional monoclonal antibodies in development for cancer, such as Abbvie’s ABT-165, an anti-DLL4/VEGF dual variable domain immunoglobulin, which is reportedly being studied in clinical trials. In the immuno-oncology field, there are several companies reportedly advancing programs modulating TIGIT and/or GITR in early stage research and development, including Genentech (Roche), Merck, and BMS. We also anticipate that we will face increased competition in the future as new companies enter into our target markets and scientific developments surrounding the immuno-oncology field continue to develop.
Many of our competitors have materially greater name recognition and financial, manufacturing, marketing, legal, research and drug development resources than we do. Additional mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated in our competitors. Large pharmaceutical companies in particular have extensive expertise in preclinical and clinical testing and in obtaining regulatory approvals for drugs. In addition, academic institutions, government agencies, and other public and private organizations conducting research may seek patent protection with respect to potentially competitive products or technologies. These organizations may also establish exclusive collaborative or licensing relationships with our competitors.

Failure to successfully validate, develop and obtain regulatory approval for companion diagnostics could harm our product development strategy.

An important element of our clinical development strategy for certain of our therapeutic candidates such as anti-TIGIT (OMP-313M32) and GITRL-Fc (OMP-336B11) is that we seek to identify patient subsets within a disease category who may derive selective and meaningful benefit from the therapeutic candidates we are developing. In collaboration with our partners, we plan to develop companion diagnostics for selected therapeutic candidates to help us to more accurately identify patients within a particular subset. Such companion diagnostics would be used during our clinical trials as well as in connection with the commercialization of our therapeutic candidates. Companion diagnostics are subject to regulation by the FDA and comparable foreign regulatory authorities as medical devices and therefore require separate regulatory clearance or approval prior to commercialization. The clinical development of novel therapeutics with a companion diagnostic is complex from an operational and regulatory perspective because of the need for both the drug and the diagnostic to receive regulatory clearance or approval.

We will be dependent on identifying suitable third-party development partners, and on entering into appropriate agreements with such third parties, and on the sustained cooperation and effort of our future collaborators in developing and obtaining approval for these companion diagnostics. It may be necessary to resolve issues such as selectivity/specificity, analytical validation, reproducibility, or clinical validation of companion diagnostics during the development and regulatory approval processes. Moreover, even if data from preclinical studies and early clinical trials appear to support development of a companion diagnostic for a therapeutic candidate, data generated in later clinical trials may fail to support the analytical and clinical validation of the companion diagnostic. We and our future collaborators may encounter difficulties in developing, obtaining regulatory approval for, manufacturing and commercializing companion diagnostics similar to those we face with respect to our therapeutic candidates themselves, including issues with achieving regulatory clearance or approval, production of sufficient quantities at commercial scale and with appropriate quality standards, and in gaining market acceptance. Failure to overcome these hurdles would have an adverse effect on our ability to derive revenues from sales of our diagnostic products. Any delay or failure by us or our future collaborators to develop or obtain regulatory approval of the companion diagnostics where required in connection with obtaining approval of our therapeutic candidates could delay or prevent approval of our therapeutic candidates. In addition, a diagnostic company with whom we contract may decide to discontinue selling or manufacturing the companion diagnostic test that we anticipate using in connection with development and commercialization of our therapeutic candidates or our relationship with such diagnostic company may otherwise terminate. We may not be able to enter into arrangements with another diagnostic company to obtain supplies of an alternative diagnostic test for use in connection with the development and commercialization of our therapeutic candidates or do so on commercially reasonable terms, which could adversely affect and/or delay the development or commercialization of our therapeutic candidates.

We may form additional strategic alliances in the future with respect to our independent programs, including programs for which Celgene does not exercise its options, and we may not realize the benefits of such alliances.

We may form strategic alliances, create joint ventures or collaborations or enter into licensing arrangements with third parties with respect to our independent programs that we believe will complement or augment our existing business. For example, we may attempt to find a partner for licensing, development and/or commercialization of our unpartnered research, preclinical and clinical assets, or of clinical assets returned to us by Celgene as a result of its decision to terminate our collaboration agreement or to not exercise its options for such assets. Our currently unpartnered programs include GITRL-Fc (OMP-336B11). We routinely engage in partnering discussions with a
range of pharmaceutical and biotechnology companies and could enter into new collaborations at any time. We face significant competition in seeking appropriate strategic partners, and the negotiation process to secure appropriate terms is time-consuming and complex. Any delays in identifying suitable development partners and entering into agreements to develop our therapeutic candidates could also delay the commercialization of our therapeutic candidates, which may reduce their competitiveness even if they reach the market. Moreover, we may not be successful in our efforts to establish such a strategic partnership for any of our unpartnered therapeutic candidates and programs on terms that are acceptable to us, or at all. This may be because our therapeutic candidates and programs may be deemed to be at too early of a stage of development for collaborative effort, our research and development pipeline may be viewed as insufficient, and/or third parties may not view our therapeutic candidates and programs as having sufficient potential for commercialization, including the likelihood of an adequate safety and efficacy profile. Even if we are successful in entering into a strategic alliance or license arrangement, there is no guarantee that the collaboration will be successful, or that any future partner will commit sufficient resources to the development, regulatory approval, and commercialization effort for such products, or that such alliances will result in us achieving revenues that justify such transactions.

We may engage in strategic transactions that could impact our liquidity, increase our expenses and present significant distractions to our management.

From time to time, we may consider strategic transactions, such as acquisitions of companies, asset purchases, and out-licensing or in-licensing of products, therapeutic candidates or technologies. Additional potential transactions that we may consider include a variety of different business arrangements, including spin-offs, strategic partnerships, joint ventures, restructurings, divestitures, business combinations and investments. Any such transaction may require us to incur non-recurring or other charges, may increase our near- and long-term expenditures and may pose significant integration challenges or disrupt our management or business, which could adversely affect our operations and financial results. For example, these transactions may 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 develop acquired products, therapeutic candidates or technologies;
- incurrence of substantial debt or dilutive issuances of equity securities to pay for acquisitions;
- higher-than-expected acquisition and integration costs;
- write-downs of assets or goodwill or impairment charges;
- increased amortization expenses;
- difficulty and cost in combining the operations and personnel of any acquired businesses with our operations and personnel;
- impairment of relationships with key suppliers or customers of any acquired businesses due to changes in management and ownership; and
- inability to retain key employees of any acquired businesses.

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 could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be subject to costly product liability claims related to our clinical trials and therapeutic candidates and, if we are unable to obtain, or maintain, adequate insurance or are required to pay for liabilities resulting from a claim excluded from, or beyond the limits of, our insurance coverage, a material liability claim could adversely affect our financial condition.

Because we conduct clinical trials with human patients, we face the risk that the use of our therapeutic candidates may result in adverse side effects to patients in our clinical trials. We face even greater risks upon any
commercialization of our therapeutic candidates. Although we have product liability insurance, which covers our clinical trials, for up to $10.0 million, our insurance may be insufficient to reimburse us for any expenses or losses we may suffer, and we may be required to increase our product liability insurance coverage for any advanced clinical trials that we may initiate in the future. We do not know whether we will be able to continue to obtain product liability coverage and obtain expanded coverage if we require it, on acceptable terms, or at all. We may not have sufficient resources to pay for any liabilities resulting from a claim excluded from, or beyond the limits of, our insurance coverage. Where we have provided indemnities in favor of third parties under our agreements with them, there is also a risk that these third parties could incur liability and bring a claim under such indemnities. An individual may bring a product liability claim against us alleging that one of our therapeutic candidates or products causes, or is claimed to have caused, an injury or is found to be unsuitable for consumer use. Any product liability claim brought against us, with or without merit, could result in:

- withdrawal of clinical trial volunteer, investigators, patients or trial sites;
- the inability to commercialize our therapeutic candidates;
- decreased demand for our therapeutic candidates;
- regulatory investigations that could require costly recalls or product modifications;
- loss of revenues;
- substantial costs of litigation;
- liabilities that substantially exceed our product liability insurance, which we would then be required to pay ourselves;
- an increase in our product liability insurance rates or the inability to maintain insurance coverage in the future on acceptable terms, if at all;
- the diversion of management’s attention from our business; and
- damage to our reputation and the reputation of our products.

Product liability claims may subject us to the foregoing and other risks, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

**Key elements of our product discovery technologies, such as our linkerless trimer technology, human tumor xenograft models, and antibody display technology, are new approaches to the discovery and development of new therapeutic candidates and may not result in the discovery of any products of commercial value.**

We have developed a suite of discovery technologies to enable generation and testing of novel therapeutic candidates. For example, we have developed a novel protein engineering technology that we are using to generate single-gene, linkerless trimers of TNF superfamily ligands as potential therapeutic candidates. In addition, we have created a bank of over 300 patient derived human tumors that we routinely utilize in human tumor xenograft models to screen our therapeutic candidates for evidence of activity. We have also developed a mammalian display antibody technology that we use routinely to select antibody therapeutic candidates for in vivo testing. We cannot assure you that any of these technologies will yield therapeutic candidates of commercial value.

**Our business involves the use of hazardous materials and we and our third-party manufacturers must comply with environmental laws and regulations, which may be expensive and restrict how we do business.**

Our third-party manufacturers’ activities and our own activities involve the controlled storage, use and disposal of hazardous materials, including the components of our pharmaceutical therapeutic candidates, test samples and reagents, biological materials and other hazardous compounds. We and our manufacturers are subject to federal, state, local and foreign laws and regulations governing the use, generation, manufacture, storage, handling and disposal of these hazardous materials. We currently carry no insurance specifically covering environmental claims relating to the use of hazardous materials. Although we believe that our safety procedures for handling and disposing of these materials and waste products comply with the standards prescribed by these laws and regulations, we cannot eliminate the risk of accidental injury or contamination from the use, storage, handling or disposal of
hazardous materials. In the event of an accident, state or federal or other applicable authorities may curtail our use of these materials and/or interrupt our business operations. In addition, if an accident or environmental discharge occurs, or if we discover contamination caused by prior operations, including by prior owners and operators of properties we acquire, we could be liable for cleanup obligations, damages and fines. If such unexpected costs are substantial, this could significantly harm our financial condition and results of operations.

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

Our business is increasingly dependent on critical, complex and interdependent information technology systems to support business processes as well as internal and external communications. Despite the implementation of security measures, our internal computer systems and those of our CROs and other contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While, to our knowledge, we have not experienced any such system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our programs. For example, the loss of clinical trial data from completed or ongoing clinical trials for any of our therapeutic candidates could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. In addition, our systems are potentially vulnerable to data security breaches, whether by employees or others, which may expose sensitive data to unauthorized persons. To the extent that any disruption or security breach results in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our therapeutic candidates could be delayed.

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

We are exposed to the risk that our employees, independent contractors, principal investigators, CROs, consultants and vendors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates: (i) FDA laws and regulations, including those laws that require the reporting of true, complete and accurate information to the FDA, (ii) manufacturing standards, (iii) federal and state healthcare fraud and abuse laws and regulations, and (iv) laws that require the true, complete and accurate reporting of financial information or data. 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 also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter 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 significant impact on our business, including the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgements, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, individual imprisonment, other sanctions, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

Requirements associated with being a public company have increased our costs significantly and have diverted significant company resources and management attention.

Prior to our initial public offering in July 2013, we had not been subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or the other rules and regulations of the SEC or any securities exchange relating to public companies. We are continuing to work with our legal, independent accounting and financial advisors to identify those areas in which changes should be made to our financial and
management control systems to manage our growth and our obligations as a public company. These areas include corporate governance, corporate control, disclosure controls and procedures and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas. However, the expenses that have been required in order to operate as a public company have been material, and may increase after we cease to be an “emerging growth company.” Compliance with the various reporting and other requirements applicable to public companies has also required considerable time and attention of management. In addition, the changes we have made and may make in the future may not be sufficient to allow us to satisfy our obligations as a public company on a timely basis.

However, for as long as we remain an “emerging growth company” as defined in the Jumpstart our Business Startups Act, or the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and 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 may take advantage of these reporting exemptions until we are no longer an “emerging growth company.” Once we are no longer an “emerging growth company,” or if prior to such date, we opt to no longer take advantage of the applicable exemption, we would incur the greater expenses associated with such reporting requirements.

We will remain an “emerging growth company” for up to five years from our initial public offering in July 2013, that is, until December 31, 2018, although if we issue more than $1 billion in non-convertible debt in a three-year period, we would cease to be an “emerging growth company” immediately.

In addition, being a public company made it more difficult or more costly for us to obtain certain types of insurance, including directors’ and officers’ liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage in the future. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on our board committees or as executive officers.

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

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and have provided a management report on the internal control over financial reporting. If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We evaluate our internal controls systems to allow management to report on, and eventually allow our independent auditors to attest to, our internal controls. We are currently performing and will continue to perform the system and process evaluation and testing (and any necessary remediation) required to comply with the management certification and eventual auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002. The aforementioned auditor attestation requirements will not apply to us until we are no longer considered an “emerging growth company” as defined in the JOBS Act.

We cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, we may be subject to sanctions or investigation by regulatory authorities, such as the SEC or The NASDAQ Stock Market LLC, or NASDAQ. Any such action could adversely affect our financial results or investors’ confidence in us and could cause our stock price to fall. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal controls that are deemed to be material weaknesses, we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities, which would entail expenditure of additional financial and management resources and could materially adversely affect our stock price. Inferior internal controls could also cause us to fail to meet our reporting obligations or cause investors to lose confidence in our reported financial information, which could have a negative effect on our stock price.
The recently enacted comprehensive tax reform legislation could adversely affect our business and financial condition.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal top corporate tax rate from 35% to 21%; (2) requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations; (5) eliminating the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized; (6) creating the base erosion anti-abuse tax, a new minimum tax; (7) creating a new limitation on deductible interest expense; and (8) changing rules related to the use and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the Tax Act is uncertain and our business and financial condition could be adversely affected. In addition, it is uncertain if and to what extent various states will conform to the newly enacted federal tax law. The determination of the benefit from (or provision for) income taxes requires complex estimations, significant judgments and significant knowledge and experience concerning the applicable tax laws. Given that we are still in the transition period for the accounting for income tax effects of the Tax Act, the current assessment on deferred tax assets (liabilities) is based on the currently available information and guidance. If in the future any element of the Tax Act changes the related accounting guidance for income tax, it could affect our income tax position and we may need to adjust the benefit from (or provision for) income taxes accordingly.

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

We have incurred substantial losses during our history and do not expect to become profitable in 2018 and may never achieve profitability. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until such unused losses expire. We may be unable to use these losses to offset income before such unused losses expire. Under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), if a corporation undergoes an "ownership change" (generally defined as a greater than 50 percentage point change (by value) in its equity ownership over a rolling three-year period), the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be further limited. We have experienced ownership changes in the past, and we may experience additional ownership changes in the future as a result of subsequent shifts in our equity ownership, some of which are outside of our control. As of December 31, 2017, we had federal and California net operating loss carryforwards of $229.3 million and $97.0 million, respectively, that could be limited if we experience an ownership change, which could have an adverse effect on our results of operations.

We may be adversely affected by the current global economic environment.

Our ability to attract and retain collaboration partners or customers, invest in and grow our business and meet our financial obligations depends on our operating and financial performance, which, in turn, is subject to numerous factors, including the prevailing economic conditions and financial, business and other factors beyond our control, such as the rate of unemployment, the number of uninsured persons in the United States and inflationary pressures. Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. The recent global financial crisis caused extreme volatility and disruptions in the capital and credit markets. We cannot anticipate all the ways in which the current global economic climate and global financial market conditions could adversely impact our business.

We are exposed to risks associated with reduced profitability and the potential financial instability of our collaboration partners or customers, many of which may be adversely affected by volatile conditions in the financial markets. For example, unemployment and underemployment, and the resultant loss of insurance, may decrease the demand for healthcare services and pharmaceuticals. If fewer patients are seeking medical care because they do not have insurance coverage, our collaboration partners or customers may experience reductions in revenues, profitability and/or cash flow that could lead them to reduce their support of our programs or financing activities. If collaboration partners or customers are not successful in generating sufficient revenue or are precluded from securing financing, they may not be able to pay, or may delay payment of, accounts receivable that are owed to us.
In addition, the volatility in the financial markets could cause significant fluctuations in the interest rate and currency markets. We currently do not hedge for these risks. The foregoing events, in turn, could adversely affect our financial condition and liquidity. To the extent economic challenges result in fewer individuals pursuing or being able to afford our therapeutic candidates once commercialized, our business, results of operations, financial condition and cash flows could be adversely affected.

**Business disruptions could seriously harm our future revenues and financial condition and increase our costs and expenses.**

Our operations could be subject to earthquakes, power shortages, telecommunications failures, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or manmade disasters or business interruptions. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses. Our corporate headquarters is located in California and certain clinical sites for our therapeutic candidates, operations of our existing and future partners and suppliers are or will be located in California near major earthquake faults and fire zones. The ultimate impact on us, our significant partners, suppliers and our general infrastructure of being located near major earthquake faults and fire zones and being consolidated in certain geographical areas is unknown, but our operations and financial condition could suffer in the event of a major earthquake, fire or other natural or manmade disaster.

**Risks Related to Intellectual Property**

We or our collaborators may become subject to third parties' claims alleging infringement of their patents and proprietary rights, which could be costly or delay or prevent the development and commercialization of our therapeutic candidates, or we may need to become involved in legal proceedings to invalidate the patents or proprietary rights of third parties.

Our success will depend, in part, on our ability to operate without infringing upon the proprietary rights of others. Litigation relating to infringement or misappropriation of patent and other intellectual property rights in the pharmaceutical and biotechnology industries is common. We or our collaborators may be subject to third-party claims in the future that would cause us to incur substantial expenses and which, if successful, could cause us to pay substantial damages, if we or our collaborators are found to be infringing a third party’s patent rights. These damages potentially include increased damages and attorneys’ fees if we are found to have infringed such rights willfully. Further, if a patent infringement suit is brought against us or our collaborators, our research, development, manufacturing or sales activities relating to the product or therapeutic candidate that is the subject of the suit may be delayed or terminated. As a result of patent infringement claims, or in order to avoid potential infringement claims, we or our collaborators may choose to seek, or be required to seek, a license from the third party, which would be likely to include a requirement to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if a license can be obtained on acceptable terms, the rights may be nonexclusive, which would give our competitors access to the same intellectual property rights. If we are unable to enter into a license on acceptable terms, we or our collaborators could be prevented from commercializing one or more of our therapeutic candidates, or forced to modify such therapeutic candidates, or to cease some aspect of our business operations, which could harm our business significantly.

We are aware of U.S. and foreign issued patents and pending patent applications controlled by third parties that may relate to the areas in which we are developing therapeutic candidates. Because all issued patents are entitled to a presumption of validity in many countries, including the United States and many European countries, issued patents held by others that claim our products or technology may limit our freedom to operate unless and until these patents expire or are declared invalid or unenforceable in a court of applicable jurisdiction, if we do not obtain a license or other right to practice the claimed inventions. Pending patent applications controlled by third parties may result in additional issued patents claiming our products and technology. In addition, the publication of patent applications occurs with a certain delay after the date of filing, so we may not be aware of all relevant patent applications of third parties at a given point in time. Further, publication of discoveries in the scientific or patent literature often lags behind actual discoveries, so we may not be able to determine whether inventions claimed in patent applications of third parties have been made before or after the date on which inventions claimed in our patent applications and patents have been made. If U.S. patent applications filed by third parties claim technology or therapeutics that are also claimed by our patent applications or patents, we may, under certain circumstances, have
to participate in interference proceedings in the U.S. Patent and Trademark Office, or USPTO, to determine the priority of invention. We may also become involved in inter partes or post-grant review proceedings in the USPTO, opposition proceedings in the European Patent Office, or EPO, or other proceedings before patent offices in the U.S. or foreign countries, regarding the intellectual property rights of third parties. We may also become involved in legal proceedings before courts in the U.S. or foreign countries in which we challenge the intellectual property rights of a third party. The outcome of these proceedings may be uncertain. An unfavorable outcome in these proceedings regarding the intellectual property rights of a third party could require us to attempt to license rights from the prevailing party, or to cease using the related technology or developing or commercializing the related therapeutic candidate, which would have a material adverse effect on our business.

For example, we initiated an opposition proceeding at the EPO to narrow or invalidate the claims of European Patent No. 2157192 (the ‘192 patent), a European patent owned by a third party that relates to certain anti-RSPO3 antibodies. The EPO has, in a first instance, found the patent, as amended during the opposition proceeding, to be valid. We are appealing this decision, but the EPO Board of Appeal will not be expected to issue a final decision for a couple more years and the ultimate outcome is uncertain. If we are not ultimately successful in the appeal proceeding and the issued claims of the ‘192 patent are determined to be valid and construed to cover rosmantuzumab (anti-RSPO3; OMP-131R10), we and our collaborators may not be able to comercialize rosmantuzumab in some or all European countries prior to expiration of the patent without obtaining a license to the patented technology, which may cause us to incur licensing-related costs. Also, a license may not be available under acceptable terms, or at all. In addition, even if we are ultimately successful in the appeal proceeding, such result would be limited to our activities in Europe. The third party that owns the ‘192 patent has pursued, in other countries including the U.S., claims that are similar to those granted by the EPO in the ‘192 patent, and we may need to initiate or engage in opposition proceedings or other legal proceedings in such other countries with respect to patents that have issued or may issue with claims similar in scope to those of the ‘192 patent. If we are unsuccessful in challenging a patent similar to the ‘192 patent in a country, and if a valid claim of the similar patent is construed to cover rosmantuzumab, we may be required to obtain a license to continue developing and commercializing rosmantuzumab in that country, which may not be available under acceptable terms, or at all.

We may become subject to third parties’ claims seeking to invalidate our patents or proprietary rights, or we may need to become involved in lawsuits or other legal proceedings to protect or enforce our patents, which could put our patents and other proprietary rights at risk.

Competitors may infringe our patents, or misappropriate or violate our other intellectual property rights. To counter infringement or unauthorized use, we may find it necessary to file infringement or other claims to protect our intellectual property rights. In addition, in any infringement proceeding brought by us against a third party to enforce our rights, a court may decide that a patent of ours is invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the basis that our patents do not cover the technology in question. In patent litigation in the U.S., defendant counterclaims alleging invalidity or unenforceability are commonplace, and there are numerous grounds upon which a third party can assert invalidity or unenforceability of a patent. An adverse result in any patent litigation proceeding could put one or more of our patents at risk of being invalidated or interpreted narrowly, which could open us up to additional competition and have a material adverse effect on our business.

Third parties may also raise claims alleging the invalidity or unenforceability of our patents in other forms of proceedings, including proceedings before administrative bodies in the U.S. or abroad, even outside the context of patent litigation. The use of administrative proceedings for challenging patents, including interference, derivation, and reexamination proceedings before the USPTO or oppositions and other comparable proceedings in foreign jurisdictions, is common in the biotechnology and pharmaceutical industries. For instance, we may be involved in opposition proceedings in the EPO regarding our intellectual property rights with respect to our therapeutic candidates. Due to recent changes in U.S. patent law, new procedures including inter partes review and post-grant review have been implemented and are now also available for use in patent challenges, and the use of inter partes review to challenge the validity of patents in the biotechnology and pharmaceutical industries has become increasingly common. The outcome of administrative proceedings in which our patents are challenged may be uncertain. An unfavorable outcome of these proceedings could weaken our intellectual property position, including potentially reducing some of the patent protection on our therapeutic candidates, and potentially open us up to additional competition. Additional competition may reduce our market share and adversely affect our business.
For example, an anonymous third party initiated an opposition at the EPO against one of our European patents that related in part to certain anti-RSPO and anti-LGR antibodies and certain of their uses. Our patent was revoked in the opposition proceeding, but we are appealing that decision and the ultimate outcome of the appeal remains uncertain. The EPO Board of Appeal will not be expected to issue a final decision for several more years. If we are ultimately unsuccessful in reversing the revocation decision during the appeal proceeding, or unsuccessful in defending the patent in any subsequent opposition proceedings or appeals, the patent may remain revoked or, if the patent is reinstated, the claims of the patent may be narrowed. The revocation of the patent or narrowing of the claims could weaken our intellectual property position on anti-RSPO and/or anti-LGR5 antibodies, reduce in part some of the patent protection on rosmantuzumab, and potentially open us up to additional competition.

Any lawsuits or other legal proceedings in which we or our collaborators may become involved regarding our patents or proprietary rights and/or the patents or proprietary rights of third parties could be costly, time-consuming, delay or prevent the development and commercialization of our therapeutic candidates, or adversely affect our stock price.

The cost to us of any patent litigation or other proceedings regarding our patents and/or third party patents, even if resolved in our favor, could be substantial. Such litigation or proceedings could substantially increase our operating losses and reduce our resources available for development 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 substantially greater financial resources. 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, there could be a substantial adverse effect on the price of our common stock. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Patent litigation and other proceedings may also require significant time and attention of management and technical staff, which may materially and adversely impact our financial position and results of operations. Furthermore, because of the substantial amount of discovery required in connection with any intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Our proprietary rights may not adequately protect our technologies and therapeutic candidates. If we are unable to protect our therapeutic candidates and our intellectual property rights, it may materially and adversely affect our position in the market.

Our commercial success will depend on our ability to obtain patents and maintain adequate protection for our technologies, intellectual property and therapeutic candidates in the United States and other countries. There is no guarantee that any of our patent applications will result in issued patents, or that any patents, if issued, will include claims that are sufficiently broad to cover our therapeutic candidates or products, or to provide meaningful protection from our competitors. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies and future products are covered by valid and enforceable patents or are effectively maintained as trade secrets within our organization. If third parties disclose or misappropriate our proprietary rights, it may materially and adversely impact our position in the market.

We apply for patents covering both our technologies and therapeutic candidates, as we deem appropriate. However, we may fail to apply for patents on important technologies or therapeutic candidates in a timely fashion, or at all. Our existing patents and any future patents we obtain may not be sufficiently broad to prevent others from using our technologies or from developing competing products and technologies. Moreover, the patent positions of numerous biotechnology and pharmaceutical companies are highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. As a result, the validity and enforceability of our patents cannot be predicted with certainty. In addition, we cannot guarantee you that:

- we were the first to make the inventions covered by each of our issued patents and pending patent applications;
- we were the first to file patent applications for these inventions;
• others will not independently develop similar or alternative technologies or duplicate any of our technologies by inventing around our claims;

• a third party will not challenge our proprietary rights, and, if challenged, that a court or patent office, as applicable, will hold that our patents are valid and enforceable;

• any patents issued to us or our collaboration partners will cover our product as ultimately developed, or provide us with any competitive advantages, or will not be challenged by third parties;

• we will develop additional proprietary technologies or therapeutic candidates that are patentable; or

• the patents of others will not have an adverse effect on our business.

Patent applications in the United States and most other countries are confidential for a period of time until they are published, and publication of discoveries in scientific or patent literature typically lags behind actual discoveries by several months or more. As a result, we cannot be certain that the inventors of our issued patents and applications and those of any patents and applications that we may in-license were the first to conceive of the inventions covered by such patents and pending patent applications or that we or a licensor were the first to file patent applications covering such inventions.

Our issued patents covering our therapeutic candidates could be found invalid or unenforceable if challenged in court or before the USPTO or comparable foreign authority. For instance, we may become involved in opposition proceedings before the EPO, proceedings such as interferences, re-examination, inter partes review, or post-grant review before the USPTO, and/or legal proceedings before the courts in the U.S. or foreign countries regarding patents in our portfolio, and the outcome of any such proceeding may be uncertain. The outcome regarding legal assertions of invalidity and unenforceability is unpredictable. If a third party challenging one or more of our patents were to prevail on a legal assertion of invalidity and/or enforceability, we would lose at least part, and perhaps all, of the patent protection on our therapeutic candidates. Such a loss of patent protection could have a material adverse impact on our business.

In addition, there are numerous recent changes to the patent laws and proposed changes to the rules of the USPTO which may have a significant impact on our ability to protect our technology and enforce our intellectual property rights. For example, on September 16, 2011, President Obama signed the Leahy-Smith America Invents Act, which codifies several significant changes to the U.S. patent laws, including, among other things, changing from a “first to invent” to a “first inventor to file” system, limiting where a patentee may file a patent suit, eventually eliminating interference proceedings while creating derivation actions, and creating a set of procedures to challenge patents in the USPTO after they have issued. The effects of these changes are currently uncertain as the courts have yet to address many of these provisions in the context of a dispute. The U.S. Supreme Court has also recently issued multiple decisions regarding patent law, the full impact of which is not yet known. The rulings have narrowed the scope of patent protection available under certain circumstances and weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to the ability to obtain patents in the future, these events have created uncertainty with respect to the value of patents once obtained. For example, on March 20, 2012 in Mayo Collaborative Services, DBA Mayo Medical Laboratories, et al. v. Prometheus Laboratories, Inc., the Court held that several claims drawn to measuring drug metabolite levels from patient samples and correlating them to drug doses were not patent eligible subject matter. The decision appears to impact diagnostics patents that merely apply a law of nature via a series of routine steps and it has created uncertainty around the ability to patent certain biomarker-related method claims. Additionally, on June 13, 2013 in Association for Molecular Pathology v. Myriad Genetics, Inc., the Court held that claims to isolated genomic DNA are not patentable, but claims to complementary DNA (cDNA) molecules were held to be valid. The effect of the decision on patents for other isolated natural products is uncertain. Depending on decisions by the U.S. Congress, the federal courts, the USPTO, and foreign courts and patent offices, 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.
Restrictions on our patent rights relating to our therapeutic candidates may limit our ability to prevent third parties from competing against us.

Our success will depend, in part, on our ability to prevent third parties from infringing upon our proprietary rights. Composition-of-matter patents on the biological or chemical active pharmaceutical ingredient are generally considered to be the strongest form of intellectual property protection for pharmaceutical products, as such patents provide protection without regard to any method of use. We have filed composition-of-matter patent applications for all of our therapeutic candidates. However, we cannot be certain that the claims in our patent applications to inventions covering our therapeutic candidates will be considered patentable by the USPTO and courts in the United States or by the patent offices and courts in foreign countries.

In addition to composition-of-matter patents and patent applications, we also have filed method-of-use patent applications. This type of patent protects the use of the product only for the specified method. However, this type of patent does not prevent a competitor from making and marketing a product that is identical to our product for an indication that is outside the scope of the patented method. Moreover, even if these competitors do not actively promote their product for our targeted indication, physicians may prescribe these products “off-label.” Although off-label prescriptions may infringe or contribute to the infringement of method-of-use patents, the practice is common and such infringement is difficult to prevent or prosecute.

Although we have a number of issued patents and numerous patent applications pending before the USPTO and foreign patent offices, the resulting patent protection may lapse before we manage to obtain commercial value from them, which might result in increased competition and materially affect our position in the market. Even if our patents do not lapse before we are able to obtain at least some commercial value from them, the life of any patent, and the protection it affords, is limited. Although the term of a U.S. patent may be increased to compensate for certain delays caused by the USPTO, this increase may also be reduced or offset entirely by delays caused by the patent applicant during patent prosecution. Once the patent life has expired for any of our therapeutic candidates, we may be open to competition from biosimilars, which may potentially reduce our market share, and our business and results of operations will be adversely affected.

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

Filing, prosecuting and defending patents on all of our therapeutic candidates and technologies throughout the world would be prohibitively expensive. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but where enforcement is not as strong as that in the United States. These products may compete with our future products in jurisdictions where we do not have any issued patents and our patent claims or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biopharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. 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. Furthermore, such proceedings could put our patents at risk of being invalidated, held unenforceable, or interpreted narrowly, could put our other patent applications at risk of not issuing and could provoke third parties to assert counter claims of infringement or misappropriation against us. We may not be able to obtain injunctive relief in foreign jurisdictions to prevent ongoing infringement while we enforce our patent rights and we may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from our intellectual property.
If we fail to comply with our obligations in our intellectual property licenses with third parties, we could lose license rights that are important to our business.

We are a party to intellectual property license agreements with third parties, including with respect to navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83) and the production of all of our biologic therapeutic candidates, and expect to enter into additional license agreements in the future. Our existing license agreements impose, and we expect that our future license agreements will impose, various diligence, milestone payment, royalty, insurance, indemnification and other obligations on us. If we fail to comply with these obligations, our licensors may have the right to terminate these agreements, in which event we, or our collaborators, might not be able to develop and market any therapeutic candidate that is covered by these agreements. Termination of these licenses or reduction or elimination of our licensed rights may result in our having to negotiate new or reinstated licenses with less favorable terms, or in the inability to obtain access to the licensed technology at all. The occurrence of such events could materially harm our business.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent application process. In addition, periodic maintenance fees on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of a patent. 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. Noncompliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. In the event that noncompliance leads to abandonment or lapse of a patent or patent application, competitors might be able to enter the market earlier than would otherwise have been the case, which could have a material adverse effect on our business.

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 registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. Litigation may be necessary to protect our rights to our trademarks or trade names. Such litigation may be costly and be a distraction to management. Also, an adverse result in any such litigation proceedings could put our trademarks or trade names at risk. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition by potential partners or customers in our markets of interest. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected.

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

In addition to seeking patents for some of our technology and therapeutic candidates, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside scientific collaborators, 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 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 inside and outside the United States, including in 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.

Risks Related to Government Regulation

The regulatory approval process is expensive, time-consuming and uncertain and may prevent us or our collaboration partners from obtaining approvals for the commercialization of some or all of our therapeutic candidates.

The development, research, testing, manufacturing, labeling, approval, selling, import, export, marketing and distribution of drug and biologic products are subject to extensive and evolving regulation by federal, state and local governmental authorities in the United States, principally by the FDA, and foreign regulatory authorities, which regulations differ from country to country. Neither we nor our collaboration partners are permitted to market our therapeutic candidates in the United States until we receive regulatory approval from the FDA. Our therapeutic candidates are subject to regulation as biologics, and we will require approval of a BLA from the FDA before we may market our therapeutic candidates. Neither we nor our collaboration partners have submitted an application for or received marketing approval for any of our therapeutic candidates. Obtaining approval of a BLA can be a lengthy, expensive and uncertain process. In addition, failure to comply with FDA and other applicable U.S. and foreign regulatory requirements may subject us to administrative or judicially imposed sanctions, including:

• warning letters;
• civil and criminal penalties;
• injunctions;
• withdrawal of approved products;
• product seizure or detention;
• product recalls;
• total or partial suspension of production; and
• refusal to approve pending BLAs or supplements to approved BLAs.

Prior to receiving approval to commercialize any of our therapeutic candidates in the United States or abroad, we and our collaboration partners must demonstrate with substantial evidence from well-controlled clinical trials, and to the satisfaction of the FDA and other regulatory authorities abroad, that such therapeutic candidates are safe and effective for their intended uses. Preclinical testing and clinical trials are long, expensive and uncertain processes. We may spend several years completing our testing for any particular therapeutic candidate, and failure can occur at any stage. Negative or inconclusive results or adverse medical events during a clinical trial could also cause the FDA or us to terminate a clinical trial or require that we repeat it or conduct additional clinical trials. Additionally, data obtained from preclinical studies and clinical trials can be interpreted in different ways and the FDA or other regulatory authorities may interpret the results of our studies and trials less favorably than we do. Even if we and our collaboration partners believe the preclinical or clinical data for our therapeutic candidates are
promising, such data may not be sufficient to support approval by the FDA and other regulatory authorities. Administering any of our therapeutic candidates to humans may produce undesirable side effects, which could interrupt, delay or halt clinical trials of our therapeutic candidates and result in the FDA or other regulatory authorities denying approval of our therapeutic candidates for any or all targeted indications.

Regulatory approval of our therapeutic candidates is not guaranteed, and the approval process is expensive and may take several years. The FDA and foreign regulatory entities also have substantial discretion in the approval process. Despite the time and expense exerted, failure can occur at any stage, and we could encounter problems that cause us to abandon or repeat clinical trials, or perform additional preclinical studies and clinical trials. The number of preclinical studies and clinical trials that will be required for FDA approval varies depending on the therapeutic candidate, the disease or condition that the therapeutic candidate is designed to address, and the regulations applicable to any particular therapeutic candidate. The FDA can delay, limit or deny approval of a therapeutic candidate for many reasons, including, but not limited to, the following:

- a therapeutic candidate may not be deemed safe or effective;
- FDA officials may not find the data from preclinical studies and clinical trials sufficient;
- the FDA might not approve our or our third-party manufacturer’s processes or facilities; or
- the FDA may change its approval policies or adopt new regulations.

If any of our therapeutic candidates fails to demonstrate safety and efficacy in clinical trials or does not gain regulatory approval, our business and results of operations will be materially and adversely harmed.

Even if we or our collaboration partners receive regulatory approval for a therapeutic candidate, we and our collaboration partners will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and subject us to penalties if we fail to comply with applicable regulatory requirements.

Once regulatory approval has been granted, the approved product and its manufacturer are subject to continual review by the FDA and/or non-U.S. regulatory authorities. Any regulatory approval that we or our collaboration partners receive for our therapeutic candidates may be subject to limitations on the indicated uses for which the product may be marketed or contain requirements for potentially costly post-marketing follow-up studies to monitor the safety and efficacy of the product. In addition, if the FDA and/or non-U.S. regulatory authorities approve any of our therapeutic candidates, we will be subject to extensive and ongoing regulatory requirements by the FDA and other regulatory authorities with regard to the labeling, packaging, adverse event reporting, storage, advertising, promotion and recordkeeping for our products. Manufacturers of our products are required to comply with cGMP regulations, which include requirements related to quality control and quality assurance as well as the corresponding maintenance of records and documentation. Further, regulatory authorities must approve these manufacturing facilities before they can be used to manufacture our products, and these facilities are subject to continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP regulations. If we, a collaboration partner or a regulatory authority discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory authority may impose restrictions on that product, the collaboration partner, the manufacturer or us, including requiring withdrawal of the product from the market or suspension of manufacturing. If we, our therapeutic candidates or the manufacturing facilities for our therapeutic candidates fail to comply with regulatory requirements of the FDA and/or other non-U.S. regulatory authorities, we could be subject to administrative or judicially imposed sanctions, including:

- warning letters;
- civil or criminal penalties;
- injunctions;
- suspension of or withdrawal of regulatory approval;
- suspension of any ongoing clinical trials;
• voluntary or mandatory product recalls and publicity requirements;
• refusal to approve pending applications for marketing approval of new products or supplements to approved applications filed by us;
• restrictions on operations, including costly new manufacturing requirements; or
• seizure or detention of our products or import bans.

The regulatory requirements and policies may change and additional government regulations may be enacted for which we may also be required to comply and that could prevent, limit or delay regulatory approval of our therapeutic 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 biologics and spur innovation, but its ultimate implementation is unclear. If we or our collaboration partners 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 or our collaboration partners, as applicable, may lose any marketing approval that we may have obtained and will not be permitted to market our future products, which would adversely affect our business, prospects and ability to achieve or sustain profitability.

We 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, 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 executive actions, including the Executive Orders, 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.

The availability of adequate third-party coverage and reimbursement for newly approved products is uncertain, and failure to obtain adequate coverage and reimbursement from third-party payors could impede our ability to market any future products we may develop and could limit our ability to generate revenue.

There is significant uncertainty related to the third-party payor coverage and reimbursement of newly approved medical products. The commercial success of our future products in both domestic and international markets depends on whether such third-party coverage and reimbursement is available for our future products. Governmental payors, including Medicare and Medicaid, health maintenance organizations and other third-party payors are increasingly attempting to manage their healthcare expenditures by limiting both coverage and the level of reimbursement of newly approved drugs and biologics and, as a result, they may not cover or provide adequate reimbursement for our future products. These payors may not view our future products as cost-effective, and coverage and reimbursement may not be available to our customers or may not be sufficient to allow our future products to be marketed on a competitive basis. Third-party payors are exerting increasing influence on decisions regarding the use of, and coverage and reimbursement levels for, particular treatments. Such third-party payors, including Medicare, are challenging the prices charged for medical products and services, and many third-party payors limit or delay coverage and reimbursement for newly approved healthcare products. In particular, third-party payors may limit the covered indications. Cost-control initiatives could cause us to decrease the price we might establish for products, which could result in lower than anticipated product revenues. If we decrease the prices for our therapeutic candidates because of competitive pressures or if governmental and other third-party payors do not provide adequate coverage or reimbursement, our prospects for revenue and profitability will suffer.

Failure to obtain regulatory approvals in foreign jurisdictions will prevent us from marketing our therapeutic candidates internationally.

We may seek a distribution and marketing partner for our unpartnered programs outside North America and may market future products in international markets. In order to market our therapeutic candidates in the European Economic Area, or EEA (which is comprised of the 28 Member States of the EU plus Norway, Iceland and
Liechtenstein), and many other foreign jurisdictions, we or our collaboration partners must obtain separate regulatory approvals. More concretely, in the EEA, medicinal products can only be commercialized after obtaining a Marketing Authorization, or MA. There are two types of marketing authorizations:

- The Community MA, which is issued by the European Commission through the Centralized Procedure, based on the opinion of the Committee for Medicinal Products for Human Use of the European Medicines Agency, or EMA, and which is valid throughout the entire territory of the EEA. The Centralized Procedure is mandatory for certain types of products, such as biotechnology medicinal products, orphan medicinal products, and medicinal products indicated for the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, auto-immune and viral diseases. The Centralized Procedure is optional for products containing a new active substance not yet authorized in the EEA, or for products that constitute a significant therapeutic, scientific or technical innovation or which are in the interest of public health in the EU.

- National MAs, which are issued by the competent authorities of the Member States of the EEA and only cover their respective territory, are available for products not falling within the mandatory scope of the Centralized Procedure. Where a product has already been authorized for marketing in a Member State of the EEA, this National MA can be recognized in another Member State through the Mutual Recognition Procedure. If the product has not received a National MA in any Member State at the time of application, it can be approved simultaneously in various Member States through the Decentralized Procedure.

Under the above described procedures, before granting the MA, the EMA or the competent authorities of the Member States of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy.

We have had limited interactions with foreign regulatory authorities, and the approval procedures vary among countries and can involve additional clinical testing, and the time required to obtain approval may differ from that required to obtain FDA approval. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one or more foreign regulatory authorities does not ensure approval by regulatory authorities in other foreign countries or by the FDA. However, a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in others. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval. We or our collaboration partners may not obtain foreign regulatory approvals on a timely basis, if at all. We or our collaboration partners may not be able to file for regulatory approvals and even if we or our collaboration partners file, we may not receive necessary approvals to commercialize our therapeutic candidates in any market.

Healthcare reform measures could hinder or prevent our therapeutic candidates' commercial success.

In the United States, there have been, and we expect there will continue to be, a number of legislative and regulatory changes and proposed changes to the healthcare system that could affect our future revenues and profitability and the future revenues and profitability of our potential customers. Federal and state lawmakers regularly propose and, at times, enact legislation that results in significant changes to the healthcare system, some of which are intended to contain or reduce the costs of medical products and services. For example, in March 2010, the U.S. Congress passed and President Obama signed into law the Affordable Care Act. It contains a number of provisions, including those governing enrollment in federal healthcare programs, reimbursement changes and fraud and abuse measures, all of which have impacted existing government healthcare programs and have resulted in the development of new programs. The Affordable Care Act, among other things:

- imposed a non-deductible annual fee on pharmaceutical manufacturers or importers who sell “branded prescription drugs”;
- increased the minimum level of Medicaid rebates payable by manufacturers of brand-name drugs from 15.1% to 23.1%;
- extended the rebate program to individuals enrolled in Medicaid managed care organizations;
• 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;

• expanded the eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new mandatory eligibility categories for certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer’s Medicaid rebate liability;

• expanded access to commercial health insurance coverage through new state-based health insurance marketplaces, or exchanges; and

• required manufacturers to participate in a coverage gap discount program, under which they must agree to offer 50% point-of-sale discounts, which, through subsequent legislative amendments, were increased to 70%, 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.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the Affordable Care Act. We expect that 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 Affordable Care Act. 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. There is still uncertainty with respect to the impact President Trump’s administration and the U.S. Congress may have, if any, and any changes will likely take time to unfold, and could have an impact on coverage and reimbursement for healthcare items and services covered by plans that were authorized by the Affordable Care Act. However, we cannot predict the ultimate content, timing or effect of any healthcare reform legislation or the impact of potential legislation on us.

In addition, other legislative changes have been proposed and adopted in the United States since the Affordable Care Act was enacted. These changes include aggregate reductions of Medicare payments to providers of 2 percent per fiscal year, which went into effect on April 1, 2013, and, due to subsequent legislative amendments, will remain in effect through 2025 unless additional Congressional action is taken. In January 2013, the American Taxpayer Relief Act was enacted, 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. These new laws may result in additional reductions in Medicare and other health care funding, which could have a material adverse effect on our customers and accordingly, our financial operations.

Moreover, payment methodologies, including payment for companion diagnostics, may be subject to changes in healthcare legislation and regulatory initiatives. For example, the CMS has begun bundling the Medicare payments for certain laboratory tests ordered while a patient received services in a hospital outpatient setting and, in 2018, the CMS began paying 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. In addition, recently, there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed bills designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. For example, the 21st Century Cures Act changed the reimbursement methodology for infusion drugs and biologics furnished through durable medical equipment in an attempt to remedy over- and underpayment of certain products. Individual states in the United States have also become increasingly active in 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 amount that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our therapeutic candidates or companion diagnostics or additional pricing pressures.

There likely will continue to be legislative and regulatory proposals at the federal and state levels directed at containing or lowering the cost of health care. We cannot predict the initiatives that may be adopted in the future or
their full impact. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of health care may adversely affect:

- our ability to set a price we believe is fair for our products;
- our ability to generate revenues and achieve or maintain profitability; and
- the availability of capital.

In light of widely publicized events concerning the safety risk of certain drug products, regulatory authorities, members of Congress, the Governmental Accounting Office, medical professionals and the general public have raised concerns about potential drug safety issues. These events have resulted in the withdrawal of drug products, revisions to drug labeling that further limit use of the drug products and establishment of risk management programs that may, for instance, restrict distribution of drug products. The increased attention to drug safety issues may result in a more cautious approach by the FDA to clinical trials and the drug approval process. Data from clinical trials may receive greater scrutiny with respect to safety, which may make the FDA or other regulatory authorities more likely to terminate clinical trials before completion, or require longer or additional clinical trials that may result in substantial additional expense and a delay or failure in obtaining approval or approval for a more limited indication than originally sought. In addition, because of the serious public health risks of high profile adverse safety events with certain products, the FDA may require, as a condition of approval, costly risk management programs which may include safety surveillance, restricted distribution and use, patient education, enhanced labeling, special packaging or labeling, expedited reporting of certain adverse events, preapproval of promotional materials and restrictions on direct-to-consumer advertising.

Our therapeutic candidates for which we intend to seek approval as biologic products may face competition from biosimilars and may face such competition sooner than anticipated.

With the enactment of the Biologics Price Competition and Innovation Act of 2009, or BPCIA, as part of the Affordable Care Act, an abbreviated pathway for the approval of biosimilar and interchangeable biological products was created. The abbreviated regulatory pathway establishes legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as “interchangeable,” based on their similarity to existing brand product. Under the BPCIA, an application for a biosimilar product cannot be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA, and the approval of a biosimilar product may not be made effective by the FDA until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA for the competing product containing the sponsor’s own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of their product. The 12 years of data exclusivity afforded to biologics under the BPCIA does not prevent another company from developing a product that is highly similar to the innovative product, generating its own data, and seeking approval. Data exclusivity only assures that another company cannot rely upon data within the innovator’s application to support the biosimilar product’s application. The law is complex and is subject to continuing interpretation and implementation by the FDA. As a result, its ultimate impact, implementation and meaning are subject to continuing uncertainty. The FDA has approved few biosimilar products to date, however, reflecting that the Agency is continuing to move forward with implementation and application of a regulatory pathway for biosimilars despite some ongoing uncertainty surrounding the specifics of the biosimilar regulatory pathway. The FDA’s processes for biosimilars could have a material adverse effect on the future commercial prospects for our biological products.

We believe that any of our therapeutic candidates approved as a biological product under a BLA should qualify for the 12-year period of exclusivity. However, there is a risk that the U.S. Congress could amend the BPCIA to significantly shorten this exclusivity period or take other measures to reduce or eliminate periods of exclusivity. There is also a risk that the FDA will not consider our therapeutic candidates to be reference products for competing products, potentially creating the opportunity for competition sooner than anticipated. Moreover, the extent to which a biosimilar, once approved, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.
In addition, foreign regulatory authorities may also provide for exclusivity periods for approved biological products. For example, biological products in Europe may be eligible for a 10-year period of exclusivity. Biosimilar products have been approved under the centralized procedure since 2006. The pathway allows sponsors of a biosimilar product to seek and obtain regulatory approval based in part on the clinical trial data of an originator product to which the biosimilar product has been demonstrated to be “similar.” In many cases, this allows biosimilar products to be brought to market without conducting the full suite of clinical trials typically required of originators. It is unclear whether we would face competition to our products in European markets sooner than anticipated.

If we fail to comply with healthcare regulations, we could face substantial penalties and our business, operations and financial condition could be adversely affected.

Even though we do not and will not control referrals of healthcare services or bill directly to Medicare, Medicaid or other third-party payors, certain federal and state healthcare laws and regulations pertaining to fraud and abuse and patients’ rights are and will be applicable to our business. We could be subject to healthcare fraud and abuse and patient privacy regulation by both the federal government and the states in which we conduct our business. The regulations that may affect our ability to operate include, without limitation:

- the federal Anti-Kickback Statute, which 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. A person or entity does not need to have actual knowledge of this 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 false claims statutes;

- the federal False Claims Act, which prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, false claims, or knowingly using false statements, to obtain payment from the federal government, and which may apply to entities that provide coding and billing advice to customers;

- federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of these statutes or specific intent to violate them in order to have committed a violation;

- the federal Physician Payments Sunshine Act, which requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children’s Health Insurance Program (with certain exceptions) to report annually to the government information related to payments or other “transfers of value” made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and applicable manufacturers and group purchasing organizations to report annually to the government ownership and investment interests held by physicians (as defined above) and their immediate family members and payments or other “transfers of value” to such physician owners. Manufacturers are required to report such data to the government by the 90th calendar day of each year;

- the federal Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information; and

- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial 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 or otherwise restrict payments that may be made to healthcare providers; state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or pricing information and marketing expenditures; and state laws governing the privacy and security of health information in certain circumstances, many of which
differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines and the curtailment or restructuring of our operations. Any penalties, damages, fines, curtailment or restructuring of our operations could adversely affect our ability to operate our business and our financial results. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management’s attention from the operation of our business. Moreover, achieving and sustaining compliance with applicable federal and state privacy, security and fraud laws may prove costly.

Risks Related to the Securities Market and Investment in Our Common Stock

The price of our common stock may be volatile, and you may not be able to resell your shares at prices that are attractive to you.

There was no public market for our common stock prior to our initial public offering in July 2013, the trading volume of our common stock on The NASDAQ Global Select Market has been limited since then, and there can be no assurance that an active and liquid trading market for our common stock will be sustained. We cannot predict the extent to which investor interest in our company will sustain an active trading market on The NASDAQ Global Select Market or otherwise or how liquid that market might become. If an active and liquid market is not sustained, it may be difficult for stockholders to sell their shares of common stock at prices that are attractive to them, or at all. Further, an inactive market may also impair our ability to raise capital by selling shares of our common stock and may impair our ability to enter into strategic partnerships or acquire companies or products, therapeutic candidates or technologies by using our shares of common stock as consideration. Stockholders may also be unable to sell their shares of common stock at prices that are attractive to them due to fluctuations in the market price of our common stock. Factors that could cause volatility in the market price of our common stock include, but are not limited to:

- ability to commercialize or obtain regulatory approval for our therapeutic candidates, or delays in commercializing or obtaining regulatory approval;
- results from, or any delays in, clinical trial programs relating to our therapeutic candidates, including the ongoing and planned clinical trials for navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83), anti-TIGIT (OMP-313M32), GITRL-Fc (OMP-336B11), and other therapeutic candidates;
- failure to achieve anticipated research and development milestones and obtain the applicable milestone payments under our agreements with our collaboration partners, on our anticipated timelines or at all;
- any need to suspend or discontinue clinical trials due to side effects or other safety risks, or any need to conduct studies on the long-term effects associated with the use of our therapeutic candidates;
- announcements relating to future collaborations; our existing collaboration with Celgene, including decisions regarding the exercise by Celgene of its options or any termination by Celgene of any development program under its partnerships with us; or our small molecule program collaboration with Bayer, including the advancement or non-advancement of the small molecule programs into further development and potential commercialization by Bayer;
- manufacturing issues related to our therapeutic candidates for clinical trials or future products for commercialization;
- commercial success and market acceptance of our therapeutic candidates following regulatory approval;
- undesirable side effects caused by therapeutic candidates after they have entered the market;
- ability to discover, develop and commercialize additional therapeutic candidates;
- success of our competitors in discovering, developing or commercializing products;
- strategic transactions undertaken by us;
- additions or departures of key personnel;
• product liability claims related to our clinical trials or therapeutic candidates;
• prevailing economic conditions;
• business disruptions caused by external factors, such as natural disasters and other crises;
• disputes concerning our intellectual property or other proprietary rights;
• FDA or other U.S. or foreign regulatory actions affecting us or our industry;
• healthcare reform measures in the United States;
• sales of our common stock by our officers, directors or significant stockholders;
• future sales or issuances of equity or debt securities by us;
• fluctuations in our quarterly operating results; and
• the issuance of new or changed securities analysts’ reports or recommendations regarding us.

In addition, the stock markets in general, and the markets for pharmaceutical, biopharmaceutical and biotechnology stocks in particular, have experienced extreme volatility that have been often unrelated to the operating performance of the issuer. These broad market fluctuations may adversely affect the trading price or liquidity of our common stock. In the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the issuer. If any of our stockholders were to bring such a lawsuit against us, we could incur substantial costs defending the lawsuit and the attention of our management would be diverted from the operation of our business.

Together with their affiliates, our directors and management own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

Based on the beneficial ownership of our outstanding common stock as of December 31, 2017, our officers and directors, together with their respective affiliates, beneficially own approximately 22.5% of our outstanding common stock. Accordingly, these stockholders will continue to have significant influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transaction. The interests of these stockholders may not be the same as or may even conflict with your interests. For example, these stockholders could delay or prevent a change of control of our company, even if such a change of control would benefit our other stockholders, which could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company or our assets and might affect the prevailing market price of our common stock. The significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors’ perception that conflicts of interest may exist or arise.

We are an “emerging growth company” and we cannot be certain if the reduced disclosure 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, and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including not being required to comply with the auditor attestation requirements of section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. 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 stock price may be more volatile.

In addition, Section 102 of the JOBS Act also provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. An “emerging growth company” can therefore delay the adoption of certain accounting standards until those standards would otherwise
apply to private companies. However, we chose to “opt out” of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

**Future sales of our common stock or securities convertible or exchangeable for our common stock may depress our stock price.**

If our existing stockholders or holders of our options or warrants sell, or indicate an intention to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline. The perception in the market that these sales may occur could also cause the trading price of our common stock to decline. As of December 31, 2017, we have a total of 38,212,505 shares of common stock outstanding.

Based on the number of shares subject to outstanding awards under our 2004 Stock Incentive Plan and 2013 Equity Incentive Award Plan, or available for issuance under our 2013 Equity Incentive Award Plan and Employee Stock Purchase Plan as of December 31, 2017, 7,909,008 shares of common stock that are either subject to outstanding options, outstanding but subject to vesting, or reserved for future issuance under our employee benefit plans will be eligible for sale in the public market, subject to, in the case of shares issued to directors, executive officers and other affiliates, the volume limitations under Rule 144 under the Securities Act. If these additional shares of common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

Approximately 4.4 million shares of our common stock are entitled to rights with respect to the registration of their shares under the Securities Act. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates. In addition, our directors, executive officers and other affiliates may establish, and certain executive officers, directors and affiliates have established, programmed selling plans under Rule 10b5-1 of the Exchange Act, for the purpose of effecting sales of our common stock. Any sales of securities by these stockholders, or the perception that those sales may occur, including the entry into such programmed selling plans, could have a material adverse effect on the trading price of our common stock.

**Future sales and issuances of equity and debt securities could result in additional dilution to our stockholders and could place restrictions on our operations and assets, and such securities could have rights, preferences and privileges senior to those of our common stock.**

We expect that significant additional capital will be needed in the future to continue our planned operations. To raise capital, we may from time to time issue additional shares of common stock at a discount from the then-current trading price of our common stock. As a result, our common stockholders would experience immediate dilution upon the purchase of any shares of our common stock sold at such discount. For example, on August 23, 2016, we closed the sale of an aggregate of 6,325,000 shares of our common stock at a public offering price of $10.00 per share, a discount from the then-current trading price of our common stock. In addition, as opportunities present themselves, we may enter into financing or similar arrangements in the future, including the issuance of debt securities, preferred stock or common stock. Whether or not we issue additional shares of common stock at a discount, any issuance of common stock will, and any issuance of other equity securities or of options, warrants or other rights to purchase common stock may, result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to decline. New investors could also gain rights, preference and privileges senior to those of holders of our common stock, which could cause the price of our common stock to decline. Debt securities may also contain covenants that restrict our operational flexibility or impose liens or other restrictions on our assets, which could also cause the price of our common stock to decline.

Pursuant to our equity incentive plan, we are authorized to grant equity-based incentive awards to our employees, directors and consultants. As of December 31, 2017, there were 606,463 shares of our common stock reserved for future issuance under our 2013 Equity Incentive Award Plan, or the 2013 Plan. The number of shares of our common stock reserved for issuance under our 2013 Plan will be increased (i) from time to time by the number of shares of our common stock forfeited upon the expiration, cancellation, forfeiture, cash settlement or other termination of awards under our 2004 Stock Incentive Plan, or the 2004 Plan, and (ii) annually on the first day of the
year by the lesser of (x) a number of additional shares of our common stock representing 4% of our then-outstanding shares of common stock on the last day of the immediately preceding fiscal year; (y) 1,500,000 shares of our common stock; and (z) such smaller number of shares as determined by our board of directors. As a result of this increase, an additional 1,500,000 shares of our common stock became available for future issuance under our 2013 Plan as of January 1, 2018. Future option grants and issuances of common stock under our 2013 Plan may have an adverse effect on the market price of our common stock.

In addition, pursuant to our 2013 Employee Stock Purchase Plan, or ESPP, as of December 31, 2017, 1,205,870 shares of our common stock were available for issuance to our employees. The number of shares of our common stock reserved for issuance under our ESPP will be increased annually on the first day of the year by the lesser of (x) a number of additional shares of our common stock representing 1% of our then-outstanding shares of common stock on the last day of the immediately preceding fiscal year; (y) 350,000 shares of our common stock; and (z) such number of shares as determined by our board of directors. As a result of this increase, an additional 350,000 shares of our common stock became available for future issuance under our ESPP as of January 1, 2018. Future issuances of common stock under our ESPP may have an adverse effect on the market price 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 expenses related to our therapeutic candidates or future development programs;
• if any of our therapeutic candidates receives regulatory approval, the level of underlying demand for these therapeutic candidates and wholesalers’ buying patterns;
• addition or termination of clinical trials or funding support;
• our execution of any collaborative, licensing or similar arrangements, and the timing of payments we may make or receive under these arrangements or existing such arrangements, such as our collaboration agreement with Celgene and our small molecule program collaboration with Bayer;
• any intellectual property infringement lawsuit or opposition, interference, or cancellation proceeding in which we may become involved; and
• regulatory developments affecting our therapeutic candidates or those of our competitors.

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.

Provisions of our charter documents or Delaware law could delay or prevent an acquisition of our company, even if the acquisition would be beneficial to our stockholders, and could make it more difficult for you to change management.

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. In addition, these provisions may frustrate or prevent any attempt by our stockholders to replace or remove our current management by making it more difficult to replace or remove our board of directors. These provisions include:

• a classified board of directors so that not all directors are elected at one time;
• a prohibition on stockholder action through written consent;
• a requirement that special meetings of stockholders be called only by the board of directors, the chairman of the board of directors, the chief executive officer or, in the absence of a chief executive officer, the president;

• an advance notice requirement for stockholder proposals and nominations;

• the authority of our board of directors to issue preferred stock with such terms as our board of directors may determine; and

• a requirement of approval of not less than 66 2/3% of all outstanding shares of our capital stock entitled to vote to amend any bylaws by stockholder action, or to amend specific provisions of our certificate of incorporation.

In addition, Delaware law prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person who, together with its affiliates, owns or within the last three years has owned 15% or more of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Accordingly, Delaware law may discourage, delay or prevent a change in control of our company. Furthermore, our amended and restated certificate of incorporation specifies that the Court of Chancery of the State of Delaware is the sole and exclusive forum for most legal actions involving actions brought against us by stockholders. We believe this provision benefits us by providing increased consistency in the application of Delaware law by chancellors particularly experienced in resolving corporate disputes, efficient administration of cases on a more expedited schedule relative to other forums and protection against the burdens of multi-forum litigation. However, the provision may have the effect of discouraging lawsuits against our directors and officers. The enforceability of similar choice of forum provisions in other companies’ certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in such action.

Provisions in our charter and other provisions of Delaware law could limit the price that investors are willing to pay in the future for shares of our common stock.

Our employment agreements with our officers may require us to pay severance benefits to any of those persons who are terminated in connection with a change of control of us, which could harm our financial condition or results.

Our officers are parties to employment agreements providing for aggregate cash payments of up to approximately $4.1 million for severance and other benefits and acceleration of vesting of stock options with a value of up to approximately $8.2 million (as of December 31, 2017) in the event of a termination of employment in connection with a change of control of us. The accelerated vesting of options could result in dilution to our existing stockholders and harm the market price of our common stock. The payment of these severance benefits could harm our financial condition and results. In addition, these potential severance payments may discourage or prevent third parties from seeking a business combination with us.

We do not anticipate paying any cash dividends on our capital stock in the foreseeable future; therefore capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

We have never declared or paid cash dividends on our capital stock. We do not anticipate paying any cash dividends on our capital stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. In addition, the terms of any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.
If securities or industry analysts publish inaccurate or unfavorable research about our business, or fail to publish research about our business regularly, our stock price and trading volume could decline.

The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. A limited number of securities and industry analysts currently publish research on our company. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. In addition, if our operating results fail to meet the forecast of analysts, our stock price would likely decline. If one or more of the analysts covering us or our business cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

Changes in, or interpretations of, accounting rules and regulations could result in unfavorable accounting charges or require us to change our compensation policies.

Accounting methods and policies for biopharmaceutical companies, including policies governing revenue recognition, research and development and related expenses and accounting for stock-based compensation, are subject to further review, interpretation and guidance from relevant accounting authorities, including the SEC. Changes to, or interpretations of, accounting methods or policies may require us to reclassify, restate or otherwise change or revise our financial statements, including those contained in this filing.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our corporate headquarters are located in Redwood City, California, where we lease 45,690 square feet of office and laboratory space. In May 2006, we entered into a lease agreement for office and laboratory facilities in Redwood City, California. The lease term commenced in February 2007 for a period of seven years with options to extend the lease for two additional five-year terms. On December 22, 2010, the lease agreement was amended to extend the lease term for an additional five years, expiring in February 2019, with options to further extend the lease for two additional three-year terms. On November 11, 2016, the lease agreement was further amended to extend the lease term through May 2028, with an option to further extend the lease for an additional three-year term, and an option to expand the premises by an additional approximately 22,750 square feet of office and laboratory space if we choose to so expand the premises prior to September 16, 2017, which we chose not to do.

We believe that our existing facilities are adequate for our current needs and provide sufficient space to house additional employees to be hired as we expand. When our lease expires, we may exercise our renewal options or look for additional or alternate space for our operations and we believe that suitable additional or alternative space will be available in the future on commercially reasonable terms.

Item 3. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings and claims arising in the ordinary course of our business. We are not currently a party to any legal proceedings the outcome of which, if determined adversely to us, we believe would individually or in the aggregate have a material adverse effect on our business, operating results, financial condition or cash flows.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been listed on The NASDAQ Global Select Market under the symbol “OMED” since July 18, 2013. Prior to that date, there was no public trading market for our common stock. The following table sets forth for the periods indicated the high and low sales price per share of our common stock as reported on The NASDAQ Global Select Market for the quarterly periods indicated:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter</td>
<td>$10.52</td>
<td>$7.63</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>$9.24</td>
<td>$3.21</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>$4.97</td>
<td>$3.04</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>$5.27</td>
<td>$3.54</td>
</tr>
</tbody>
</table>

Year Ended December 31, 2016:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter</td>
<td>$23.31</td>
<td>$8.94</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>$14.87</td>
<td>$10.22</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>$13.01</td>
<td>$9.99</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>$12.00</td>
<td>$7.44</td>
</tr>
</tbody>
</table>

Holders of Common Stock

As of December 31, 2017, there were approximately 49 holders of record of our common stock. In addition, a substantially greater number of stockholders may be “street name” or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our board of directors.

Performance Graph

This graph is not “soliciting material,” is not deemed “filed” with the Securities and Exchange Commission, or SEC, and is not to be incorporated by reference into any filing of OncoMed Pharmaceuticals, Inc. under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.
The following graph shows the total stockholder return of an investment of $100 in cash at market close on July 18, 2013 (the first day of trading of our common stock), through December 31, 2017 for (i) our common stock, (ii) the NASDAQ Composite Index (U.S.) and (iii) the NASDAQ Biotechnology Index. Pursuant to applicable SEC rules, all values assume reinvestment of the full 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 returns.

Recent Sales of Unregistered Securities
None.

Issuer Purchases of Equity Securities
Not applicable.

ITEM 6. SELECTED FINANCIAL DATA
The selected statement of operations data for the years ended December 31, 2017, 2016 and 2015 and the selected balance sheet data as of December 31, 2017 and 2016 are derived from our audited financial statements included elsewhere in this Annual Report on Form 10-K. The selected statement of operations data for 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 are not necessarily indicative of the results that may be expected in the future. You should read the selected historical financial data below in conjunction with the section titled “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

<table>
<thead>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collaboration revenue</td>
<td>$36,016</td>
<td>$21,277</td>
<td>$25,216</td>
<td>$39,559</td>
<td>$37,779</td>
</tr>
<tr>
<td>Other revenue</td>
<td>2,138</td>
<td>3,876</td>
<td>683</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>38,154</td>
<td>25,153</td>
<td>25,899</td>
<td>39,559</td>
<td>37,779</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development (1)</td>
<td>$59,839</td>
<td>$109,713</td>
<td>$92,873</td>
<td>$76,430</td>
<td>$50,048</td>
</tr>
<tr>
<td>General and administrative (1)</td>
<td>16,761</td>
<td>18,827</td>
<td>18,583</td>
<td>13,753</td>
<td>11,630</td>
</tr>
<tr>
<td>Restructuring charges (1)</td>
<td>2,527</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>79,127</td>
<td>128,540</td>
<td>111,456</td>
<td>90,183</td>
<td>61,678</td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td>$(40,973)</td>
<td>$(103,387)</td>
<td>$(85,557)</td>
<td>$(50,624)</td>
<td>$(23,899)</td>
</tr>
<tr>
<td><strong>Interest and other income (expense), net</strong></td>
<td>828</td>
<td>299</td>
<td>170</td>
<td>105</td>
<td>(228)</td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>$(40,145)</td>
<td>$(103,088)</td>
<td>$(85,387)</td>
<td>$(50,519)</td>
<td>$(24,127)</td>
</tr>
<tr>
<td><strong>Income tax provision (benefit)</strong></td>
<td>(1,083)</td>
<td>14</td>
<td>20</td>
<td>(509)</td>
<td>1,944</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(39,062)</td>
<td>$(103,102)</td>
<td>$(85,407)</td>
<td>$(50,010)</td>
<td>$(26,071)</td>
</tr>
<tr>
<td><strong>Net loss per common share, basic and diluted (2)</strong></td>
<td>$(1.04)</td>
<td>$(3.14)</td>
<td>$(2.84)</td>
<td>$(1.69)</td>
<td>$(1.93)</td>
</tr>
<tr>
<td><strong>Shares used to compute net loss per common share, basic and diluted (2)</strong></td>
<td>37,631,348</td>
<td>32,859,554</td>
<td>30,028,684</td>
<td>29,664,326</td>
<td>13,530,239</td>
</tr>
</tbody>
</table>

(1) Included in the statement of operations data above are the following non-cash stock-based compensation expenses (in thousands):

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>$4,886</td>
<td>$5,892</td>
<td>$6,113</td>
<td>$3,600</td>
<td>$957</td>
</tr>
<tr>
<td>General and administrative</td>
<td>4,522</td>
<td>5,239</td>
<td>4,653</td>
<td>2,594</td>
<td>779</td>
</tr>
<tr>
<td>Restructuring charges</td>
<td>6</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total stock-based compensation</strong></td>
<td>$9,414</td>
<td>$11,131</td>
<td>$10,766</td>
<td>$6,194</td>
<td>$1,736</td>
</tr>
</tbody>
</table>

(2) See Notes 2 and 14 to our audited financial statements included elsewhere in this Annual Report on Form 10-K for an explanation of the calculations of our basic and diluted net loss per common share.

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance Sheet Data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>$103,091</td>
<td>$184,573</td>
<td>$157,279</td>
<td>$231,966</td>
<td>$316,194</td>
</tr>
<tr>
<td>Working capital</td>
<td>12,073</td>
<td>133,730</td>
<td>178,614</td>
<td>202,264</td>
<td>256,727</td>
</tr>
<tr>
<td>Total assets</td>
<td>110,322</td>
<td>195,482</td>
<td>237,887</td>
<td>247,842</td>
<td>333,685</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(452,007)</td>
<td>(412,945)</td>
<td>(309,843)</td>
<td>(224,436)</td>
<td>(174,426)</td>
</tr>
<tr>
<td>Total stockholders’ equity (deficit)</td>
<td>(48,603)</td>
<td>(23,028)</td>
<td>3,551</td>
<td>76,367</td>
<td>118,122</td>
</tr>
</tbody>
</table>
ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion and other parts of this Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts contained in this report are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “could,” “will,” “would,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “intend,” “predict,” “seek,” “contemplate,” “potential” or “continue” or the negative of these terms or other comparable terminology. These forward-looking statements, include, but are not limited to, the initiation, timing, progress and results of our preclinical studies and clinical trials, and our research and development programs; our ability to advance therapeutic candidates into, and successfully complete, clinical trials; our receipt of future milestone payments and/or royalties, and the expected timing of such payments; our collaborators’ exercise of their license options; the commercialization of our therapeutic candidates; the implementation of our business model, strategic plans for our business, therapeutic candidates and technology; the scope of protection we are able to establish and maintain for intellectual property rights covering our therapeutic candidates and technology; estimates of our expenses, future revenues, capital requirements and our needs for additional financing; the timing or likelihood of regulatory filings, including Investigational New Drug applications, and approvals; our ability to maintain and establish collaborations or obtain additional government grant funding; our use of proceeds from our initial public offering or IPO; our financial performance; and developments relating to our competitors and our industry. These statements reflect our current views with respect to future events or our future financial performance, are based on assumptions, and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “Item 1A. Risk Factors” of this Annual Report on Form 10-K. These forward-looking statements speak only as of the date hereof. 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.

Overview

OncoMed is a clinical-stage biopharmaceutical company focused on discovering and developing novel therapeutics that address the fundamental biology driving cancer’s growth, resistance, recurrence and metastasis. We believe our therapeutic candidates are quite distinct from current generations of chemotherapies and targeted therapies, and have the potential to significantly impact cancer treatment and the clinical outcome of patients with cancer. All of our therapeutic candidates were discovered internally in our own research laboratories.

We currently have three therapeutic candidates in active clinical development targeting cancer stem cell, or CSC, pathways and immuno-oncology. The first therapeutic candidate in active clinical development, navicixizumab (anti-DLL4/VEGF bispecific, OMP-305B83), has completed a single-agent Phase Ia trial in patients with advanced solid tumors, and we are conducting two Phase Ib clinical trials of navicixizumab in combination with standard chemotherapy regimens in patients with platinum-resistant ovarian cancer and metastatic colorectal cancer. Our second therapeutic candidate, anti-TIGIT (OMP-313M32) is currently in a single-agent Phase Ia clinical trial that is enrolling patients with advanced or metastatic solid tumors. We intend to initiate the Phase Ib portion of this clinical trial to study anti-TIGIT in combination with anti-PD1 in the first half of 2018. Our third therapeutic candidate, GITRL-Fc (OMP-336B11), is enrolling patients in a single-agent Phase Ia trial in patients with advanced or metastatic solid tumors. Clinical trials for all three of these therapeutic candidates are ongoing, with the intent of gathering additional data required to proceed to later stage clinical trials and potentially product approval. We are also currently discussing next steps with our partner Celgene for a fourth clinical-stage program, our rosmantuzumab (anti-RSPO3, OMP-131R10) program, after our Phase Ia/b clinical trial of rosmantuzumab failed to provide compelling evidence of clinical benefit. We are also pursuing discovery of additional novel approaches to cancer treatment including new immuno-oncology therapeutic candidates.
Financial Operations Overview

Revenue

We have not generated any revenue from product sales. Our revenue to date has been primarily derived from upfront payments and development milestones received from our current collaborators Celgene Corporation, or Celgene, and Bayer Pharma AG, or Bayer, and our former collaborator GlaxoSmithKline LLC, or GSK. We recognize revenue from upfront payments ratably over the term of our estimated period of performance under the agreements. In addition to receiving upfront payments, we may also be entitled to milestone and other contingent payments upon achieving predefined objectives or the exercise of options for specified programs by our strategic partners. Such payments are recorded as revenue when we achieve the underlying milestone if there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved. We also recognize revenue for reimbursements of research and development costs under our collaboration agreements as the services are performed.

The following table summarizes our revenue for the years ended December 31, 2017, 2016 and 2015, which is related to the recognition of upfront payments, milestone payments and reimbursements of research and development costs under our various collaboration arrangements:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Celgene:</td>
<td></td>
</tr>
<tr>
<td>Recognition of upfront payment</td>
<td>$35,588</td>
</tr>
<tr>
<td>Milestone revenue</td>
<td>—</td>
</tr>
<tr>
<td>Other revenue</td>
<td>409</td>
</tr>
<tr>
<td>Celgene total</td>
<td>35,997</td>
</tr>
<tr>
<td>Bayer:</td>
<td></td>
</tr>
<tr>
<td>Recognition of upfront payment</td>
<td>278</td>
</tr>
<tr>
<td>Other revenue</td>
<td>1,726</td>
</tr>
<tr>
<td>Bayer total</td>
<td>2,004</td>
</tr>
<tr>
<td>GSK:</td>
<td></td>
</tr>
<tr>
<td>Recognition of upfront payment</td>
<td>150</td>
</tr>
<tr>
<td>Milestone revenue</td>
<td>—</td>
</tr>
<tr>
<td>Other revenue</td>
<td>3</td>
</tr>
<tr>
<td>GSK total</td>
<td>153</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$38,154</td>
</tr>
</tbody>
</table>

We expect that any revenue we generate will fluctuate from period to period as a result of the timing and amount of milestones and other payments from our current collaboration with Celgene, our small molecule program collaboration with Bayer, or any new collaboration we may enter in the future.

Research and Development

Research and development expenses represent costs incurred to conduct research such as the discovery and development of clinical candidates for our prior and current collaborators GSK, Bayer and Celgene as well as discovery and development of our proprietary unpartnered therapeutic candidates. We expense all research and development costs as they are incurred. Our research and development expenses consist of employee salaries and related benefits, including stock-based compensation, third-party contract costs relating to research, manufacturing, preclinical studies, clinical trial activities, laboratory consumables, and allocated facility costs.

At any point in time, we typically have various early stage research and drug discovery projects. Our internal resources, employees and infrastructure are not directly tied to any one research or drug discovery project and are typically deployed across multiple projects. As such, we do not maintain information regarding these costs incurred for these early stage research and drug discovery programs on a project-specific basis.
The following table summarizes our research and development expenses for the years ended December 31, 2017, 2016 and 2015. The internal costs include personnel, facility costs, laboratory consumables and discovery and research related activities associated with our pipeline. The external program costs reflect external costs attributable to our clinical development candidates and preclinical candidates selected for further development. Such expenses include third-party contract costs relating to manufacturing, clinical trial activities, translational medicine and toxicology activities.

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>Year Ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Internal Costs:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cancer biology, pathology and toxicology</td>
<td>$12,027</td>
<td>$17,404</td>
<td>$16,450</td>
</tr>
<tr>
<td>Molecular and cellular biology</td>
<td>6,660</td>
<td>7,886</td>
<td>8,083</td>
</tr>
<tr>
<td>Process development and manufacturing</td>
<td>3,612</td>
<td>6,018</td>
<td>6,095</td>
</tr>
<tr>
<td>Product development</td>
<td>8,817</td>
<td>11,751</td>
<td>10,835</td>
</tr>
<tr>
<td>Subtotal internal costs</td>
<td>31,116</td>
<td>43,059</td>
<td>41,463</td>
</tr>
<tr>
<td>External Program Costs:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4,334</td>
<td>16,766</td>
<td>9,450</td>
</tr>
<tr>
<td>Clinical</td>
<td>20,456</td>
<td>40,810</td>
<td>35,603</td>
</tr>
<tr>
<td>Translational medicine</td>
<td>2,807</td>
<td>4,500</td>
<td>4,633</td>
</tr>
<tr>
<td>Toxicology</td>
<td>1,126</td>
<td>4,578</td>
<td>1,724</td>
</tr>
<tr>
<td>Subtotal external program costs</td>
<td>28,723</td>
<td>66,654</td>
<td>51,410</td>
</tr>
<tr>
<td>Total research and development expense</td>
<td>$59,839</td>
<td>$109,713</td>
<td>$92,873</td>
</tr>
</tbody>
</table>

Our research and development expenses decreased from 2016 to 2017 as we discontinued development of multiple therapeutic product candidates. Our research and development expenses may increase with pipeline advancement and conduct of our research discovery and development activities. The process of conducting preclinical studies and clinical trials necessary to obtain regulatory approval is costly and time-consuming. We or our current or future partners may never succeed in achieving marketing approval for any of our therapeutic candidates. The probability of success of each therapeutic candidate may be affected by numerous factors, including preclinical data, clinical data, competition, manufacturing capability and commercial viability.

For the biologic programs covered under our strategic alliance with Celgene, we are responsible for development of each therapeutic candidate prior to the exercise of Celgene’s option for the applicable program. Celgene may exercise such option on a program-by-program basis during time periods through the earlier of completion of certain clinical trials or the twelfth anniversary of the date of our collaboration agreement. If Celgene exercises its option for the navicixizumab program or the rosmantuzumab program, we will have the option to co-develop and co-commercialize therapeutic candidates under such program in the United States. If we do so, we will be responsible for a one-third share of the global development costs of such therapeutic candidates, with Celgene bearing the remaining two-thirds of such costs, and we will be entitled to participate in the commercialization activities for such therapeutic candidates in the United States, and to share 50% of all profits and losses arising from U.S. sales of such therapeutic candidates. For the anti-TIGIT program, and the navicixizumab program and/or the rosmantuzumab program if we choose not to exercise our co-development and co-commercialization option, we will enter into a license agreement with Celgene for therapeutic candidates under such program whereupon Celgene would be responsible for all further development costs.

Most of our product development programs are at an early stage; therefore, the successful development of our therapeutic candidates is highly uncertain and may not result in approved products. Completion dates and completion costs can vary significantly for each therapeutic candidate and are difficult to predict. Given the uncertainty associated with clinical trial enrollments and the risks inherent in the development process, we are unable to determine the duration and completion costs of current or future clinical trials of our therapeutic candidates or if and to what extent we will generate revenues from the commercialization and sale of any of our therapeutic candidates. We anticipate that we and Celgene will make determinations as to which programs to pursue and how much funding to direct to each program on an ongoing basis in response to the scientific and clinical success of each therapeutic candidate, as well as an ongoing assessment as to each therapeutic candidate’s
commercial potential. We may need to raise additional capital or may seek additional strategic alliances in the future in order to complete the development and commercialization of our therapeutic candidates.

**General and Administrative**

Our general and administrative expenses consist primarily of personnel costs, allocated facilities-related expenses, depreciation of capital equipment and other expenses for outside professional services. Personnel costs consist of salaries, benefits and stock-based compensation. General and administrative personnel include our executive, finance, human resources, information technology and legal organizations. Our professional fees principally consist of outside legal, human resource, audit, tax and accounting services and other consulting costs.

Since becoming a public company in 2013, we have incurred and expect to continue to incur additional expenses required of public companies, including costs to comply with the rules and regulations applicable to companies listed on a national securities exchange and costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC. Other related public company costs include increased expenses for additional insurance, investor relations and other needs for human resources and professional services.

**Restructuring Charges**

Restructuring charges relate to severance, other one-time benefits and other employee related charges as a result of the restructuring plan that we implemented in April 2017.

**Interest and Other Income (Expense), net**

Interest and other income (expense), net consists primarily of interest received on our cash, cash equivalents and short-term investments balances.

**Provision for Income Taxes**

For the year ended December 31, 2017, we recorded a tax benefit of $1.1 million due to an AMT refundable credit as a result of the Tax Cuts and Jobs Act ("Tax Act"), enacted on December 22, 2017. For the years ended December 31, 2016 and 2015, we recorded tax expense of $14,000 and $20,000, respectively, due to interest on uncertain tax positions.

On December 22, 2017, the 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 partially territorial system, and the repeal of corporate AMT. We calculated our 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. As a result, we recorded $1.1 million as income tax benefit in the fourth quarter of 2017, the period in which the legislation was enacted. The tax rate decrease resulted in a reduction of $51.7 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 deferred tax assets, net of deferred tax liabilities, are subject to a full valuation allowance.

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. In accordance with SAB 118, we determined that the adjustment to deferred taxes was a provisional amount and a reasonable estimate at December 31, 2017. We do not expect any impact on recorded deferred tax balances as the remeasurement of net deferred tax assets will be offset by a change in valuation allowance. We are analyzing certain aspects of the Tax Act which could potentially affect the remeasurement of the net deferred tax assets.

We estimate our income tax provision, including deferred tax assets and liabilities, based on significant management judgment. We evaluate the realization of all or a portion of our deferred tax assets on a quarterly basis.
We record a valuation allowance to reduce our deferred tax assets to the amounts that are more likely than not to be realized. We consider future taxable income, ongoing tax planning strategies and our historical financial performance in assessing the need for a valuation allowance. If we expect to realize deferred tax assets for which we have previously recorded a valuation allowance, we will reduce the valuation allowance in the period in which such determination is first made. Our future effective income tax rate may be affected by such factors as changes in tax laws, regulations or rates, changing interpretation of existing laws or regulations, the impact of accounting for stock-based compensation and changes in overall levels of income before tax.

We record liabilities related to uncertain tax positions in accordance with the guidance that clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements by prescribing a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

At December 31, 2017 and 2016, we had total federal and state unrecognized tax benefits of $16.7 million and $14.3 million, respectively. Of the total unrecognized tax benefits, $15.9 million and $13.1 million at December 31, 2017 and 2016, respectively, if recognized, in the absence of a valuation allowance, would reduce our effective tax rate in the period of recognition. As of December 31, 2017, we do not believe that it is reasonably possible that our unrecognized tax benefits will significantly change in the next 12 months.

Results of Operations

Comparison of the Years Ended December 31, 2017 and 2016

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>Year Ended December 31,</th>
<th>Dollar Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collaboration revenue</td>
<td>$36,016</td>
<td>$21,277</td>
</tr>
<tr>
<td>Other revenue</td>
<td>$2,138</td>
<td>$3,876</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$38,154</td>
<td>$25,153</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>59,839</td>
<td>109,713</td>
</tr>
<tr>
<td>General and administrative</td>
<td>16,761</td>
<td>18,827</td>
</tr>
<tr>
<td>Restructuring charges</td>
<td>2,527</td>
<td>—</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>79,127</td>
<td>128,540</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(40,973)</td>
<td>(103,387)</td>
</tr>
<tr>
<td>Interest and other income, net</td>
<td>828</td>
<td>299</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(40,145)</td>
<td>(103,088)</td>
</tr>
<tr>
<td>Income tax provision (benefit)</td>
<td>(1,083)</td>
<td>14</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(39,062)</td>
<td>$(103,102)</td>
</tr>
</tbody>
</table>

Revenue

Total revenue for the year ended December 31, 2017 was $38.2 million, an increase of $13.0 million, or 52%, compared to $25.2 million for the year ended December 31, 2016. Revenue recognized during 2017 from amortization of upfront fees amounted to $36.0 million, an increase of $14.7 million compared to $21.3 million for the year ended December 31, 2016. The increase in collaboration revenue was due to an increase of $15.5 million in amortization of upfront fees from our partnership with Celgene as a result of the revision of the estimated period of performance. In the fourth quarter of 2017, the Company evaluated the status of its obligations to Celgene and determined that the estimated period to complete the Company’s performance of all remaining obligations was in the third quarter of 2019. Accordingly, the estimated period of performance was revised to two years, up to the third quarter of 2019. The Company will recognize the remaining unamortized portion of deferred revenue over the revised estimated period of performance on a prospective basis.
Other revenue for the year ended December 31, 2017 decreased by $1.7 million compared to $3.9 million for the year ended December 31, 2016 due to lower reimbursement of research and development costs for services performed in 2017.

**Research and Development**

Research and development expenses were $59.8 million for the year ended December 31, 2017, a decrease of $49.9 million, or 45%, compared to $109.7 million for the year ended December 31, 2016. The decrease was comprised of a $37.9 million decrease in our external program costs and an $11.9 million decrease in our internal program costs.

The decrease in our external program costs of $37.9 million was primarily due to a decrease of $20.2 million in clinical study costs resulting from discontinuation of dosing of all patients in our demcizumab and tarextumab programs. The decrease in manufacturing costs of $12.4 million and toxicology cost of $3.5 million was mainly related to our GITRL-Fc and anti-TIGIT programs due to the timing of production of materials used in clinical studies of these programs and the discontinuation of our demcizumab program in 2017.

The decrease in our internal costs by $11.9 million was primarily due to a decrease of $5.8 million in personnel costs, including a decrease in stock-based compensation of $1.0 million, as a result of our reduced headcount following our restructuring actions in April 2017, a decrease of $2.1 million in regulatory, clinical consulting costs and outside professional fees, and a decrease of $1.5 million in laboratory supplies as a result of an overall decrease in activity and spend on our clinical programs. We expect that our research and development expenses will continue to decrease as our clinical development activities decrease.

**General and Administrative**

General and administrative expenses were $16.7 million for the year ended December 31, 2017, a decrease of $2.1 million, or 11%, compared to $18.8 million for the year ended December 31, 2016. The decrease is primarily due to a decrease of $2.0 million in personnel costs, including a decrease in stock-based compensation of $0.7 million, as a result of our reduced headcount following the restructuring plan that we implemented in April 2017.

**Restructuring Charges**

Restructuring charges were $2.5 million for the year ended December 31, 2017 related to severance, other one-time benefits and other employee related charges as a result of the restructuring plan that we implemented in April 2017.

**Interest and Other Income (Expense), net**

Interest and other income (expense), net was $0.8 million for the year ended December 31, 2017, a change of $0.5 million, compared to $0.3 million for the year ended December 31, 2016. The change was primarily due to interest earned on cash, cash equivalents and short-term investments during the year.
Comparison of the Years Ended December 31, 2016 and 2015

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>Year Ended December 31,</th>
<th>Dollar Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collaboration revenue</td>
<td>$21,277</td>
<td>$25,216</td>
</tr>
<tr>
<td>Other revenue</td>
<td>3,876</td>
<td>683</td>
</tr>
<tr>
<td>Total revenue</td>
<td>25,153</td>
<td>25,899</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>109,713</td>
<td>92,873</td>
</tr>
<tr>
<td>General and administrative</td>
<td>18,827</td>
<td>18,583</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>128,540</td>
<td>111,456</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(103,387)</td>
<td>(85,557)</td>
</tr>
<tr>
<td>Interest and other income (expense), net</td>
<td>299</td>
<td>170</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(103,088)</td>
<td>(85,387)</td>
</tr>
<tr>
<td>Income tax provision (benefit)</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(103,102)</td>
<td>$(85,407)</td>
</tr>
</tbody>
</table>

Revenue

Total revenue for the year ended December 31, 2016 was $25.2 million, a decrease of $0.7 million, or 3%, compared to $25.9 million for the year ended December 31, 2015. Revenue recognized during 2016 from amortization of upfront fees amounted to $21.3 million, an increase of $3.6 million compared to $17.7 million for the year ended December 31, 2015. The increase in revenue was due to an increase in amortization of upfront fees from our partnership with Celgene by $7.0 million related to the $70.0 million safety milestone achieved in December 2015, which was based on an analysis of available demcizumab Phase Ib and blinded interim Phase II clinical trial safety. This increase was offset by a decrease of $3.4 million in amortization of upfront fees from Bayer and GSK as a result of revisions to the estimated periods of performance for the Bayer and GSK collaborations which extended the amortization of the upfront payments to June 2017 and March 2017, respectively. The increase in amortization of upfront fees was further offset by a decrease in revenue of $7.5 million which was recognized in 2015 for a $5.0 million development milestone from GSK for dosing the first patient in the Phase I expansion portion of the brontictuzumab (anti-Notch1, OMP-52M51) clinical trial and a $2.5 million milestone for clinical candidate designation of anti-TIGIT under our collaboration with Celgene. Further, reimbursement of research and development costs for services performed for the year ended December 31, 2016 increased by $3.2 million compared to $0.7 million for the year ended December 31, 2015.

Research and Development

Research and development expenses were $109.7 million for the year ended December 31, 2016, an increase of $16.8 million, or 18%, compared to $92.9 million for the year ended December 31, 2015. The increase was comprised of a $15.2 million increase in our external program costs and a $1.6 million increase in our internal program costs.

The increase in our external program costs of $15.2 million was primarily due to an increase of $7.3 million in manufacturing costs and $2.9 million in toxicology study costs driven by clinical trials for our GITRL-Fc and anti-TIGIT therapeutic candidates as well as timing of production of materials used in the various clinical studies. Clinical costs increased by $5.2 million due to additional patient enrollment during 2016 under our vantictumab (anti-Fzd, OMP-18R5) program and an increase in clinical activities under our rosmantuzumab (anti-RSPO3, OMP-131R10) program.

The increase in our internal costs of $1.6 million was primarily due to increases in personnel costs of $0.6 million, regulatory and clinical consulting costs of $0.5 million related to GITRL-Fc and anti-TIGIT therapeutic candidates, and facilities-related expense of $0.5 million due to the execution of an amendment to our lease agreement in 2016.
General and Administrative

General and administrative expenses were $18.8 million for the year ended December 31, 2016, an increase of $0.2 million, or 1%, compared to $18.6 million for the year ended December 31, 2015. The increase is primarily due to higher employee related costs of $0.9 million resulting mainly from an increase in stock-based compensation expense of $0.6 million in relation to the RSU refresher grants in 2016 and an increase in personnel costs of $0.3 million. This was offset by a decrease in legal fees of $0.6 million related to patent filings and financing costs associated with the Form S-3 filing in 2015.

Interest and Other Income (Expense), net

Interest and other income (expense), net was $0.3 million for the year ended December 31, 2016, a change of $0.1 million, compared to $0.2 million for the year ended December 31, 2015. The change was primarily due to interest earned on cash and investments during the year.

Liquidity and Capital Resources

As of December 31, 2017, we had cash, cash equivalents and short term investments totaling $103.1 million. In June 2015, we filed a shelf registration statement on Form S-3, which permits: (a) the offering, issuance and sale by us of up to a maximum aggregate offering price of $250.0 million of our common stock, preferred stock, debt securities, warrants, purchase contracts and/or units; and (b) as part of the $250.0 million, the offering, issuance and sale by us of up to a maximum aggregate offering price of $50.0 million of our common stock that may be issued and sold under a sales agreement with Cantor Fitzgerald & Co. in one or more at-the-market offerings. Through December 31, 2017, we have sold 743,987 shares pursuant to our at-the-market program at a weighted average price of $8.93 per share, resulting in aggregate net proceeds to us of $6.5 million, net of offering costs.

On August 23, 2016, we closed the sale of an aggregate of 6,325,000 shares of our common stock at a public offering price of $10.00 per share. The shares were issued pursuant to a prospectus supplement filed with the SEC on August 17, 2016, and related prospectus, pursuant to the shelf registration statement. We received net offering proceeds of approximately $59.2 million, net of underwriting discounts and commissions and offering costs.

Our primary uses of cash are to fund operating expenses, primarily related to research and development product candidate expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

We believe that our existing cash, cash equivalents and short-term investments as of December 31, 2017 will be sufficient to meet our anticipated cash requirements through the third quarter of 2019, even without taking into account potential future milestone payments to us. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially.

Our future capital requirements are difficult to forecast and will depend on many factors, including:

- the achievement of milestones and/or exercise of options under our agreement with Celgene or the achievement of milestones and/or advancement of the small molecule programs into further development and potential commercialization under our agreement with Bayer;
- the initiation, progress, timing and completion of preclinical studies and clinical trials for our therapeutic candidates and potential therapeutic candidates;
- the number and characteristics of therapeutic candidates that we pursue;
- the progress, costs and results of our clinical trials;
- the outcome, timing and cost of regulatory approvals;
- delays that may be caused by changing regulatory requirements;
• funding we may receive under any new collaborations we may enter into or new government grants we may be awarded in the future;
• the costs and timing of hiring new employees to support our continued growth; and
• the costs and timing of procuring clinical supplies of our therapeutic candidates.

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash used in operating activities</td>
<td>$(84,970)</td>
<td>$(36,936)</td>
<td>$(75,138)</td>
</tr>
<tr>
<td>Cash provided by (used in) investing activities</td>
<td>57,250</td>
<td>29,703</td>
<td>83,666</td>
</tr>
<tr>
<td>Cash provided by financing activities</td>
<td>4,044</td>
<td>65,148</td>
<td>1,778</td>
</tr>
</tbody>
</table>

**Cash Flows from Operating Activities**

Cash used in operating activities for the year ended December 31, 2017 was $85.0 million. The net loss of $39.1 million was offset by non-cash charges of $1.7 million for depreciation and amortization and $9.4 million for stock-based compensation expense. The change in net operating assets of $57.0 million was due primarily to a decrease in accounts payable of $2.3 million and accrued liabilities and income tax payable of $4.6 million due to the timing of vendor payments, a decrease in accrued clinical liabilities of $17.4 million due to the decrease in our clinical development activities, and a decrease in deferred revenue of $36.0 million due to the amortization of upfront payments from our prior and current collaboration arrangements with GSK, Bayer and Celgene.

Cash used in operating activities for the year ended December 31, 2016 was $36.9 million. The net loss of $103.1 million was offset by non-cash charges of $1.8 million for depreciation and amortization and $11.1 million for stock-based compensation expense. The change in net operating assets of $53.3 million was due primarily to a decrease of $68.2 million in accounts receivable as a result of collection in 2016 of payments related to the achievement of the $70.0 million safety milestone during 2015 from Celgene based on an analysis of Phase Ib and blinded interim Phase II clinical trial safety data associated with the demcizumab (anti-DLL4, OMP-21M18) program. The decrease in deferred revenue is due to the amortization of upfront and milestone payments from our prior and current collaboration arrangements with GSK, Bayer and Celgene in the amount of $21.3 million. The remaining net change in operating assets which increased cash was a result of an increase in accrued clinical liabilities of $9.6 million offset by a decrease in accounts payable of $1.8 million and accrued liabilities of $3.1 million due to timing of payments.

Cash used in operating activities for the year ended December 31, 2015 was $75.1 million. The net loss of $85.4 million was offset by non-cash charges of $1.6 million for depreciation and amortization and $10.8 million for stock-based compensation. The change in net operating assets of $2.1 million was due primarily to an increase of $70.7 million in accounts receivable and increase of $52.3 million in deferred revenue as result of the achievement of the $70.0 million safety milestone from Celgene based on an analysis of Phase Ib and blinded interim Phase II clinical trial safety data associated with the demcizumab program. The increase in deferred revenue is offset by the amortization of upfront and milestone payments from our prior and current collaboration arrangements with GSK, Bayer and Celgene in the amount of $17.7 million. There was also a $7.1 million decrease in tax receivable as result of the receipt of payment and $5.4 million increase in accrued clinical liabilities, $3.7 million in accrued liabilities, $2.2 million in accounts payable, $1.4 million increase in prepaid and other assets, and $0.7 million decrease in deferred rent.

**Cash Flows from Investing Activities**

Cash provided by (used in) investing activities for the years ended December 31, 2017, 2016 and 2015 was comprised of purchases of short-term investments amounting to $127.4 million, $207.3 million and $128.8 million, respectively, offset by maturities of short-term investments amounting to $185.2 million, $178.7 million and $213.8 million, respectively. Acquisition of property and equipment for the years ended December 31, 2017, 2016 and 2015, amounted to $0.6 million, $1.2 million and $1.4 million, respectively.
Cash Flows from Financing Activities

Cash provided by financing activities for the year ended December 31, 2017 was comprised of aggregate net proceeds of $1.7 million received from our at-the-market offering program and $2.3 million received from issuance of common stock upon the exercise of stock options and employee stock plan purchases.

Cash provided by financing activities for the year ended December 31, 2016 was comprised of aggregate net proceeds of $59.2 million received from the sale of shares of our common stock through our underwritten public offering that closed on August 23, 2016 and $4.7 million from our at-the-market offering program, and $1.2 million received from the issuance of common stock upon the exercise of stock options and employee stock plan purchases.

Cash provided by financing activities for the years ended December 31, 2015 was due to the net proceeds of $1.8 million from the issuance of common stock upon the exercise of stock options and employee stock plan purchases.

Contractual Obligations and Other Commitments

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

<table>
<thead>
<tr>
<th>Contractual Obligations:</th>
<th>Payments Due by Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 1 year</td>
</tr>
<tr>
<td>Operating leases (1)</td>
<td>$2,323</td>
</tr>
</tbody>
</table>

(1) Operating leases include total future non-cancelable obligations under operating lease agreement.

The Company leases office and laboratory facilities in Redwood City, California under a lease agreement that was originally set to expire in January 2019 and included a lease extension option for two additional three-year terms. During the fourth quarter of 2016, the Company signed an amendment to the lease agreement to extend the lease term through May 2028, with an option to extend the lease for an additional three-year term.

The amendment to the lease agreement includes a 10-year cancelable lease agreement for additional office and laboratory space that expires in May 2028, subject to the Company’s three-year lease extension option described above. The Company exercised its right to terminate the lease agreement for this additional space in September 2017. The exercise of such cancelation did not result in an economic penalty to the Company.

Off-Balance Sheet Arrangements

As of December 31, 2017, we did not have any off-balance sheet arrangements or any holdings in variable interest entities.

Critical Accounting Polices and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. In many instances, we could have reasonably used different accounting estimates, and in other instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by our management. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. 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. See Note 2 to our audited financial statements included elsewhere in this Annual Report on Form 10-K for additional information.
We generate substantially all of our revenue from collaborative research and development agreements with pharmaceutical companies. Under collaboration agreements, we may receive non-refundable upfront payments, funding for research and development services, milestones, other contingent payments and royalties. In assessing the appropriate revenue recognition related to a collaboration agreement, we first determine whether an arrangement includes multiple elements, such as the delivery of intellectual property rights and research and development services. These multiple element arrangements are analyzed to determine whether the deliverables can be separated or whether they must be accounted for as a single unit of accounting. The determination of stand-alone value is generally based on whether any deliverable has stand-alone value to the customer. We determine how to allocate arrangement consideration to identified units of accounting based on the selling price hierarchy provided under the relevant guidance. The estimated fair value of deliverables under the arrangement may be derived using a best estimate of selling price if vendor-specific objective evidence and third-party evidence are not available. Deliverables under the arrangement will be separate units of accounting provided that a delivered item has value to the customer on a stand-alone basis and if the arrangement does not include a general right of return relative to the delivered item and delivery or performance of the undelivered items is considered probable and substantially in the control of the vendor.

Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue in our balance sheets. Amounts expected to be recognized as revenue within the 12 months following the balance sheet date are classified as current liabilities.

We recognize revenue for reimbursements of research and development costs under our collaboration agreements as the services are performed. We record these reimbursements as revenue on a gross basis and not as a reduction of research and development expenses, as we have the risks and rewards as the principal in the research and development activities.

Typically, we have not granted licenses to collaborators at the beginning of our arrangements and thus there are no delivered items separate from the research and development services provided. As such, upfront payments are recorded as deferred revenue in the balance sheet and are recognized as collaboration revenue over the estimated period of performance that is consistent with the terms of the research and development obligations contained in the collaboration agreement. We regularly review the estimated period of performance based on the progress made under each arrangement. Our estimates of our performance period may change over the course of the research term. Such a change could have a material impact on the amount of revenue we record in future periods.

In the fourth quarter of 2017, the Company evaluated the status of its obligations to Celgene and determined that the estimated period to complete the Company’s performance of all remaining obligations was in the third quarter of 2019. Accordingly, the estimated period of performance was revised to two years up to the third quarter of 2019. The Company will recognize the remaining unamortized portion of deferred revenue over the revised estimated period of performance on a prospective basis.

When we enter into an amendment to a collaboration agreement, we evaluate the terms of the amendment relative to the entire arrangement to determine if it constitutes a material modification to the original agreement for financial reporting purposes. We exercise judgment in determining if an amendment is deemed to be a material modification and consider whether there is a change in total consideration, contracted deliverables, the period of the arrangement or the delivery schedule.

Other contingent payments received for which payment is contingent solely on the results of a collaborative partner’s performance are not accounted for using the milestone method. Such bonus payments will be recognized as revenue when collectability is reasonably assured.

Options are considered substantive if, at the inception of the arrangement, we are at risk as to whether the collaboration partner will choose to exercise the option. Factors that we consider in evaluating whether an option is substantive include the overall objective of the arrangement, the benefit the collaborator might obtain from the arrangement without exercising the option, the cost to exercise the option and the likelihood that the option will be exercised. For arrangements under which an option is considered substantive, we do not consider the item.
underlying the option to be a deliverable at the inception of the arrangement and the associated opt-in payments are not included in allocable arrangement consideration, assuming the option is not priced at a significant and incremental discount. Conversely, for arrangements under which an option is not considered substantive or if an option is priced at a significant and incremental discount, we would consider the item underlying the option to be a deliverable at the inception of the arrangement and a corresponding amount would be included in allocable arrangement consideration. All of the options included in our collaboration arrangements have been determined to be substantive, and none of the options are priced at a significant and incremental discount.

**Preclinical Studies and Clinical Trial Accruals**

We estimate our preclinical studies and clinical trial expenses based on the services performed pursuant to contracts with research institutions and clinical research organizations that conduct these activities on our behalf. In recording service fees, we estimate the time period over which the related services will be performed and compare the level of effort expended through the end of each period to the cumulative expenses recorded and payments made for such services and, as appropriate, accrue additional service fees or defer any non-refundable advance payments until the related services are performed. If the actual timing of the performance of services or the level of effort varies from the estimate, we will adjust our accrual or deferred advance payment accordingly. If we underestimate or overestimate the level of services performed or the costs of these services, our actual expenses could differ from our estimates. To date, we have not experienced significant changes in our estimates of preclinical studies and clinical trial accruals.

**Stock-Based Compensation**

We recognize compensation costs related to stock options granted to employees based on the estimated fair value of the awards on the date of grant, net of estimated forfeitures. We estimate the grant date fair value, and the resulting stock-based compensation expense, using the Black-Scholes option-pricing model. The grant date fair value of the stock-based awards is generally recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the respective awards. Stock-based compensation expense was $9.4 million, $11.1 million and $10.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The Black-Scholes option-pricing model requires the use of highly subjective and complex assumptions which determine the fair value of stock-based awards, including the expected term and the price volatility of the underlying stock. These assumptions include:

- **Expected term**—The expected term represents the period that the stock-based awards are expected to be outstanding. We used the simplified method to determine the expected terms as provided by the SEC. The simplified method calculates the expected term as the average of the time-to-vesting and the contractual life of the options.

- **Volatility**—The expected volatility is derived from a blend of the historical volatilities of the Company’s own common stock and of the common stock of comparable publicly listed biopharmaceutical companies over a period approximately equal to the expected term of the stock option grants because we have limited information on the volatility of our common stock due to no significant trading history. The comparable companies were chosen based on their similar size, stage in the life cycle, and financial leverage in comparison to us.

- **Risk-free interest rate**—The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the expected term of the awards.

- **Expected dividend**—The expected dividend is assumed to be zero as we have never paid dividends and have no current plans to pay any dividends on our common stock.

In addition to the assumptions used in the Black-Scholes option-pricing model, we must also estimate a forfeiture rate to calculate the stock-based compensation for our awards. We continue to use judgment in evaluating the expected volatility and forfeiture rates used for our stock-based compensation calculations on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to the
estimates of our expected volatility, expected terms, and forfeiture rates, which could materially impact our future stock-based compensation expense.

**Provision for Income Taxes**

We estimate our income tax provision, including deferred tax assets and liabilities, based on significant management judgment. We evaluate the realization of all or a portion of our deferred tax assets on a quarterly basis. We record a valuation allowance to reduce our deferred tax assets to the amounts that are more likely than not to be realized. We consider future taxable income, ongoing tax planning strategies and our historical financial performance in assessing the need for a valuation allowance. If we expect to realize deferred tax assets for which we have previously recorded a valuation allowance, we will reduce the valuation allowance in the period in which such determination is first made. Our future effective income tax rate may be affected by such factors as changes in tax laws, regulations or rates, changing interpretation of existing laws or regulations, the impact of accounting for stock-based compensation and changes in overall levels of income before tax.

We record liabilities related to uncertain tax positions in accordance with the guidance that clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements by prescribing a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

**Newly Adopted and Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update, or ASU, 2014-09, Revenue from Contracts with Customers (Topic 606). In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delayed the effective date of ASU 2014-09 by one year. ASU 2014-09, as amended, becomes effective for us in the first quarter of fiscal year 2018, which is when we will adopt the standard. ASU 2014-09 also permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). The core principle of ASU 2014-09 is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, has created the possibility that more judgment and estimates may be required within the revenue recognition process than required under existing U.S. generally accepted accounting pronouncements.

We will adopt ASU 2014-09 as of January 1, 2018, using the modified retrospective transition method. We are in the process of finalizing our assessment of the effect that the adoption of ASU 2014-09 will have on our agreement with Celgene. Our performance obligations with respect to Celgene were not substantially complete at December 31, 2017. We have preliminarily concluded that the performance obligations primarily consist of research and development services. We are in the process of evaluating the option exercise rights. As of December 31, 2017, we have a deferred revenue balance of $143.8 million from the collaboration agreement we entered into with Celgene in December 2013. The amount and timing of revenue recognized of this deferred balance may change upon adoption of ASU 2014-09.

We also performed an assessment of the impact of adopting ASU 2014-09 on our Bayer and GSK collaboration arrangements. As the GSK collaboration was terminated in its entirety on October 29, 2017, this arrangement is not subject to ASU 2014-09. For the Bayer collaboration, we have preliminarily concluded that the small molecule therapeutic program remaining as of December 31, 2017 is immaterial in the context of the collaboration agreement relative to the biologics therapeutic programs that terminated during 2017. Our performance obligations under the small molecule therapeutic program with respect to Bayer were substantially complete at December 31, 2017, and any future receipts in the form of milestones or royalties are contingent upon the achievement of specified development, commercial and/or sales targets. We preliminarily concluded that these future contingent receipts are constrained at December 31, 2017, because we could not conclude that it is probable that a significant reversal of any amount recognized will not occur until the uncertainty associated with these future
events are subsequently resolved. We have preliminarily concluded that there is no transition adjustment to be recognized on January 1, 2018 for this agreement.

The estimates of the expected effects of our adoption of ASU 2014-09 represent management’s best estimates of the effects of adopting ASU 2014-09 at the time of the preparation of this Annual Report on Form 10-K. The actual, final quantitative effects of the adoption of ASU 2014-09 are subject to change from these estimates and such change may be significant, pending the completion of our assessment in the first quarter of 2018.

In February 2016, the FASB issued ASU 2016-02 “Leases.” ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize almost all leases with a term greater than one year as a right-of-use asset and corresponding liability, measured at the present value of the lease payments. The guidance will become effective for us beginning in the first quarter of 2019 and is required to be adopted using a modified retrospective approach. Early adoption is permitted. While we are currently evaluating the impact of the adoption of this standard on our financial statements, we anticipate recognition of additional assets and corresponding liabilities related to leases on our Balance Sheets.

In March 2016, the FASB issued ASU 2016-09 “Improvements to Employee Share-Based Payment Accounting.” ASU 2016-09 simplifies several aspects of employee share-based payment accounting, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. We adopted the guidance in the first quarter of 2017. As a result of the adoption, our deferred tax asset increased by $3.9 million, with a corresponding increase to the valuation allowance. Accordingly, there was no impact to the statement of operations or balance sheet.

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 include risk related to interest rate sensitivities and foreign currency exchange rate sensitivity.

Interest Rate Sensitivity

We had cash and short-term investments of $103.1 million and $184.6 million as of December 31, 2017 and 2016, respectively, which consisted of bank deposits and U.S. Treasury Bills. Such interest-earning instruments carry a degree of interest rate risk; however, historical fluctuations in interest income have not been significant. We had no outstanding debt as of December 31, 2017 or 2016.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements. There have been no material quantitative changes in our market risk exposures between the current fiscal year and preceding fiscal years.

Foreign Currency Exchange Rate Sensitivity

We face foreign exchange risk as a result of entering into transactions denominated in currencies other than U.S. dollars, particularly in Euro and British Sterling. Due to the uncertain timing of expected payments in foreign currencies, we do not utilize any forward foreign exchange contracts, nor did we in the year ended December 31, 2017. In the years ended December 31, 2017 and 2016, all foreign transactions settled on the applicable spot exchange basis at the time such payments were made.

An adverse movement in foreign exchange rates could have a material effect on payments we make to foreign suppliers. The impact of an adverse change in foreign exchange rates may be offset in the event we receive a milestone payment from a foreign partner. A hypothetical 10% change in foreign exchange rates during any of the preceding periods presented would not have a material impact on our financial statements. There have been no material quantitative changes in our market risk exposures between the current fiscal year and preceding fiscal years.
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
ONCOMED PHARMACEUTICALS, INC.

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  Notes to the Financial Statements 93
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Stockholders and Board of Directors of OncoMed Pharmaceuticals, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of OncoMed Pharmaceuticals, Inc. (the Company) as of December 31, 2017 and 2016, the related statements of operations, comprehensive loss, stockholders’ equity (deficit) and cash flows for each of the three years in the period 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 2016, and the results of its operations and its cash flows for each of the three years in the period 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 audits. 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 audits 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 audits 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 audits 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 audits 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 audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2005.
Redwood City, California
March 8, 2018
### OncoMed Pharmaceuticals, Inc.

**Balance Sheets**

(In thousands, except share and per share data)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th>December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$13,277</td>
<td>$36,953</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>89,814</td>
<td>147,620</td>
</tr>
<tr>
<td>Accounts receivable and other receivables</td>
<td>405</td>
<td>2,515</td>
</tr>
<tr>
<td>Prepaid and other current assets</td>
<td>1,709</td>
<td>2,495</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$105,205</td>
<td>$189,583</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>3,275</td>
<td>4,471</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,842</td>
<td>1,428</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$110,322</td>
<td>$195,482</td>
</tr>
<tr>
<td><strong>Liabilities and stockholders' deficit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$2,565</td>
<td>$4,890</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>3,940</td>
<td>8,599</td>
</tr>
<tr>
<td>Accrued clinical liabilities</td>
<td>4,434</td>
<td>21,854</td>
</tr>
<tr>
<td>Current portion of deferred revenue</td>
<td>82,193</td>
<td>20,510</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$93,132</td>
<td>$55,853</td>
</tr>
<tr>
<td>Deferred revenue, less current portion</td>
<td>61,645</td>
<td>159,373</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>3,765</td>
<td>2,917</td>
</tr>
<tr>
<td>Noncurrent income tax payable</td>
<td>383</td>
<td>367</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$158,925</td>
<td>$218,510</td>
</tr>
<tr>
<td>Commitments and contingencies (Note 7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stockholders' deficit:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock, $0.001 par value; 5,000,000 shares authorized at December 31, 2017 and 2016; no shares issued and outstanding at December 31, 2017 and 2016</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock, $0.001 par value; 145,000,000 shares authorized at December 31, 2017 and 2016; 38,212,505 shares and 37,114,589 shares issued and outstanding at December 31, 2017 and 2016, respectively</td>
<td>38</td>
<td>37</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>403,077</td>
<td>389,620</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>289</td>
<td>260</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(452,007)</td>
<td>(412,945)</td>
</tr>
<tr>
<td><strong>Total stockholders' deficit</strong></td>
<td>(48,603)</td>
<td>(23,028)</td>
</tr>
<tr>
<td><strong>Total liabilities and stockholders' deficit</strong></td>
<td>$110,322</td>
<td>$195,482</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
OncoMed Pharmaceuticals, Inc.

Statements of Operations
(In thousands, except share and per share data)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collaboration revenue</td>
<td>$36,016</td>
<td>$21,277</td>
<td>$25,216</td>
</tr>
<tr>
<td>Other revenue</td>
<td>2,138</td>
<td>3,876</td>
<td>683</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>38,154</td>
<td>25,153</td>
<td>25,899</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Research and development</td>
<td>59,839</td>
<td>109,713</td>
<td>92,873</td>
</tr>
<tr>
<td>General and administrative</td>
<td>16,761</td>
<td>18,827</td>
<td>18,583</td>
</tr>
<tr>
<td>Restructuring charges</td>
<td>2,527</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>79,127</td>
<td>128,540</td>
<td>111,456</td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td>(40,973)</td>
<td>(103,387)</td>
<td>(85,557)</td>
</tr>
<tr>
<td>Interest and other income, net</td>
<td>828</td>
<td>299</td>
<td>170</td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>(40,145)</td>
<td>(103,088)</td>
<td>(85,387)</td>
</tr>
<tr>
<td>Income tax provision (benefit)</td>
<td>(1,083)</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(39,062)</td>
<td>$(103,102)</td>
<td>$(85,407)</td>
</tr>
<tr>
<td><strong>Net loss per common share, basic and diluted</strong></td>
<td>$1.04</td>
<td>$(3.14)</td>
<td>$(2.84)</td>
</tr>
<tr>
<td>Shares used to compute net loss per common share, basic and diluted</td>
<td>37,631,348</td>
<td>32,859,554</td>
<td>30,028,684</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
OncoMed Pharmaceuticals, Inc.

Statements of Comprehensive Loss
(In thousands)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$ (39,062)</td>
<td>$ (103,102)</td>
<td>$ (85,407)</td>
</tr>
<tr>
<td>Other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gains on available-for-sale securities, net of tax</td>
<td>29</td>
<td>240</td>
<td>37</td>
</tr>
<tr>
<td>Total comprehensive loss</td>
<td>$ (39,033)</td>
<td>$ (102,862)</td>
<td>$ (85,370)</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
### OncoMed Pharmaceuticals, Inc.

**Statements of Stockholders’ Equity (Deficit)**

(In thousands, except share data)

<table>
<thead>
<tr>
<th>Shares</th>
<th>Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Other Comprehensive Income</th>
<th>Accumulated Deficit</th>
<th>Total Stockholders’ Equity (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at December 31, 2014</td>
<td>29,847,577</td>
<td>$ 30</td>
<td>$ 300,790</td>
<td>$ (17)</td>
<td>$ (224,436)</td>
</tr>
<tr>
<td>Issuance of common stock related to stock incentive plans</td>
<td>269,056</td>
<td>—</td>
<td>1,788</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>10,766</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net unrealized gain on available-for-sale securities</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>37</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balances at December 31, 2015</td>
<td>30,116,633</td>
<td>30</td>
<td>313,344</td>
<td>20</td>
<td>(309,843)</td>
</tr>
<tr>
<td>Issuance of common stock upon public offering, net of offering costs</td>
<td>6,325,000</td>
<td>7</td>
<td>59,163</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock under At-the-Market Agreement, net of offering costs</td>
<td>388,166</td>
<td>—</td>
<td>4,739</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock related to stock incentive plans</td>
<td>284,790</td>
<td>—</td>
<td>1,243</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>11,131</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net unrealized gain on available-for-sale securities</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>240</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balances at December 31, 2016</td>
<td>37,114,589</td>
<td>37</td>
<td>389,620</td>
<td>260</td>
<td>(412,945)</td>
</tr>
<tr>
<td>Issuance of common stock under At-the-Market Agreement, net of offering costs</td>
<td>355,821</td>
<td>—</td>
<td>1,701</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock related to stock incentive plans</td>
<td>742,095</td>
<td>1</td>
<td>2,342</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>9,414</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net unrealized gain on available-for-sale securities</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>29</td>
<td>—</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balances at December 31, 2017</td>
<td>38,212,505</td>
<td>38</td>
<td>403,077</td>
<td>289</td>
<td>(452,007)</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.

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### OncoMed Pharmaceuticals, Inc.

**Statements of Cash Flows**

(In thousands)

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(39,062)</td>
<td>$(103,102)</td>
<td>$(85,407)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,710</td>
<td>1,764</td>
<td>1,643</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>9,414</td>
<td>11,131</td>
<td>10,766</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable and other receivables</td>
<td>2,110</td>
<td>68,184</td>
<td>(70,657)</td>
</tr>
<tr>
<td>Income tax refund receivable</td>
<td>(1,098)</td>
<td>—</td>
<td>7,102</td>
</tr>
<tr>
<td>Prepaid and other current assets</td>
<td>786</td>
<td>782</td>
<td>(1,577)</td>
</tr>
<tr>
<td>Other assets</td>
<td>684</td>
<td>379</td>
<td>121</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(2,325)</td>
<td>(1,770)</td>
<td>2,212</td>
</tr>
<tr>
<td>Accrued liabilities and income tax payable</td>
<td>(4,572)</td>
<td>(3,115)</td>
<td>3,662</td>
</tr>
<tr>
<td>Accrued clinical liabilities</td>
<td>(17,420)</td>
<td>9,633</td>
<td>5,392</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(36,045)</td>
<td>(21,272)</td>
<td>52,284</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>848</td>
<td>450</td>
<td>(679)</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>$(84,970)</td>
<td>$(36,936)</td>
<td>$(75,138)</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(585)</td>
<td>(1,158)</td>
<td>(1,364)</td>
</tr>
<tr>
<td>Purchases of short-term investments</td>
<td>(127,376)</td>
<td>(207,283)</td>
<td>(128,806)</td>
</tr>
<tr>
<td>Maturities of short-term investments</td>
<td>185,211</td>
<td>178,738</td>
<td>213,836</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>57,250</td>
<td>(29,703)</td>
<td>83,666</td>
</tr>
<tr>
<td><strong>Financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net proceeds from issuance of common stock under At-the-market Agreement</td>
<td>1,701</td>
<td>4,739</td>
<td>—</td>
</tr>
<tr>
<td>Net proceeds from issuance of common stock upon public offering</td>
<td>—</td>
<td>59,170</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from issuance of common stock related to the exercise of options and employee stock plan purchases</td>
<td>2,343</td>
<td>1,239</td>
<td>1,778</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>4,044</td>
<td>65,148</td>
<td>1,778</td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>$(23,676)</td>
<td>(1,491)</td>
<td>10,306</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>36,953</td>
<td>38,444</td>
<td>28,138</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>$13,277</td>
<td>$36,953</td>
<td>$38,444</td>
</tr>
<tr>
<td><strong>Supplemental cash flow information:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued liabilities for purchase of property and equipment</td>
<td>$173</td>
<td>$244</td>
<td>—</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.

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OncoMed Pharmaceuticals, Inc.
Notes to the Financial Statements

1. Organization

OncoMed Pharmaceuticals, Inc. (“OncoMed”, the “Company”, “us”, “we”, or “our”) is a clinical-stage biopharmaceutical company focused on discovering and developing novel therapeutics that address the fundamental biology driving cancer's growth, resistance, recurrence and metastasis. The Company currently has three anti-cancer therapeutic candidates in clinical development. The Company is also pursuing discovery of additional novel approaches to cancer treatment, including new immuno-oncology therapeutic candidates. The Company’s operations are based in Redwood City, California and it operates in one segment.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company’s financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, preclinical study and clinical trial accruals, fair value of assets and liabilities, income taxes, and stock-based compensation. Management bases its estimates on historical experience and on various other market-specific and relevant assumptions that management believes to be reasonable under the circumstances. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of 90 days or less at the date of purchase to be cash and cash equivalents.

Short-Term Investments

Short-term investments consist of debt securities classified as available-for-sale and have maturities greater than 90 days, but less than 365 days from the date of acquisition. Short-term investments are carried at fair value based upon quoted market prices. Unrealized gains and losses on available-for-sale securities are excluded from earnings and were reported as a component of accumulated other comprehensive income. The cost of available-for-sale securities sold is based on the specific-identification method.

Other Comprehensive Income

Other comprehensive income includes certain changes in equity from non-owner sources that are excluded from net income, specifically, unrealized gains and losses on available-for-sale investments and the related tax impact.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and short-term investments. Cash and short-term investments are invested through banks and other financial institutions in the United States. Such deposits may be in excess of insured limits. The Company maintains cash and investments with various high credit quality and capitalized financial institutions.
**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining life of the lease at the time the asset is placed into service.

**Impairment of Long-Lived Assets**

The carrying value of long-lived assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the asset may not be recoverable. An impairment loss is recognized when the total of estimated future undiscounted cash flows, expected to result from the use of the asset and its eventual disposition, are less than its carrying amount. Impairment, if any, would be assessed using discounted cash flows or other appropriate measures of fair value. Through December 31, 2017, there have been no such impairment losses.

**Revenue Recognition**

The Company generates substantially all its revenue from collaborative research and development agreements with pharmaceutical companies. The terms of the agreements may include nonrefundable upfront payments, milestone payments, other contingent payments and royalties on any product sales derived from collaborations. These multiple element arrangements are analyzed to determine whether the deliverables can be separated or whether they must be accounted for as a single unit of accounting.

The determination of stand-alone value is generally based on whether any deliverable has stand-alone value to the customer. The Company determines how to allocate arrangement consideration to identified units of accounting based on the selling price hierarchy provided under the relevant guidance. The selling price used for each unit of accounting is based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific objective evidence is not available or estimated selling price if neither vendor-specific nor third-party evidence is available. Management may be required to exercise considerable judgment in determining whether a deliverable is a separate unit of accounting and in estimating the selling prices of identified units of accounting for new agreements.

Typically, the Company has not granted licenses to collaborators at the beginning of its arrangements and thus there are no delivered items separate from the research and development services provided. As such, upfront payments are recorded as deferred revenue in the balance sheet and are recognized as collaboration revenue over the estimated period of performance that is consistent with the terms of the research and development obligations contained in the collaboration agreement. The Company regularly reviews the estimated period of performance based on the progress made under each arrangement.

Payments that are contingent upon achievement of a substantive milestone are recognized in their entirety in the period in which the milestone is achieved. Milestones are defined as an event that can only be achieved based on the Company’s performance and there is substantive uncertainty about whether the event will be achieved at the inception of the arrangement. Events that are contingent only on the passage of time or on counterparty performance are not considered milestones. Further, the amounts received must relate solely to prior performance, be reasonable relative to all of the deliverables and payment terms within the agreement and commensurate with the Company’s performance to achieve the milestone after commencement of the agreement. Other contingent payments received for which payment is contingent solely on the results of a collaborative partner's performance (bonus payments) are not accounted for using the milestone method. Such bonus payments will be recognized as revenue when collectability is reasonably assured.

Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue in the Company’s balance sheets. Amounts expected to be recognized as revenue within the 12 months following the balance sheet date are classified as current liabilities. The Company recognizes revenue for reimbursements of research and development costs under collaboration agreements as the services are performed. The Company records these reimbursements as revenue on a gross basis and not as a reduction of research and development expenses, as the Company has the risks and rewards as the principal in the research and development activities.
Payments related to options to license the Company’s program candidates are considered substantive if, at the inception of the arrangement, the Company is at risk as to whether the collaboration partner will choose to exercise the option. Factors that the Company considers in evaluating whether an option is substantive include the overall objective of the arrangement, the benefit the collaborator might obtain from the arrangement without exercising the option, the cost to exercise the option and the likelihood that the option will be exercised. For arrangements under which an option is considered substantive, the Company does not consider the item underlying the option to be a deliverable at the inception of the arrangement and the associated opt-in payments are not included in allocable arrangement consideration, assuming the option is not priced at a significant and incremental discount. Conversely, for arrangements under which an option is not considered substantive or if an option is priced at a significant and incremental discount, the Company would consider the item underlying the option to be a deliverable at the inception of the arrangement and a corresponding amount would be included in allocable arrangement consideration.

Customer Concentration

Customers whose collaboration revenue accounted for 10% or more of total revenues were as follows:

<table>
<thead>
<tr>
<th>Customer</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>GlaxoSmithKline LLC (&quot;GSK&quot;)</td>
<td>*</td>
</tr>
<tr>
<td>Bayer Pharma AG (&quot;Bayer&quot;)</td>
<td>*</td>
</tr>
<tr>
<td>Celgene Corporation (&quot;Celgene&quot;)</td>
<td>94%</td>
</tr>
</tbody>
</table>

* less than 10%

Research and Development Expenses

Research and development expenses consist of salaries and other personnel-related expenses, including associated stock-based compensation, consulting fees, lab supplies, and facility costs, as well as fees paid to other entities that conduct certain research, development and manufacturing activities on behalf of the Company.

Clinical Trial Accruals

Clinical trial costs are a component of research and development expenses. The Company accrues and expenses clinical trial activities performed by third parties based upon actual work completed in accordance with agreements established with clinical research organizations and clinical sites. The Company determines the actual costs through discussions with internal personnel and external service providers as to the progress or stage of completion of trials or services and the agreed-upon fee to be paid for such services.

Nonrefundable advance payments for goods and services that will be used or rendered in future research and development activities, are deferred and recognized as expense in the period that the related goods are delivered or services are performed.

Stock-Based Compensation

The Company recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. For employee stock options, the Company determines the grant date fair value of the awards using the Black-Scholes option-pricing model and generally recognizes the fair value as stock-based compensation expense on a straight-line basis over the vesting period of the respective awards. Stock-based compensation expense is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. As such, the Company’s stock-based compensation is reduced for the estimated forfeitures at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. For restricted stock, the compensation cost for these awards is based on the closing price of the Company’s common stock on the date of grant and recognized as compensation expense on a straight-line basis over the requisite service period.
The Company accounts for equity instruments issued to nonemployees based on their fair values on the measurement dates using the Black-Scholes option-pricing model. The estimated fair values of the options granted to nonemployees are remeasured as they vest. As a result, the noncash charge to operations for nonemployee options with vesting conditions is affected each reporting period by changes in the fair value of the Company’s common stock.

Leases
The Company rents its office space and facilities under cancelable and non-cancelable operating lease agreements and recognizes related rent expense on a straight-line basis over the term of the lease. The Company’s lease agreements contain rent holidays, scheduled rent increases, lease incentives and renewal options. Rent holidays and scheduled rent increases are included in the determination of rent expense to be recorded over the lease term. Lease incentives are recognized as a reduction of rent expense on a straight-line basis over the term of the lease. The Company does not assume renewals in its determination of the lease term unless they are deemed to be reasonably assured at the inception of the lease. The Company begins recognizing rent expense on the date that the Company obtains the legal right to use and control the leased space.

Restructuring Charges
Restructuring charges consist of severance, other one-time benefits and other employee related charges. Liabilities for costs associated with a restructuring activity are measured at fair value and are recognized when the liability is incurred. One-time termination benefits are expensed at the date the Company notifies the employee, unless the employee will continue to provide future services, in which case the benefits are expensed ratably over the future service period. The Company continually evaluates the adequacy of the remaining liabilities under its restructuring initiatives. Although the Company believes that these estimates accurately reflect the costs of the Company’s restructuring plan, actual results may differ and thereby require the Company to record an additional provision or reverse a portion of such a provision.

Income Taxes
The Company accounts for income taxes using the liability method under which deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount which is more likely than not to be realizable.

The recognition, derecognition and measurement of a tax position is based on management’s best judgment given the facts, circumstances and information available at each reporting date. The Company’s policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax expense. To date, there have been no interest or penalties charged in relation to the unrecognized tax benefits.

Net Loss per Common Share
Basic net loss per common share is calculated by dividing the net loss by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. Diluted net loss per common share is computed by dividing the net loss by the weighted-average number of common shares and common share equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, potentially dilutive securities consisting of stock options and restricted stock units are considered to be common stock equivalents and were excluded in the calculation of diluted net loss per common share because their effect would be anti-dilutive for all periods presented.
Newly Adopted and Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update, or ASU, 2014-09, Revenue from Contracts with Customers (Topic 606). In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delayed the effective date of ASU 2014-09 by one year. ASU 2014-09, as amended, becomes effective for Company in the first quarter of fiscal year 2018, which is when the Company will adopt the standard. ASU 2014-09 also permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). The core principle of ASU 2014-09 is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, has created the possibility that more judgment and estimates may be required within the revenue recognition process than required under existing U.S. generally accepted accounting pronouncements.

The Company will adopt ASU 2014-09 as of January 1, 2018, using the modified retrospective transition method. The Company is in the process of finalizing our assessment of the effect that the adoption of ASU 2014-09 will have on the Company’s agreement with Celgene. The Company’s performance obligations with respect to Celgene were not substantially complete at December 31, 2017. The Company has preliminarily concluded that the performance obligations primarily consist of research and development services. The Company is in the process of evaluating the option exercise rights. As of December 31, 2017, the Company has a deferred revenue balance of $143.8 million from the collaboration agreement the Company entered into with Celgene in December 2013. The amount and timing of the revenue recognized of this deferred balance may change upon adoption of ASU 2014-09.

The Company also performed an assessment of the impact of adopting ASU 2014-09 on its Bayer and GSK collaboration arrangements. As the GSK collaboration was terminated in its entirety on October 29, 2017, this arrangement is not subject to ASU 2014-09. For the Bayer collaboration, the Company has preliminarily concluded that the small molecule therapeutic program remaining as of December 31, 2017 is immaterial in the context of the collaboration agreement relative to the biologics therapeutic programs that terminated during 2017. The Company’s performance obligations under the small molecule therapeutic program with respect to Bayer were substantially complete at December 31, 2017, and any future receipts in the form of milestones or royalties are contingent upon the achievement of specified development, commercial and/or sales targets. The Company preliminarily concluded that these future contingent receipts are constrained at December 31, 2017, because the Company could not conclude that it is probable that a significant reversal of any amount recognized will not occur until the uncertainty associated with these future events are subsequently resolved. The Company has preliminarily concluded that there is no transition adjustment to be recognized on January 1, 2018 for this agreement.

The estimates of the expected effects of our adoption of ASU 2014-09 represent management’s best estimates of the effects of adopting ASU 2014-09 at the time of the preparation of this Annual Report on Form 10-K. The actual, final quantitative effects of the adoption of ASU 2014-09 are subject to change from these estimates and such change may be significant, pending the completion of our assessment in the first quarter of 2018.

In February 2016, the FASB issued ASU 2016-02 “Leases.” ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize almost all leases with a term greater than one year as a right-of-use asset and corresponding liability, measured at the present value of the lease payments. The guidance will become effective for us beginning in the first quarter of 2019 and is required to be adopted using a modified retrospective approach, with early adoption permitted. While the Company is currently evaluating the impact of the adoption of this standard on its financial statements, the Company anticipates recognition of additional assets and corresponding liabilities related to leases on its Balance Sheets.

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 simplifies several aspects of employee share-based payment accounting, including income tax consequences, classification of awards as either equity or liability and classification on the statement of cash flows. The Company adopted this guidance in the first quarter of 2017. As a result of the adoption, the Company’s deferred tax asset increased by $3.9 million, with a corresponding
increase to the valuation allowance. Accordingly there was no impact to the statement of operations or balance sheet.

3. Cash and Investments

The fair value of securities, not including cash at December 31, 2017 and 2016 were as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Gross Unrealized Gains</td>
<td>Gross Unrealized Losses</td>
<td>Fair Value</td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>$99</td>
<td>$—</td>
<td>$—</td>
<td>$99</td>
<td></td>
</tr>
<tr>
<td>U.S. treasury bills</td>
<td>$89,525</td>
<td>$289</td>
<td>$—</td>
<td>$89,814</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$89,624</td>
<td>$289</td>
<td>$—</td>
<td>$89,913</td>
<td></td>
</tr>
<tr>
<td>Classified as:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$99</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>$89,814</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$89,913</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As of December 31, 2017, the Company had a total of $103.1 million in cash, cash equivalents and short-term investments, which includes $13.3 million in cash and cash equivalents and $89.8 million in short-term investments.

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Gross Unrealized Gains</td>
<td>Gross Unrealized Losses</td>
<td>Fair Value</td>
<td></td>
</tr>
<tr>
<td>U.S. treasury bills</td>
<td>$147,360</td>
<td>$260</td>
<td>$—</td>
<td>$147,620</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$147,360</td>
<td>$260</td>
<td>$—</td>
<td>$147,620</td>
<td></td>
</tr>
<tr>
<td>Classified as:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>$147,620</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As of December 31, 2016, the Company had a total of $184.6 million in cash and short-term investments, which includes $37.0 million in cash and $147.6 million in short-term investments.

All available-for-sale securities held as of December 31, 2017 and 2016 had contractual maturities of less than one year. There have been no significant realized gains or losses on available-for-sale securities for the periods presented.

4. Fair Value Measurements

The Company records its financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value as follows:

- **Level 1**: Inputs which include quoted prices in active markets for identical assets and liabilities.
- **Level 2**: Inputs other than Level 1 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 3**: 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 Company’s financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used in such measurements were as follows (in thousands):

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$99</td>
<td>—</td>
<td>$ —</td>
</tr>
<tr>
<td>U.S. treasury bills</td>
<td>—</td>
<td>$89,814</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$99</td>
<td>$89,814</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. treasury bills</td>
<td>$ —</td>
<td>$147,620</td>
<td>$ —</td>
</tr>
<tr>
<td>Total</td>
<td>$ —</td>
<td>$147,620</td>
<td>$ —</td>
</tr>
</tbody>
</table>

Where quoted prices are available in an active market, securities are classified as Level 1. When quoted market prices are not available for the specific security, then the Company estimates fair value by using benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. The Company classifies U.S. Treasury securities as Level 2. There were no transfers between Level 1 and Level 2 during the periods presented.

5. Property and Equipment, net

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

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment and software</td>
<td>$1,935</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>547</td>
</tr>
<tr>
<td>Laboratory equipment</td>
<td>11,720</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>9,250</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>(20,177)</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$3,275</td>
</tr>
</tbody>
</table>

Depreciation expense for the years ended December 31, 2017, 2016 and 2015 was $1.7 million, $1.8 million and $1.6 million, respectively.

6. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development related</td>
<td>$670</td>
</tr>
<tr>
<td>Compensation related</td>
<td>2,733</td>
</tr>
<tr>
<td>Other</td>
<td>537</td>
</tr>
<tr>
<td>Total accrued liabilities</td>
<td>$3,940</td>
</tr>
</tbody>
</table>
7. Commitments and Contingencies

Operating Leases

The Company leases office and laboratory facilities in Redwood City, California under a lease agreement that was originally set to expire in January 2019 and included a lease extension option for two additional three-year terms. During the fourth quarter of 2016, the Company signed an amendment to the lease agreement to extend the lease term through May 2028 with an option to extend the lease for an additional three-year term.

The amendment to the lease agreement includes a 10-year cancelable lease agreement for additional office and laboratory space that expires in May 2028, subject to the Company’s three-year lease extension option described above. The Company exercised its right to terminate the lease agreement for this additional space prior to September 2017. The exercise of such cancelation did not result in an economic penalty to the Company.

As of December 31, 2017, minimum annual rental payments under the Company’s non-cancelable operating lease agreement are as follows (in thousands):

<table>
<thead>
<tr>
<th>Year ending December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>2018</td>
<td>2,323</td>
</tr>
<tr>
<td>2019</td>
<td>2,406</td>
</tr>
<tr>
<td>2020</td>
<td>2,490</td>
</tr>
<tr>
<td>2021</td>
<td>2,577</td>
</tr>
<tr>
<td>2022</td>
<td>2,667</td>
</tr>
<tr>
<td>2023 and thereafter</td>
<td>16,143</td>
</tr>
<tr>
<td>Total minimum payments</td>
<td>$ 28,606</td>
</tr>
</tbody>
</table>

In prior years, the landlord provided the Company a tenant improvement allowance for a total of $7.3 million to complete the office and laboratory expansion. The Company recorded the tenant improvement allowance received as leasehold improvements under the property and equipment account and deferred rent liability on the accompanying balance sheets.

The operating lease agreement contains rent escalation provisions and tenant improvement allowances. The total rent obligation is being expensed ratably over the term of the agreement. Rent expense for years ended December 31, 2017, 2016 and 2015, was $2.4 million, $1.6 million and $1.3 million, respectively.

Guarantees and Indemnifications

The Company, as permitted under Delaware law and in accordance with its certificate of incorporation and bylaws, and pursuant to indemnification agreements with certain of its officers and directors, indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company’s request in such capacity. The term of the indemnification period lasts as long as an officer or director may be subject to any proceeding arising out of acts or omissions of such officer or director in such capacity.

The maximum amount of potential future indemnification is unlimited; however, the Company currently holds director and officer liability insurance. This insurance limits the Company’s exposure and may enable it to recover a portion of any future amounts paid. The Company believes that the fair value of these indemnification obligations is minimal. Accordingly, the Company has not recognized any liabilities relating to these obligations for any period presented.

8. License Agreement

In 2004, the Company assumed an exclusive, worldwide license agreement with the University of Michigan relating to the use of certain patents and technology relating to its cancer stem cell (“CSC”) technology for which an up-front fee of $10,000 had been paid and the Company issued 7,796 shares of its common stock. Pursuant to the
agreement, the Company is obligated to make low single-digit royalty payments to the University of Michigan on net sales of its or its licensees’ products and processes covered under the agreement, pay an annual license maintenance fee, and reimburse the University of Michigan for costs of prosecution and maintenance of the licensed patents which reduces future royalty obligations. With respect to one family of licensed patent applications that does not relate to any of the Company’s lead therapeutic programs, the Company is also required to pay a tiered, single-digit percentage of any sublicense revenues, including any upfront or milestone payments, received from any sublicensees under such family of patents. Once the University of Michigan has received $10.0 million in royalties, the Company may at its option convert the license to a fully paid-up license provided the Company transfers additional shares of nonvoting common stock equal to 0.25% of the fully diluted shares then outstanding to the University of Michigan. The amounts incurred for patent legal costs amounted to $32,000, $69,000 and $65,000 for the years ended December 31, 2017, 2016 and 2015, respectively, all of which has been recorded as general and administrative expense in the statements of operations.

9. Collaborations

The Company has entered into three collaboration arrangements, each having multiple deliverables under which the Company received non-refundable upfront payments. For collaborations where the Company has determined that there is a single unit of accounting the Company recognizes revenue related to the upfront payments ratable over its estimated period of performance for each collaboration. Two of these collaboration agreements have since been entirely or substantially terminated.

The Company’s prior and current collaboration arrangements include contractual milestones, which relate to the achievement of pre-specified research, development, regulatory and commercialization events. The milestone events contained in the Company’s alliances coincide with the progression of the Company’s product candidates from research and development, to regulatory approval and through to commercialization. The process of successfully discovering a new product candidate, having it selected by the alliance partner for development, having it approved and ultimately sold for a profit is highly uncertain. As such, the milestone payments that the Company may earn from its collaborators involve a significant degree of risk to achieve.

Research and development milestones in the Company’s strategic alliances may include the following types of events:

• Completion of pre-clinical research and development work leading to selection of product clinical candidates.
• Advancement of candidates into clinical development, which may include filing of investigational new drug ("IND") applications.
• Initiation of Phase I, Phase II or Phase III clinical trials.
• Achievement of certain scientific or development events.

Regulatory milestones may include the following types of events:

• Filing of regulatory applications for marketing approval such as a New Drug Application in the United States, or a Marketing Authorization Application in Europe.
• Marketing approval in a major market, such as the United States, Europe or Japan.

Commercialization milestones may include the following types of events:

• Product sales in excess of pre-specified thresholds.
Summary of Collaboration Related Revenue

The Company has recognized the following revenues from its prior and current collaboration agreements during the years ended December 31, 2017, 2016 and 2015 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Celgene:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognition of upfront payment</td>
<td>$35,588</td>
<td>$20,053</td>
<td>$13,055</td>
</tr>
<tr>
<td>Milestone revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td>409</td>
<td>1,780</td>
<td>320</td>
</tr>
<tr>
<td>Celgene total</td>
<td>$35,997</td>
<td>$21,833</td>
<td>$15,895</td>
</tr>
<tr>
<td>Bayer:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognition of upfront payments</td>
<td>278</td>
<td>648</td>
<td>3,518</td>
</tr>
<tr>
<td>Other revenue</td>
<td>1,726</td>
<td>1,457</td>
<td></td>
</tr>
<tr>
<td>Bayer total</td>
<td>$2,004</td>
<td>$2,105</td>
<td>$3,518</td>
</tr>
<tr>
<td>GSK:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognition of upfront payment</td>
<td>150</td>
<td>576</td>
<td>1,123</td>
</tr>
<tr>
<td>Milestone revenue</td>
<td></td>
<td></td>
<td>5,000</td>
</tr>
<tr>
<td>Other revenue</td>
<td>3</td>
<td>639</td>
<td>363</td>
</tr>
<tr>
<td>GSK total</td>
<td>153</td>
<td>1,215</td>
<td>6,486</td>
</tr>
<tr>
<td>Total collaboration related revenue</td>
<td>$38,154</td>
<td>$25,153</td>
<td>$25,899</td>
</tr>
</tbody>
</table>

Celgene Strategic Alliance

In December 2013, the Company entered into a Master Research and Collaboration Agreement (the “Agreement”) with Celgene pursuant to which the Company and Celgene will collaborate on research and development programs directed to the discovery and development of novel biologic therapeutic programs, and, if Celgene exercises an option to do so, the discovery, development and commercialization of certain novel small molecule therapeutic programs. This option for small molecule therapeutic programs expired unexercised on December 2, 2017.

The biologic therapeutic programs under the agreement include the demcizumab program, the navicixizumab program, the rosmantuzumab program, and the anti-TIGIT program. Celgene has options to obtain exclusive licenses to develop further and commercialize biologic therapeutics in these programs, which may be exercised during time periods specified in the agreement through the earlier of completion of certain clinical trials or the twelfth anniversary of the date of the agreement. Celgene also had the right to designate up to two additional biologic therapeutic programs targeting the RSPO-LGR signaling pathway or an undisclosed pathway for inclusion in the collaboration, but this right expired on December 2, 2017. Prior to the expiration of Celgene’s options under the Agreement, the Company will provide research and development services and the resultant data to Celgene for analysis in order for Celgene to determine whether or not to exercise its options.

Pursuant to the Agreement, the Company leads the discovery and development of each biologic therapeutic product prior to Celgene’s exercise of its option for the applicable program. With respect to the demcizumab program, the navicixizumab program, and the rosmantuzumab program, unless the Company elects not to exercise its co-development and co-commercialization right for a given program, following Celgene’s exercise of its option, the Company and Celgene will enter into an agreed form of co-development and co-commercialization agreement for such program. The Company will have the right to co-develop and co-commercialize products arising out of such program in the United States, and Celgene will have the exclusive right to develop and commercialize products arising out of such program outside of the United States. The Company’s involvement in co-commercialization will include participation in specified promotion activities by means of a dedicated sales force of up to half of the overall sales force for the applicable program products, as well as marketing and other commercial activities, with Celgene recording all product sales. The Company will also bear a one-third share of all development costs, with Celgene bearing the remaining two-thirds. However, for the anti-TIGIT program, and any program for which the Company elects not to co-develop and co-commercialize products arising from such program, the Company and Celgene will instead enter into an agreed form of a license agreement, pursuant to which Celgene retains all rights to develop...
further and commercialize biologic therapeutic products arising from such program on a worldwide basis, with certain support for development from the Company. The Company may elect not to co-develop and co-commercialize any products arising under the demcizumab program, the navicixizumab program, or the rosmantuzumab program at any time, either prior to or following Celgene’s option exercise, with the exception of a defined period of time near commercial launch of a product under a program. If the Company opts out of its co-development and co-commercialization rights with respect to a program, Celgene will have the exclusive right to develop and commercialize products arising out of such program, at Celgene’s expense. On June 29, 2017, Celgene informed the Company that Celgene does not intend to exercise its option for the demcizumab program. On January 4, 2018, the Company reported that its clinical experience to date in treating patients in its Phase Ia/b clinical trial of rosmantuzumab failed to provide compelling evidence of clinical benefit. The Company is currently discussing next steps for the program with Celgene.

Under the terms of the Agreement, the Company received an upfront cash payment of $155.0 million. In addition, Celgene purchased 1,470,588 shares of the Company’s common stock at a price of $15.13 per share, resulting in gross proceeds of $22.2 million. The price paid by Celgene for the common stock represented a premium over the closing price of the Company’s common stock on the date of the Agreement. The Company accounted for the $1.7 million premium as additional consideration under the Agreement and the common stock was recorded at its fair market value of $20.5 million. The Company is also eligible to receive opt-in payments upon Celgene’s exercise of the option for each biologic therapeutic program. The collaboration also includes milestone payments for achievement of specified development, regulatory and commercial milestones, paid on a per-product and per-program basis. The payments for option exercise, program designation and achievement of development, regulatory and commercial milestones, paid on a per-product and per-program basis. The payments for option exercise, program designation and achievement of development, regulatory and commercial milestones may total up to (1) $505.0 million for products in the navicixizumab program, including a $25.0 million opt-in payment, (2) approximately $442.8 million for products in the rosmantuzumab program, including an approximately $37.8 million opt-in payment, and (3) $440.0 million for products in the anti-TIGIT program, including a $35.0 million opt-in payment.

For the navicixizumab program and the rosmantuzumab program, if the Company chooses to co-develop and co-commercialize biologic therapeutic products in the United States, the Company is also entitled to share 50% of all product profits and losses in the United States. For such programs outside the United States, the Company is eligible to receive tiered royalties equal to a percentage of net product sales outside of the United States. For the anti-TIGIT program, and for the navicixizumab program and/or the rosmantuzumab program if the Company elects not to co-develop or co-commercialize biologic therapeutic products under such program, Celgene is required to pay the Company tiered royalties equal to a percentage of net product sales worldwide, with such royalties being increased where the Company had the right to co-develop and co-commercialize such biologic therapeutic products under such program but elected not to do so. The Company is responsible for funding all research and development activities for biologic therapeutics under the collaboration prior to Celgene’s exercise of the option for such program.

The Agreement will terminate upon the expiration of all of Celgene’s payment obligations under all license or co-development and co-commercialization agreements entered into with respect to programs following Celgene’s exercise of an option for a given program, or if all of Celgene’s options under the Agreement expire without Celgene exercising any of its options. The Agreement will also terminate, on a program-by-program basis, on the expiration of the option term, if Celgene fails to exercise its option for such program. The Company may also terminate the Agreement with respect to one or more programs in the event that Celgene challenges the licensed patents with respect to such program.

If Celgene does not exercise its option with respect to a biologic therapeutic program before such option expires, the Company retains worldwide rights to such program, except that if Celgene exercises its option to obtain a license for either the demcizumab or the navicixizumab program, then for so long as such license is in effect, the Company cannot develop or commercialize products under the other of such two programs. In addition, under certain termination circumstances, the Company would also have worldwide rights to the terminated biologic therapeutic programs.

The Company’s deliverables under the arrangement with Celgene are research and development services, including the obligation that the Company provides the resultant data to Celgene, which are accounted for as a single unit of accounting. The Company has determined that the options to license programs are substantive options.
Additionally, as a result of the uncertain outcome of the discovery, research and development activities, the Company is at risk with regard to whether Celgene will exercise the options. Accordingly, the options are not considered deliverables at the inception of the arrangement and the associated opt-in payments are not included in allocable arrangement consideration. The Company identified the initial arrangement consideration to be approximately $156.7 million, comprised of the $155.0 million upfront cash payment and $1.7 million stock premium, and was recognized as deferred revenue and amortized to collaboration revenue on a straight-line basis over the estimated period of performance of 12 years. Due to the uncertain timeline associated with the deliverables at the outset of the Agreement, the Company initially determined it will use 12 years as the estimated period of performance, which is the maximum period under the Agreement for Celgene to exercise its options.

In November 2014 and December 2015, the Company received designation notices from Celgene relating to the rosmantuzumab program and the anti-TIGIT program, respectively. Each designation triggered a $2.5 million payment due to the Company from Celgene under the collaboration agreement, and these payments were recognized as collaboration revenue in the period the Company received the designation notice from Celgene.

In December 2015, the Company achieved a safety milestone related to the demcizumab program. The milestone achievement was based on analysis of then-available data from the Company’s Phase Ib clinical trial of demcizumab and blinded interim safety data from the Phase II clinical trials of demcizumab. This milestone achievement triggered a $70.0 million payment which was considered a non-substantive milestone and, as such, was recorded as deferred revenue and amortized to collaboration revenue ratably over the Company’s estimated period of performance.

During the fourth quarter of 2017, following the discontinuation of further development of the demcizumab program in April 2017, the notification from Celgene on June 29, 2017 that it does not intend to exercise its option for demcizumab, and the expiration of Celgene’s right to designate up to two additional biological therapeutic programs targeting the RSPO-LGR signaling pathway or an undisclosed pathway for inclusion in the collaboration on December 2, 2017, the Company evaluated the development program status of the product candidates under the collaboration agreement with Celgene and determined that the clinical data it has obtained to date support a change in the estimated period of performance. As a result, the Company revised its estimate of the remaining period of performance to 2 years. The change in the estimated period of performance resulted in an increase in revenue of $15.5 million in 2017, an increase in short-term deferred revenue with a corresponding decrease in long-term deferred revenue of $62.2 million as of December 31, 2017 and decrease in net loss per common share, basic and diluted, of $0.41 per share for the year ended December 31, 2017. The Company will reevaluate the estimated performance period at each reporting period.

As of December 31, 2017, the Company was eligible to receive in its collaboration with Celgene up to approximately $97.8 million of contingent consideration if Celgene exercises its options for all of the navicixizumab program, the rosmantuzumab program, and the anti-TIGIT program. If Celgene successfully develops and commercializes all of navicixizumab, rosmantuzumab, and anti-TIGIT, the Company could receive additional contingent consideration of up to approximately $1.3 billion for the achievement of specified development, regulatory, and commercial milestones. As all contingent consideration is based solely on the performance of Celgene, the Company would recognize the contingent payments upon receipt immediately as collaboration revenue if the Company had no further performance obligations under the Agreement.

Bayer Strategic Alliance

On June 15, 2010, the Company entered into a Collaboration and Option Agreement with Bayer. The agreement sets forth an alliance to discover, develop and market novel biologic and small molecule therapeutics affecting targets within the Wnt signaling pathway. Effective June 16, 2017, Bayer terminated all biologic therapeutic programs under the collaboration.

The Company received an upfront payment of $40.0 million upon execution of the collaboration agreement in 2010 and a $5.0 million milestone payment in 2012 that was not considered substantive. The Company recognized the payments as deferred revenue, which was amortized to revenue on a ratable basis over the estimated period of performance through the second quarter of 2017.
Under the collaboration, the Company and Bayer agreed to jointly conduct research to discover potential new small molecule therapeutics targeting the Wnt pathway. Bayer may, within a specified time period, elect to advance such small molecule therapeutics into further development, and obtain an exclusive license to commercialize such therapeutics. Bayer leads discovery, development, and commercialization of such small molecule therapeutics.

The Company is eligible to receive up to $17.0 million in development milestone payments for each small molecule candidates. If Bayer successfully develops and commercializes small molecule candidates for more than one indication, the Company could receive contingent consideration payments for each small molecule candidate of up to $15.0 million for the achievement of regulatory events and up to $70.0 million upon the achievement of specified future product sales. As all contingent consideration is based solely on the performance of Bayer, the Company would recognize the contingent payments upon receipt immediately as collaboration revenue if the Company had no further performance obligations under the agreement with Bayer.

**GSK Strategic Alliance**

On December 7, 2007, the Company entered into a Collaboration and Option Agreement with GSK. The agreement was formed to discover, develop and market novel antibody therapeutics to target CSCs. The agreement gave GSK the option to obtain an exclusive license for certain product candidates targeting the Notch signaling pathway. Effective October 28, 2017, GSK terminated the agreement in its entirety.

In 2007, the Company received an initial payment of $35.0 million, with half in the form of an equity investment by GSK in the Company’s Series B-2 convertible preferred stock and the other half as an up-front cash payment which was initially recorded as deferred revenue. The 1,441,396 shares of Series B-2 convertible preferred stock sold by the Company to GSK were issued at a premium of $4.3 million above the estimated fair value of convertible preferred stock at the time of issuance. This premium was considered an additional up-front payment and was added to the $17.5 million deferred revenue and was amortized to revenue on a ratable basis over the estimated period of performance up to the first quarter of 2017.

The Company was eligible to earn milestone payments in connection with research and development activities, and contingent consideration in connection with further development, regulatory approval and commercialization activities. In addition, the Company was eligible to earn royalty payments on all future collaboration product sales, if any. As a result of GSK’s termination of the collaboration agreement, the Company is no longer eligible to receive any payments under the terminated agreement.

**10. Lonza Sales AG Agreement**

In August 2012, the Company entered into a multi-product license agreement with Lonza Sales AG (“Lonza”). This agreement relates to the process development and manufacturing of the Company’s biologics portfolio with Lonza. Under the multi-product license agreement, the Company receives licenses to utilize Lonza’s glutamine synthetase gene expression system and related technologies for commercial production of the Company’s product candidates. Under this license agreement, the Company paid an upfront payment of $488,000 which was recorded to research and development expense during 2012 and is obligated to pay Lonza certain payments up to £200,000 (approximately $270,000) per licensed product on achievement of specified milestones, and royalties up to the very low single digits on sales of its licensed products. There has been no further payment made by the Company to Lonza pursuant to the license agreement for the years ended December 31, 2017, 2016 and 2015.

The multi-product license agreement shall remain in force on a product by product and country by country basis until expiration of the Company’s obligation to make payments to Lonza with respect to such product in such country. The agreement can otherwise be terminated by the Company for any reason or no reason upon advance written notice to Lonza, or by either the Company or Lonza upon the other party’s material breach of the agreement, or if the other party ceases to carry on business. Lonza may also terminate the licenses granted under the agreement if the Company challenges any of the Lonza patent rights.
11. Stockholder’s Equity

Stock Incentive Plans

2004 Plan

The Company granted options under its 2004 Stock Incentive Plan (the “2004 Plan”) until July 2013 when it was terminated as to future awards, although it continues to govern the terms of options that remain outstanding under the 2004 Plan. The 2004 Plan provided for the award of restricted shares, grants of incentive and nonstatutory stock options, and sales of shares of the Company’s common stock. Awards can be made to employees, outside directors, and consultants of the Company. Stock options granted generally vest over a period of five years from the date of grant, with 20% of the total grant vesting on the first anniversary of the option vesting commencement date and 1/48 of the remaining grant vesting each month thereafter. Restricted stock issuances and early exercise of stock options were subject to the Company’s right of repurchase at the original issuance price, which right lapses over the vesting period of the stock. In connection with the Board of Directors’ and stockholders’ approval of the 2013 Plan, all remaining shares available for future award under the 2004 Plan were transferred to 2013 Plan, and the 2004 Plan was terminated as to future awards.

2013 Plan

In July 2013, the Company’s Board of Directors and stockholders approved the 2013 Equity Incentive Award Plan (the “2013 Plan”). Under the 2013 Plan, the Company initially reserved 500,000 shares of common stock for issuance as of its effective date of July 17, 2013, plus 90,125 shares which were then available for issuance under the Company’s 2004 Plan. The number of shares reserved for issuance under the 2013 Plan will increase by the number of shares represented by awards outstanding under the 2004 Plan that are forfeited or lapse unexercised and which following July 17, 2013 are not issued under the 2004 Plan. Additionally, on the first day of each calendar year, beginning in 2014 and ending in 2023, the number of shares in the reserve will increase by the least of 1,500,000 shares, 4% of the shares of the Company’s common stock outstanding (on an as-converted basis) on the last day of the immediately preceding fiscal year or such smaller number of shares of stock as determined by the Company’s Board of Directors. The 2013 Plan authorizes discretionary grants of incentive stock options, nonqualified stock options, restricted stock, restricted stock units, performance awards, dividend equivalents, stock payments, deferred stock, deferred stock units, and stock appreciation rights to employees and consultants of the Company, or any of its qualifying affiliates, and to members of the Board of Directors. The exercise price per share subject to each option shall not be less than 100% of the fair value of the common stock on the date of grant. In addition, in the case of incentive stock options granted to a greater than 10% stockholder, such price shall not be less than 110% of the fair value on the date the option is granted. The term of the options shall not be more than 10 years from the grant date, or 5 years from the date an incentive stock option is granted to a greater than 10% stockholder. Stock options granted generally vest over a period of four years from the date of grant, with 25% of the total grant vesting on the first anniversary of the option vesting commencement date and 1/48th of the original grant vesting each month thereafter for stock options granted upon hiring, and with 1/48th of the total grant vesting each month after the option vesting commencement date for any stock options granted after the hiring date.

As of December 31, 2017, a total of 5,823,879 shares of common stock have been authorized under the 2013 Plan. As of December 31, 2017, a total of 4,892,862 shares are subject to options and restricted stock units (“RSUs”) outstanding under the 2013 Plan. There are 1,203,813 shares subject to options outstanding under the 2004 Plan as of December 31, 2017, which will become available for issuance under the 2013 Plan to the extent the options are forfeited or lapse unexercised without issuance of such shares under the 2004 Plan. On January 1, 2018, an additional 1,500,000 shares of the Company’s common stock became available for future issuance as a result of the annual increase provision in the 2013 Plan.
**Shares Reserved for Future Issuances**

The following table summarizes the Company’s common stock reserved for future issuance (in thousands):

<table>
<thead>
<tr>
<th>Shares Reserved for Future Issuances</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding stock options and RSUs</td>
<td>6,097</td>
</tr>
<tr>
<td>Reserved for future equity award grants</td>
<td>606</td>
</tr>
<tr>
<td>Reserved for future ESPP issuances</td>
<td>1,206</td>
</tr>
<tr>
<td>Total common stock reserved for future issuances</td>
<td>7,909</td>
</tr>
</tbody>
</table>

**Stock Options**

The following table summarizes the stock option activity for the year ended December 31, 2017 (in thousands, except exercise prices and contractual life):

<table>
<thead>
<tr>
<th>Stock Option Outstanding</th>
<th>Number of shares</th>
<th>Weighted Average Exercise Price per Share</th>
<th>Weighted Average Remaining Contractual Life</th>
<th>Aggregate Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at December 31, 2016</td>
<td>4,324</td>
<td>$13.95</td>
<td>5.6</td>
<td>$6,302</td>
</tr>
<tr>
<td>Granted</td>
<td>2,376</td>
<td>5.44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(411)</td>
<td>4.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forfeited</td>
<td>(1,072)</td>
<td>14.70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances at December 31, 2017</td>
<td>5,217</td>
<td>$10.70</td>
<td>5.6</td>
<td>$913</td>
</tr>
<tr>
<td>Options vested and expected to vest— December 31, 2017</td>
<td>5,217</td>
<td>$10.70</td>
<td>5.6</td>
<td>$913</td>
</tr>
<tr>
<td>Options exercisable— December 31, 2017</td>
<td>2,943</td>
<td>$12.25</td>
<td>4.1</td>
<td>$603</td>
</tr>
</tbody>
</table>

The total fair value of options vested were $7.1 million, $9.2 million and $6.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. The aggregate intrinsic value of options exercised were $1.4 million, $0.8 million and $4.2 million for the years ended December 31, 2017, 2016, and 2015, respectively. The aggregate intrinsic value of stock options outstanding was $0.9 million as of December 31, 2017, which represents the value of the Company’s closing stock price as of December 31, 2017 in excess of the weighted-average exercise price multiplied by the number of options outstanding.

The weighted-average grant date estimated fair value of all options granted were $3.66, $8.23 and $12.99 per share during the years ended December 31, 2017, 2016 and 2015, respectively.
Restricted Stock Units

The following table summarizes the RSU activity for the year ended December 31, 2017 (in thousands, except grant date fair value and contractual life):

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
<th>Weighted Average Grant Date Fair Value per Share</th>
<th>Weighted Average Remaining Contractual Life</th>
<th>Aggregate Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at December 31, 2016</td>
<td>576</td>
<td>$17.66</td>
<td>1.5</td>
<td>$4,439</td>
</tr>
<tr>
<td>Awarded</td>
<td>831</td>
<td>3.96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Released</td>
<td>(242)</td>
<td>26.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forfeited</td>
<td>(285)</td>
<td>8.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances at December 31, 2017</td>
<td>880</td>
<td>$5.33</td>
<td>1.3</td>
<td>$3,606</td>
</tr>
</tbody>
</table>

The total fair value of RSUs vested was $6.4 million and $2.2 million for the years ended December 31, 2017 and 2016, respectively. There were no RSUs vested in 2015. The aggregate intrinsic value of the non-vested RSUs was $3.6 million as of December 31, 2017.

Employee Stock Purchase Plan

The Company’s Employee Stock Purchase Plan (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 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 day of the offering period.

As of December 31, 2017, a total of 1,543,620 shares of common stock have been authorized and 1,205,870 shares of common stock are available for future issuance under the Company’s ESPP. On January 1, 2018, an additional 350,000 shares of the Company’s common stock became available for future issuance as a result of the annual increase provision in the ESPP plan.

During the years ended December 31, 2017, 2016 and 2015, employees purchased an aggregate of 88,982 shares, 111,633 shares and 71,226 shares under the Company’s ESPP, respectively, at a weighted-average price per share of $7.16, $8.21 and $16.58, respectively. During the years ended December 31, 2017, 2016 and 2015, the weighted-average fair value per share granted under the Company’s ESPP were $3.39, $5.06 and $7.00, respectively.

Stock-Based Compensation

Employee stock-based compensation expense was calculated based on awards expected to vest and has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Stock-based compensation expense recognized was as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Research and development</td>
<td>$4,886</td>
</tr>
<tr>
<td>General and administrative</td>
<td>4,522</td>
</tr>
<tr>
<td>Restructuring charges</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>$9,414</td>
</tr>
</tbody>
</table>
As of December 31, 2017, the Company had $11.2 million, $3.5 million and $21,000 of unrecognized compensation expense related to unvested stock options, RSUs and ESPP, respectively, which are expected to be recognized over an estimated weighted-average period of 2.8 years, 1.9 years and 0.2 years, respectively.

**Fair Value Disclosures**

The fair value of stock options granted and purchases under the Company’s ESPP is estimated using the Black-Scholes option pricing model.

The fair value of stock options granted was estimated as of the grant date using the following assumptions:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Weighted-average volatility</td>
<td>75.8%</td>
<td>71.9%</td>
<td>62.6%</td>
</tr>
<tr>
<td>Weighted-average expected term (years)</td>
<td>6.2</td>
<td>5.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.2%</td>
<td>1.5%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

The fair value of stock purchase rights granted under the Company’s ESPP was estimated using the following assumptions:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Weighted-average volatility</td>
<td>54.0%–93.7%</td>
<td>45.4%–104.5%</td>
<td>51.1%–72.5%</td>
</tr>
<tr>
<td>Weighted-average expected term (years)</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>0.47%–1.10%</td>
<td>0.26%–0.50%</td>
<td>0.05%–0.08%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

**Volatility**

Since the Company has limited information on the volatility of its common stock due to no significant trading history, the expected stock price volatility was calculated based on a blend of the historical volatilities of the Company’s own stock and of the common stock of comparable publicly traded biopharmaceutical companies over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their similar size, stage in the life cycle, and financial leverage to the Company.

**Expected Term**

The Company has very limited historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior for its stock-option grants. As such, the expected term was estimated using the simplified method.

**Risk-Free Rate**

The risk-free interest rate assumption is based on the zero-coupon U.S. Treasury instruments on the date of grant with a maturity date consistent with the expected term of the Company’s stock option grants.

**Expected Dividend Yield**

To date, the Company has not declared or paid any cash dividends and does not have any plans to do so in the future. Therefore, the Company used an expected dividend yield of zero.
**Common Stock Issuance under At-the-Market Agreement**

Pursuant to a sales agreement (the “ATM Agreement”) with Cantor Fitzgerald & Co. (“Cantor Fitzgerald”), the Company may issue and sell up to $50.0 million of its common stock in one or more at-the-market offerings, under its shelf registration statement on Form S-3 filed on June 12, 2015. Under the ATM Agreement, the Company agreed to pay Cantor Fitzgerald a commission of 3.0% of the aggregate gross proceeds from each sale of its shares thereunder.

For the years ended December 31, 2017 and 2016, the Company sold 355,821 and 388,166 shares, respectively, under the ATM Agreement at a weighted average price per share of $4.93 and $12.59, respectively. For the years ended December 31, 2017 and 2016, the Company received net proceeds of $1.7 million and $4.7 million, net of offering costs, respectively.

**Public Offering of Common Stock**

On August 23, 2016, the Company closed the sale of an aggregate of 6,325,000 shares of its common stock, at a public offering price of $10.00 per share. The shares were issued pursuant to a prospectus supplement filed with the SEC on August 17, 2016, and related prospectus, pursuant to the Company’s shelf registration statement on Form S-3 filed on June 12, 2015. The Company received net offering proceeds of approximately $59.2 million, net of underwriting discounts and commissions and offering costs.

**12. Restructuring Charges**

On April 24, 2017, the Company’s Board of Directors approved a restructuring plan to reduce operating costs and better align its workforce with the needs of its business following the Company’s announcements that its Phase II “YOSEMITE” clinical trial of demcizumab did not meet its primary endpoint and would be discontinued, its Phase II “PINNACLE” clinical trial of tarextumab did not meet its endpoints, its partner Bayer had decided not to exercise its option to license vantictumab and ipafricept, and enrollment would be discontinued in the Phase Ib clinical trial of brontictuzumab. Under the restructuring plan the Company is reducing its workforce by 60 employees (or 48%) to 64 employees, based on the number of employees employed by the Company as of April 24, 2017. As of December 31, 2017, 59 of the affected employees had been terminated, and the remaining one employee will be terminated by August 31, 2018. As a result, the Company incurred $2.5 million in restructuring charges consisting of one-time severance payments and other employee related costs, and other charges during the year ended December 31, 2017, of which a majority was paid out in cash during the second quarter of 2017. Restructuring charges are included in operating expense in the statement of operations. The restructuring reserve of $37,000 is included in accrued liabilities on the balance sheet as of December 31, 2017, and is expected to be fully paid by the third quarter of 2018.

**13. Income Taxes**

For the year ended December 31, 2017, the Company recorded an income tax benefit of $1.1 million due to an Alternative Minimum Tax (“AMT”) refundable credit as a result of the Tax Cuts and Jobs Act (“Tax Act”), enacted on December 22, 2017. For the years ended December 31, 2016 and 2015, the Company recorded an income tax provision of $14,000 and $20,000, respectively, due to interest on uncertain tax positions.

Loss before income taxes for the years ended December 31, 2017, 2016 and 2015 was from the United States.
The components of the income tax provision (benefit) are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$(1,084)</td>
<td>$13</td>
<td>$19</td>
</tr>
<tr>
<td>State</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>$(1,083)</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td><strong>Deferred:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>State</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Income tax provision (benefit)</strong></td>
<td>$ (1,083)</td>
<td>$14</td>
<td>$20</td>
</tr>
</tbody>
</table>

The reconciliation of the statutory federal income tax rate to the Company’s effective tax rate is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax at statutory federal rate</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>State tax—net of federal benefit</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>Tax credits</td>
<td>12%</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Stock compensation</td>
<td>(7)%</td>
<td>(2)%</td>
<td>(1)%</td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>90%</td>
<td>(42)%</td>
<td>(46)%</td>
</tr>
<tr>
<td>Impact of corporate rate change on deferred taxes</td>
<td>(129)%</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>1%</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Income tax (provision) benefit</strong></td>
<td>3%</td>
<td>—%</td>
<td>—%</td>
</tr>
</tbody>
</table>

Net deferred tax assets as of December 31, 2017 and 2016 consist of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating loss carryforwards</td>
<td>$54,931</td>
<td>$58,760</td>
</tr>
<tr>
<td>Accruals</td>
<td>643</td>
<td>3,520</td>
</tr>
<tr>
<td>Tax credit carryovers</td>
<td>63,406</td>
<td>53,047</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>30,259</td>
<td>63,006</td>
</tr>
<tr>
<td>Gross deferred tax assets</td>
<td>152,882</td>
<td>185,001</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(152,882)</td>
<td>(185,001)</td>
</tr>
<tr>
<td><strong>Net deferred tax assets</strong></td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

The valuation allowance decreased by $32.1 million and increased by $42.9 million for the year ended December 31, 2017 and 2016, respectively. The tax benefit of deductible temporary differences or carryforwards is recorded as a deferred tax asset to the extent that management assesses the realization is “more likely than not.” Future realization of the tax benefit ultimately depends on the existence of sufficient taxable income within the period available under the tax law. At December 31, 2017 and 2016, the Company has set up valuation allowances against all federal and state deferred tax assets because based on all available evidence, these deferred tax assets are not more likely than not to be realizable.

On December 22, 2017, the 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
partially territorial system, and the repeal of corporate AMT. The Company has calculated its best estimate of the impact of the Tax Act in accordance with its understanding of the Tax Act and guidance available as of the date of this filing. As a result, the Company recorded $1.1 million as income tax benefit in the fourth quarter of 2017, the period in which the legislation was enacted. The tax rate decrease resulted in a reduction of $51.7 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 the Company’s deferred tax assets, net of deferred tax liabilities, are subject to a full valuation allowance.

On December 22, 2017, Staff Accounting Bulletin No. 118 (“SAB 118”) was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. In accordance with SAB 118, the Company has determined that the adjustment to deferred taxes was a provisional amount and a reasonable estimate at December 31, 2017. The Company does not expect any impact on recorded deferred tax balances as the remeasurement of net deferred tax assets will be offset by a change in valuation allowance. The Company is analyzing certain aspects of the Tax Act which could potentially affect the remeasurement of the net deferred tax assets.

At December 31, 2017, the Company had federal and state net operating loss carryforwards aggregating approximately $229.3 million and $97.0 million, respectively. These federal and California net operating loss carryforwards will begin to expire in 2023 and 2018, respectively, if not utilized. At December 31, 2017, the Company also had federal and California research and development credit carryforwards aggregating approximately $23.3 million and $18.8 million, respectively. The federal credits will expire in 2025, if not utilized. California research and development credits have no expiration date. At December 31, 2017, the Company also had federal orphan drug credit and AMT carryforwards of approximately $39.3 million and $1.5 million, respectively. The federal orphan drug credits will begin to expire in 2034, if not utilized.

As part of the Tax Act, the corporate AMT was repealed. AMT credit is fully refundable by 2022. The company has a receivable of approximately $1.1 million for the expected refund.

Utilization of the net operating loss and tax credits carryforwards may be limited by “ownership change” rules, as defined in Section 382 of the Internal Revenue Code of 1986, as amended, and similar state provisions. This annual limitation may result in the expiration of the net operating losses and credits before utilization. The Company has performed an analysis to determine whether an “ownership change” has occurred from inception to December 31, 2017. Based on this analysis, management has determined that $0.7 million in federal and $0.7 million in California net operating losses generated during that period will expire without being used.

The Company recognizes the financial statements effects of a tax position when it is more likely than not, based on technical merits, that the position will be sustained upon examination.

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>$14,260</td>
</tr>
<tr>
<td>Increase related to current year tax provision</td>
<td>2,398</td>
</tr>
<tr>
<td>Increase related to prior year tax provision</td>
<td>—</td>
</tr>
<tr>
<td>Decrease related to prior year tax provision</td>
<td>—</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>$16,658</td>
</tr>
</tbody>
</table>

The unrecognized tax benefits, if recognized and in absence of full valuation allowance, would impact the income tax provision by $15.9 million and $13.1 million as of December 31, 2017 and 2016, respectively. As of December 31, 2017, the Company does not believe that it is reasonably possible that its unrecognized tax benefits would significantly change in the following 12 months.
The Company has elected to include interest and penalties as a component of tax expense. The Company accrued approximately $15,000 and $14,000 of interest and penalties during 2017 and 2016, respectively. As of December 31, 2017 and 2016, the Company had recognized a liability for interest and penalties of approximately $86,000 and $71,000, respectively.

The Company files federal and state income tax returns in the U.S. and California. Tax years from 2004 forward remain open to examination due to the carryover of net operating losses and other tax attributes.

14. Net Loss per Common Share

The following outstanding common stock equivalents were excluded from the computation of diluted net loss per common share for the periods presented because including them would have been antidilutive (in thousands):

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options to purchase common stock</td>
<td>5,217</td>
<td>4,325</td>
<td>4,408</td>
</tr>
<tr>
<td>RSUs</td>
<td>880</td>
<td>576</td>
<td>286</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,097</strong></td>
<td><strong>4,901</strong></td>
<td><strong>4,694</strong></td>
</tr>
</tbody>
</table>

15. Selected Quarterly Financial Data (Unaudited)

Selected quarterly results from operations for the years ended December 31, 2017 and 2016 are as follows (in thousands, except per share amounts):

<table>
<thead>
<tr>
<th>2017 Quarter Ended</th>
<th>March 31</th>
<th>June 30</th>
<th>September 30</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$ 6,213</td>
<td>$ 6,195</td>
<td>$ 5,106</td>
<td>$ 20,640</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>28,971</td>
<td>21,630</td>
<td>16,131</td>
<td>12,395</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(22,608)</td>
<td>(15,225)</td>
<td>(10,692)</td>
<td>9,463</td>
</tr>
<tr>
<td>Basic and diluted net income (loss) per common share</td>
<td>(0.61)</td>
<td>(0.40)</td>
<td>(0.28)</td>
<td>0.25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2016 Quarter Ended</th>
<th>March 31</th>
<th>June 30</th>
<th>September 30</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$ 6,350</td>
<td>$ 6,665</td>
<td>$ 5,919</td>
<td>$ 6,219</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>33,597</td>
<td>34,481</td>
<td>31,854</td>
<td>28,608</td>
</tr>
<tr>
<td>Net loss</td>
<td>(27,213)</td>
<td>(27,691)</td>
<td>(25,864)</td>
<td>(22,334)</td>
</tr>
<tr>
<td>Basic and diluted net loss per common share</td>
<td>(0.90)</td>
<td>(0.91)</td>
<td>(0.77)</td>
<td>(0.60)</td>
</tr>
</tbody>
</table>
Item 9.  Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A.  Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our principal executive and financial officers, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2017. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company 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 a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2017, our principal executive and financial officers, concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and financial officers 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 and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our principal executive and financial officers, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in “Internal Control—Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm due to an exemption established by the JOBS Act for “emerging growth companies.”
Item 9B. Other Information

On February 26, 2018, our board of directors approved the appointment of Perry Karsen, at that time the chairman of our board of directors, as Executive Chairman, effective January 3, 2018. In addition to his existing compensation under our non-employee director compensation policy, as Executive Chairman Mr. Karsen will receive a monthly retainer of $25,000 (or $30,000 for any month in which Mr. Karsen provides more than 85 hours of service). In connection with this appointment, Mr. Karsen was granted an option to purchase 120,000 shares of our common stock at an exercise price of $2.29 per share and 48,000 restricted stock units (RSUs), in each case vesting monthly over six months from January 3, 2018, subject to Mr. Karsen’s continued service as Executive Chairman through each vesting date, as well as 22,000 RSUs, which were fully vested at grant.
PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item will be contained in our definitive proxy statement to be filed with the Securities and Exchange Commission on Schedule 14A in connection with our 2018 Annual Meeting of Stockholders (the “Proxy Statement”), which is expected to be filed not later than 120 days after the end of our fiscal year ended December 31, 2017, under the headings “Executive Officers,” “Election of Directors,” “Corporate Governance,” and “Section 16(a) Beneficial Ownership Reporting Compliance,” and is incorporated herein by reference.

We have adopted a Code of Business Conduct and Ethics that applies to our officers, directors and employees which is available on our website at www.oncomed.com. The Code of Business Conduct and Ethics is intended to qualify as a “code of ethics” within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and Item 406 of Regulation S-K. In addition, we intend to promptly disclose (1) the nature of any amendment to our Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions and (2) the nature of any waiver, including an implicit waiver, from a provision of our code of ethics that is granted to one of these specified officers, the name of such person who is granted the waiver and the date of the waiver on our website in the future.

Item 11. Executive Compensation

Information required by this item will be contained in the Proxy Statement under the headings “Executive Compensation” and “Director Compensation,” and is incorporated herein by reference.


Information required by this item will be contained in the Proxy Statement under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information,” and is incorporated herein by reference.

Item 13. Certain Relationships, Related Transactions and Director Independence

Information required by this item will be contained in the Proxy Statement under the headings “Certain Relationships and Related Party Transactions” and “Corporate Governance,” and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information required by this item will be contained in the Proxy Statement under the heading “Principal Accountant Fees and Services,” and is incorporated herein by reference.
**Item 15. Exhibits and Financial Statement Schedules**

The following documents are filed as part of this report:

1. Financial Statements

   See Index to Financial Statements at Item 8 herein.

2. Financial Statement Schedules

   All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Exhibit Description</th>
<th>Incorporated by Reference</th>
<th>Filed Herewith</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Amended and Restated Certificate of Incorporation</td>
<td>S-1/A 07/03/2013</td>
<td>3.1</td>
</tr>
<tr>
<td>3.2</td>
<td>Amended and Restated Bylaws</td>
<td>8-K 07/23/2013</td>
<td>3.2</td>
</tr>
<tr>
<td>4.1</td>
<td>Form of Common Stock Certificate</td>
<td>8-K 07/23/2013</td>
<td>4.1</td>
</tr>
<tr>
<td>4.2(A)</td>
<td>Amended and Restated Investor Rights Agreement, dated October 7, 2008, by and among the registrant and certain stockholders</td>
<td>S-1 05/11/2012</td>
<td>4.4(A)</td>
</tr>
<tr>
<td>4.2(B)</td>
<td>Amendment and Consent, dated September 16, 2010, by and among the registrant and certain stockholders</td>
<td>S-1 05/11/2012</td>
<td>4.4(B)</td>
</tr>
<tr>
<td>4.3</td>
<td>Registration Rights Agreement, dated as of December 2, 2013, by and between the registrant and Celgene Corporation</td>
<td>8-K 12/03/2013</td>
<td>4.1</td>
</tr>
<tr>
<td>10.1(A)†</td>
<td>Collaboration and Option Agreement, dated June 15, 2010, by and between the registrant and Bayer Schering Pharma AG</td>
<td>S-1/A 07/05/2012</td>
<td>10.2</td>
</tr>
<tr>
<td>10.1(B)†</td>
<td>Amendment 1 to the Collaboration and Option Agreement, dated August 1, 2012, by and between the registrant and Bayer Schering Pharma AG</td>
<td>S-1/A 10/25/2012</td>
<td>10.2(B)</td>
</tr>
<tr>
<td>10.1(C)†</td>
<td>Amendment 2 to the Collaboration and Option Agreement, dated August 27, 2013, by and between the registrant and Bayer Schering Pharma AG</td>
<td>10-Q 11/13/2013</td>
<td>10.9</td>
</tr>
<tr>
<td>10.1(D)</td>
<td>Amendment 3 to the Collaboration and Option Agreement, dated November 4, 2015, by and between the registrant and Bayer Pharma AG</td>
<td>10-K 03/10/2016</td>
<td>10.2(D)</td>
</tr>
<tr>
<td>10.1(E)†</td>
<td>Amendment 4 to the Collaboration and Option Agreement, dated July 21, 2016, by and between the registrant and Bayer Pharma AG</td>
<td>10-Q 11/01/2016</td>
<td>10.1</td>
</tr>
<tr>
<td>10.1(F)*</td>
<td>Amendment 5 to the Collaboration and Option Agreement, dated December 15, 2016, by and between the registrant and Bayer Pharma AG</td>
<td>10-K 03/09/2017</td>
<td>10.2(F)</td>
</tr>
</tbody>
</table>


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<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Exhibit Description</th>
<th>Form</th>
<th>Date</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.2(A)†</td>
<td>License Agreement, dated January 5, 2001, by and between the registrant (as successor in interest to Cancer Stem Cell Genomics, Inc.) and the Regents of the University of Michigan</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.4(A)</td>
</tr>
<tr>
<td>10.2(B)†</td>
<td>Amendment Number 1 to License Agreement, dated July 21, 2004, by and between the registrant (as successor in interest to Cancer Stem Cell Genomics, Inc.) and the Regents of the University of Michigan</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.4(B)</td>
</tr>
<tr>
<td>10.2(C)†</td>
<td>Amendment Number 2 to License Agreement, dated August 13, 2004, by and between the registrant and the Regents of the University of Michigan</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.4(C)</td>
</tr>
<tr>
<td>10.2(D)</td>
<td>Amendment No. 3 to License Agreement, dated March 31, 2005, by and between the registrant and the Regents of the University of Michigan</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.4(D)</td>
</tr>
<tr>
<td>10.2(E)</td>
<td>Amendment No. 4 to License Agreement, dated December 12, 2005, by and between the registrant and the Regents of the University of Michigan</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.4(E)</td>
</tr>
<tr>
<td>10.2(F)†</td>
<td>Amendment No. 5 to License Agreement, dated March 12, 2007, by and between the registrant and the Regents of the University of Michigan</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.4(F)</td>
</tr>
<tr>
<td>10.2(G)</td>
<td>Amendment No. 6 to License Agreement, dated October 6, 2008, by and between the registrant and the Regents of the University of Michigan</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.4(G)</td>
</tr>
<tr>
<td>10.2(H)</td>
<td>Letter, dated September 4, 2008, from the University of Michigan to the registrant regarding the License Agreement</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.4(H)</td>
</tr>
<tr>
<td>10.2(I)†</td>
<td>Memorandum of Understanding, dated May 8, 2009, by and between the registrant and the Regents of the University of Michigan</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.4(I)</td>
</tr>
<tr>
<td>10.3(A)</td>
<td>Lease, dated May 30, 2006, by and between the registrant and Slough Redwood City, LLC</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.5(A)</td>
</tr>
<tr>
<td>10.3(B)</td>
<td>First Amendment to Lease, dated November __, 2006, by and between the registrant and Slough Redwood City, LLC</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.5(B)</td>
</tr>
<tr>
<td>10.3(C)</td>
<td>Second Amendment to Office Lease, dated December 22, 2010, by and between the registrant and HCP LS Redwood City, LLC</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.5(C)</td>
</tr>
<tr>
<td>10.3(D)</td>
<td>Third Amendment to Lease, dated November 11, 2016, by and between the registrant and HCP LS Redwood City, LLC</td>
<td>10-K</td>
<td>03/09/2017</td>
<td>10.5(D)</td>
</tr>
<tr>
<td>10.4(A)#</td>
<td>2004 Stock Incentive Plan, as amended</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.6(A)</td>
</tr>
<tr>
<td>10.4(B)#</td>
<td>Form of Stock Option Agreement under 2004 Stock Incentive Plan</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.6(B)</td>
</tr>
<tr>
<td>Exhibit Number</td>
<td>Exhibit Description</td>
<td>Form</td>
<td>Date</td>
<td>Number</td>
</tr>
<tr>
<td>---------------</td>
<td>------------------------------------------------------------------------------------</td>
<td>----------</td>
<td>------------</td>
<td>--------</td>
</tr>
<tr>
<td>10.5(A)#</td>
<td>2013 Equity Incentive Award Plan</td>
<td>S-1/A</td>
<td>07/08/2013</td>
<td>10.7</td>
</tr>
<tr>
<td>10.5(B)#</td>
<td>Form of Stock Option Agreement under 2013 Equity Incentive Award Plan</td>
<td>S-1/A</td>
<td>07/03/2013</td>
<td>10.7(B)</td>
</tr>
<tr>
<td>10.5(C)#</td>
<td>Form of Restricted Stock Unit Award Agreement under the OncoMed Pharmaceuticals, Inc. 2013 Equity Incentive Award Plan</td>
<td>S-8</td>
<td>03/28/2014</td>
<td>10.3</td>
</tr>
<tr>
<td>10.6#</td>
<td>Employee Stock Purchase Plan</td>
<td>S-1/A</td>
<td>07/03/2013</td>
<td>10.8</td>
</tr>
<tr>
<td>10.7#</td>
<td>Offer Letter, dated November 12, 2005, by and between the registrant and Paul Hastings</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.9</td>
</tr>
<tr>
<td>10.7(B)#</td>
<td>Amendment to Employment Agreement, dated July 2, 2013, by and between the registrant and Paul Hastings</td>
<td>S-1/A</td>
<td>07/03/2013</td>
<td>10.9(B)</td>
</tr>
<tr>
<td>10.7(C)#</td>
<td>Letter Agreement re: Change in Control and Severance Agreement, dated October 12, 2015, by and between the registrant and Paul Hastings</td>
<td>10-K</td>
<td>03/10/2016</td>
<td>10.9(C)</td>
</tr>
<tr>
<td>10.7(D)#</td>
<td>Letter Agreement re: Your Resignation of Employment and Board Positions, dated January 1, 2018, by and between the registrant and Paul Hastings</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.8#</td>
<td>Offer Letter, dated May 27, 2004, by and between the registrant (as successor in interest to Cancer Stem Cell Genomics, Inc.) and John A. Lewicki</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.10</td>
</tr>
<tr>
<td>10.9#</td>
<td>Offer Letter, dated June 18, 2009, by and between the registrant and Sunil Patel</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.12</td>
</tr>
<tr>
<td>10.10#</td>
<td>Offer Letter, dated September 27, 2004, by and between the registrant and Austin Gurney</td>
<td>S-1</td>
<td>05/11/2012</td>
<td>10.14</td>
</tr>
<tr>
<td>10.11#</td>
<td>Form of Indemnity Agreement for directors and officers</td>
<td>S-1/A</td>
<td>07/03/2012</td>
<td>10.16</td>
</tr>
<tr>
<td>10.12#</td>
<td>Amended and Restated Form of Change in Control and Severance Agreement for officers</td>
<td>10-K</td>
<td>03/10/2016</td>
<td>10.16</td>
</tr>
<tr>
<td>10.13#</td>
<td>Form of Retention Bonus Agreement for officers</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.14#</td>
<td>Offer Letter, dated April 24, 2008, by and between the registrant and Alicia J. Hager</td>
<td>S-1/A</td>
<td>06/15/2012</td>
<td>10.19</td>
</tr>
<tr>
<td>10.15(A)†</td>
<td>Multi-Product License Agreement, dated August 22, 2012, by and between the registrant and Lonza Sales AG</td>
<td>S-1/A</td>
<td>10/25/2012</td>
<td>10.21</td>
</tr>
<tr>
<td>10.15(B)†</td>
<td>Amendment No. 1 to the Multi-Product License Agreement, dated January 22, 2014, by and between the registrant and Lonza Sales AG</td>
<td>10-K</td>
<td>03/12/2015</td>
<td>10.20(B)</td>
</tr>
<tr>
<td>10.15(C)†</td>
<td>Amendment No. 2 to the Multi-Product License Agreement, dated July 23, 2015, by and between the Registrant and Lonza Sales AG</td>
<td>10-Q</td>
<td>11/05/2015</td>
<td>10.1</td>
</tr>
<tr>
<td>10.16</td>
<td>Non-Employee Director Compensation Policy, adopted August 28, 2013, as amended October 14, 2013, February 28, 2014 and June 24, 2015</td>
<td>10-Q</td>
<td>08/10/2015</td>
<td>10.1</td>
</tr>
<tr>
<td>Exhibit Number</td>
<td>Exhibit Description</td>
<td>Form</td>
<td>Date</td>
<td>Number</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>------</td>
<td>--------------</td>
<td>--------</td>
</tr>
<tr>
<td>10.17†</td>
<td>Master Research and Collaboration Agreement, by and between the registrant and Celgene Corporation</td>
<td>10-K</td>
<td>03/18/2014</td>
<td>10.23</td>
</tr>
<tr>
<td>10.18</td>
<td>Securities Purchase Agreement, dated as of December 2, 2013, by and between the registrant and Celgene Corporation</td>
<td>8-K</td>
<td>12/03/2013</td>
<td>10.1</td>
</tr>
<tr>
<td>23.1</td>
<td>Consent of Independent Registered Public Accounting Firm</td>
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<td></td>
<td>X</td>
</tr>
<tr>
<td>24.1</td>
<td>Power of Attorney (included on signature page to this Annual Report on Form 10-K)</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>31.1</td>
<td>Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>32.1**</td>
<td>Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>101.INS</td>
<td>XBRL Instance Document</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>101.SCH</td>
<td>XBRL Taxonomy Extension Schema Document</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>101.CAL</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>101.DEF</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>101.LAB</td>
<td>XBRL Taxonomy Extension Labels Linkbase Document</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>101.PRE</td>
<td>XBRL Taxonomy Extension Presentation Linkbase</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

† 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.

* Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment and this exhibit has been filed separately with the Securities and Exchange Commission.

** 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 OncoMed Pharmaceuticals, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.

**ITEM 16. FORM 10-K SUMMARY**

None.

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SIGNATURES

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

ONCOMED PHARMACEUTICALS, INC.

By: /s/ John Lewicki
John Lewicki, Ph.D.
President
(principal executive officer)

Date: March 8, 2018

POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints John Lewicki and Yvonne Li, and each of them, with full power of substitution and resubstitution and full power to act without the other, 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 attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their 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.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ John Lewicki</td>
<td>President</td>
<td>March 8, 2018</td>
</tr>
<tr>
<td>John Lewicki, Ph.D.</td>
<td>(principal executive officer)</td>
<td></td>
</tr>
<tr>
<td>/s/ Sunil Patel</td>
<td>Executive Vice President and Chief Financial Officer</td>
<td>March 8, 2018</td>
</tr>
<tr>
<td>Sunil Patel</td>
<td>(principal financial and accounting officer)</td>
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</tr>
<tr>
<td>/s/Perry Karsen</td>
<td>Executive Chairman</td>
<td>March 8, 2018</td>
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<tr>
<td>Perry Karsen</td>
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<tr>
<td>/s/ Jack W. Lasersohn</td>
<td>Director</td>
<td>March 8, 2018</td>
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<tr>
<td>Jack W. Lasersohn, J.D.</td>
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<tr>
<td>/s/ Laurence Lasky</td>
<td>Director</td>
<td>March 8, 2018</td>
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<tr>
<td>Laurence Lasky, Ph.D.</td>
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<tr>
<td>/s/ Deepa R. Pakianathan</td>
<td>Director</td>
<td>March 8, 2018</td>
</tr>
<tr>
<td>Deepa R. Pakianathan, Ph.D.</td>
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<tr>
<td>/s/ Denise Scots-Knight</td>
<td>Director</td>
<td>March 8, 2018</td>
</tr>
<tr>
<td>Denise Scots-Knight, Ph.D.</td>
<td></td>
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<tr>
<td>/s/ Jonathan D. Root</td>
<td>Director</td>
<td>March 8, 2018</td>
</tr>
<tr>
<td>Jonathan D. Root, M.D.</td>
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<tr>
<td>/s/ Rick E Winningham</td>
<td>Director</td>
<td>March 8, 2018</td>
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<tr>
<td>Rick E Winningham</td>
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<tr>
<td>/s/ Michael S. Wyzga</td>
<td>Director</td>
<td>March 8, 2018</td>
</tr>
<tr>
<td>Michael S. Wyzga</td>
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<td></td>
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</tbody>
</table>
January 1, 2018

Paul J. Hastings
## ######## ##
### #########, ## #####

Re:  Your Resignation of Employment and Board Positions

Dear Paul:

This letter agreement (this “Agreement”) confirms our recent discussions about your employment as Chairman, President and CEO of OncoMed Pharmaceuticals, Inc. (the “Company”).

As you know, you and the Company entered into an offer letter dated November 12, 2005, as amended July 2, 2013 (together, the “Employment Agreement”), a Change in Control and Severance Agreement dated October 12, 2015 (the “Severance Agreement”), and numerous stock option agreements and restricted stock unit agreements in conjunction with equity awards made to you (collectively, the “Equity Agreements”). As stated in the Employment Agreement and Severance Agreement, either you or the Company may elect to end your employment relationship at any time and for any reason. However, upon any Covered Termination (as defined in the Severance Agreement) outside the Change in Control (as defined in the Severance Agreement) context, you are entitled to compensation and benefits described in Section 3 of the Severance Agreement subject to you executing and not revoking this Agreement.

You have notified the Company’s Board of Directors that you wish to resign from your employment and related positions. The Company accepts your resignation, to be effective January 1, 2018 (the “Separation Date”). This letter serves as the Notice of Termination pursuant to the Severance Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, you and the Company agree as follows:

1. Effective Date of Agreement. This Agreement is entered into by and between Paul J. Hastings (“you” or “Executive”), and the Company, effective as of the eighth (8th) day following the date Executive signs this Agreement without revocation in accordance with Section 7(c)(iii) (the “Effective Date”).

2. Separation Date. Executive acknowledges and agrees that his status as an officer and employee of the Company and of any affiliates of the Company shall end effective as of the Separation Date. Executive further confirms his resignation as Chairman and a member of the Company’s Board and from all Board committees, effective as of the Separation Date. Executive hereby agrees to execute such further document(s) as shall be determined by the Company are necessary or desirable to give effect to the termination of Executive’s status as an officer and Chairman and member of the Company’s Board as of the Separation Date; provided, that such documents shall not be inconsistent with any of the terms of this Agreement.
3. **Final Paycheck; Payment of Accrued Wages, Expenses and 2017 Calendar Year Bonus.**

   (a) As soon as administratively practicable on or after the Separation Date, the Company will pay Executive all accrued but unpaid base salary and all accrued and unused vacation or paid time off earned through the Separation Date, subject to standard payroll deductions and tax withholdings.

   (b) The Company will reimburse Executive for all outstanding expenses incurred by Executive prior to the Separation Date that are consistent with the Company’s policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company’s requirements with respect to reporting and documenting such expenses.

   (c) Executive shall receive a 2017 calendar year bonus at 25% of corporate score, has been approved by the Board of Directors at 80%, or 20% of bonus target, reduced by tax withholdings. The 2017 bonus will be paid to Executive at the same time that 2017 calendar year bonuses are paid to other Company employees, but in no event later than March 15, 2018.

Executive is entitled to the payments of this Section 3 regardless whether Executive executes this Agreement.

4. **Separation Payments and Benefits.** Without admission of any liability, fact or claim, the Company hereby agrees, subject to this Agreement becoming effective and irrevocable within fifty (50) days of the Separation Date, to provide Executive the severance benefits set forth below. Specifically, the Company and Executive agree as follows:

   (a) **Severance.** The Company shall continue to pay to Executive his base salary as in effect as of the Separation Date for a period of twelve (12) months from the Separation Date (the “Salary Continuation Payments”). All Salary Continuation Payments shall be made in accordance with the Company’s regular payroll practices, and reduced by tax withholdings, with the first such payment to be made on the first normal payroll date following the Effective Date and to include any installments that would have been made had this Agreement been effective as of the Separation Date.

   (b) **Healthcare Continuation Coverage.** If Executive timely elects to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”), the Company shall directly pay the COBRA premiums for Executive and Executive’s covered dependents through the earlier of (i) twelve (12) months, or (ii) the date on which Executive and/or Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s); provided, that after the Company ceases to directly pay premiums pursuant to this Section 4(b), Executive may, if eligible, elect to continue healthcare coverage at Executive’s expense in accordance with the provisions of COBRA. Notwithstanding the foregoing, if the Company is unable to continue to cover Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company subsidy shall thereafter be paid to Executive in substantially equal monthly installments. Executive acknowledges that Executive shall be solely responsible for all matters relating to Executive’s continuation of coverage pursuant to COBRA, including, without limitation, Executive’s election of such coverage.
Payment of Target Bonus for 2018. The Company shall pay to Executive an amount equal to Executive’s target annual bonus for 2018, reduced by tax withholdings, such payment to be made on the first normal payroll date after the Effective Date.

Acceleration of Vesting and Extension of Exercise Period. The vesting and, if applicable, exercisability of each outstanding stock option and restricted stock unit award held by Executive as of the Separation Date shall be accelerated in respect of that number of shares of Company common stock that would have vested had Executive’s employment with the Company continued through December 31, 2018. In addition, each vested stock option held by Executive (after giving effect to such vesting acceleration) shall remain exercisable until the earlier of the original expiration date of such stock option or December 31, 2018. Executive acknowledges that each incentive stock option, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), held by Executive that has an exercise price per share that is lower than the closing trading price of a share of Company common stock on the date Executive executes this Agreement shall thereupon automatically convert to a nonqualified stock option and each other incentive stock option held by Executive shall automatically convert to a nonqualified stock option on the three-month anniversary of the Separation Date. Each Equity Agreement shall be deemed amended to the extent necessary to reflect the terms of this Section 4(d).

Sole Separation Benefit. Executive agrees that the payments and other benefits provided by this Section 4 exceed amounts to which Executive is entitled by contract, or under the Company’s normal policies and procedures. Executive acknowledges and agrees that the payments referenced in this Section 4 constitute adequate and valuable consideration, in and of themselves, for the promises contained in this Agreement.

Full Payment. Executive acknowledges that the payment and arrangements herein shall constitute full and complete satisfaction of any and all amounts properly due and owing to Executive as a result of his employment with the Company and the termination thereof, under the Employment Agreement and Severance Agreement and as a matter of law.

Confidential and Proprietary Information and Inventions. In conjunction with Executive’s employment by the Company, Executive executed the Employee Proprietary Information and Inventions Agreement, dated as of ________, 2005 (the “Confidentiality Agreement”). Executive acknowledges and agrees to comply with all continuing obligations under the Confidentiality Agreement, including but not limited to Executive’s obligations with respect to confidential or proprietary Information, Company Inventions, to return Company documents, and not to solicit or attempt to solicit any employee, consultant or independent contractor of the Company. Notwithstanding the foregoing, or anything contained in the Confidentiality Agreement or this Agreement, Executive acknowledges that he will not be held criminally or civilly liable for (a) the disclosure of confidential or proprietary information or trade secrets that is made in confidence to a government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (b) disclosure of confidential or proprietary information or trade secrets in a made in a complaint or other document filed in a lawsuit or other proceeding under seal or pursuant to court order.

Executive’s Release of the Company. Executive understands that by agreeing to the release provided by this Section 7, Executive is agreeing not to sue, or otherwise file any claim against, the Company or any of its directors, officers, employees, investors or other agents
for any reason whatsoever based on anything that has occurred as of the date Executive signs this Agreement.

(a) **Released Claims.** On behalf of Executive and Executive’s heirs, assigns, executors, administrators, trusts, spouse and estate, Executive hereby releases and forever discharges the “Releasees” hereunder, consisting of the Company and each of its owners, affiliates, subsidiaries, predecessors, successors, assigns, agents, directors, officers, partners, employees, and insurers, and all persons acting by, through, under or in concert with them, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, loss, cost or expense, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called “Claims”), which Executive now has or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof, including, without limiting the generality of the foregoing, any Claims arising out of, based upon, or relating to Executive’s hire, employment, remuneration or termination by the Releasees, or any of them, Claims arising under federal, state, or local laws relating to employment, Claims of any kind that may be brought in any court or administrative agency, including any Claims arising under Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. § 2000, et seq.; Americans with Disabilities Act, as amended, 42 U.S.C. § 12101 et seq.; the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 701 et seq.; Age Discrimination in Employment Act, as amended, 29 U.S.C. § 621, et seq.; Civil Rights Act of 1866, and Civil Rights Act of 1991; 42 U.S.C. § 1981, et seq.; Equal Pay Act, as amended, 29 U.S.C. § 206(d); regulations of the Office of Federal Contract Compliance, 41 C.F.R. Section 60, et seq.; The Family and Medical Leave Act, as amended, 29 U.S.C. § 2601 et seq.; the Fair Labor Standards Act of 1938, as amended, 29 U.S.C. § 201 et seq.; the Employee Retirement Income Security Act, as amended, 29 U.S.C. § 1001 et seq.; the Worker Adjustment and Retraining Notification Act, as amended, 29 U.S.C. § 2101 et seq.; the California Fair Employment and Housing Act, as amended, Cal. Lab. Code § 12940 et seq.; the California Equal Pay Law, as amended, Cal. Lab. Code §§ 1197.5(a), 199.5; the Moore-Brown-Roberti Family Rights Act of 1991, as amended, Cal. Gov’t Code §§12945.2, 19702.3; California Labor Code §§ 1101, 1102; the California WARN Act, California Labor Code §§ 1400 et seq; California Labor Code §§ 1102.5(a), (b); Claims for wages under the California Labor Code and any other federal, state or local laws of similar effect; the employment and civil rights laws of California; Claims for breach of implied or express contract; Claims arising in tort, including, without limitation, Claims of wrongful dismissal or discharge, discrimination, harassment, retaliation, fraud, misrepresentation, defamation, libel, slander, defamation, infliction of emotional distress, violation of public policy, and/or breach of the implied covenant of good faith and fair dealing; and Claims for damages or other remedies of any sort, including, without limitation, compensatory damages, punitive damages, injunctive relief and attorney’s fees.

(b) **Unreleased Claims.** Notwithstanding the generality of the foregoing, Executive does not release (i) his rights under this Agreement; (ii) claims for unemployment compensation, insurer-paid disability, or any state disability insurance benefits pursuant to the terms of applicable state law; (iii) Claims for workers’ compensation benefits under the terms of any workers’ compensation policy; (iv) Claims to continued participation in certain of the Company’s group benefit plans pursuant to the terms and conditions of COBRA; (v) Claims for indemnification under any written indemnification agreement between Executive and the Company, the Company’s Bylaws, or applicable law; (vi) Executive’s right to bring to the attention of the Equal Employment Opportunity Commission or California Department of Fair Employment and Housing Claims of discrimination, harassment, retaliation or failure to accommodate; provided, however, that
Executive does release Executive’s right to secure any damages for any such alleged Claims; and (vii) Executive’s right to communicate or cooperate with any government agency.

(c) Acknowledgement. In accordance with the Older Workers Benefit Protection Act of 1990, Executive has been advised of the following:

(i) Executive should consult with an attorney before signing this Release;

(ii) Executive has been given at least twenty-one (21) days to consider this Agreement;

(iii) Executive has seven (7) days after signing this Agreement to revoke it. If Executive wishes to revoke this Agreement, Executive must deliver notice of Executive’s revocation in writing, no later than 5:00 p.m. on the 7th day following Executive’s execution of this Agreement to Alan Mendelson, email: alan.mendelson@lw.com. Executive understands that if he revokes this Agreement, it will be null and void in its entirety, and he will not be entitled to any payments or benefits provided in Section 4 of this Agreement.

8. The Company’s Release of Executive. The Company (and its parents, subsidiaries, predecessors, successors, assigns, insurers and affiliates) (“Company Releasees”) hereby generally and completely release, acquit and forever discharges Executive and his heirs, successors, administrators, representatives and assigns from all Claims arising out of or in any way connected with Executive’s employment with the Company or the termination of that employment based upon facts that are known to, or that in the exercise of reasonable diligence should be known to, the Board. Notwithstanding the foregoing, nothing herein shall release or discharge any Claim by the Company against Executive, or the right of the Company to bring any action, legal or otherwise, as a result of any failure by Executive to perform his obligations under this Agreement, or as a result of any acts of intentional misconduct or recklessness (including but not limited to fraud, embezzlement, misappropriation or any other malfeasance by Executive).

9. Waiver of Unknown Claims. EXECUTIVE AND THE COMPANY EACH ACKNOWLEDGES THAT HE OR IT HAS BEEN ADVISED OF AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

BEING AWARE OF SAID CODE SECTION, TO THE EXTENT OF THEIR RESPECTIVE RELEASES, EXECUTIVE AND THE COMPANY HEREBY EXPRESSLY WAIVE ANY RIGHTS HE OR IT MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

(a) Non-Disparagement. Executive agrees that he shall not disparage, criticize or defame the Company, its affiliates and their respective affiliates, directors, officers, agents, partners, stockholders, employees, products, services, products or businesses, either publicly or privately. The Company agrees that it shall not, and shall instruct its directors and officers to not, disparage, criticize or defame the Executive. Nothing in this Section 10(a) shall have application to any evidence or testimony required by any court, arbitrator or government agency.

(b) Transition. Each of the Company and Executive shall use their respective reasonable efforts to cooperate with each other in good faith to facilitate a smooth transition of Executive’s duties to other executive(s) of the Company. Without limiting the foregoing, Executive shall be available, on a non-exclusive basis, to respond to, and shall respond with reasonable promptness and completeness to, e-mail and telephone inquiries from the Company regarding transitional matters provided that such inquiries would not interfere in any significant manner with other business pursuits (including other employment) by Executive. For the avoidance of doubt, nothing in this Section 10(b) shall entitle Executive to the additional vesting of any stock options or otherwise prevent Executive’s unvested and unaccelerated stock options from terminating effective as of the Separation Date.

(c) Transfer of Company Property. On or promptly following the Separation Date, Executive shall turn over to the Company all files, memoranda, records, and other documents, and any other physical or personal property which are the property of the Company (including but not limited to office keys or key cards, Company-issued electronic equipment, and Company credit cards) and which he had in his possession, custody or control at the time he signed this Agreement.

11. Executive Representations. Executive warrants and represents that (a) he has not filed or authorized the filing of any complaints, charges or lawsuits against the Company or any affiliate of the Company with any governmental agency or court, and that if, unbeknownst to Executive, such a complaint, charge or lawsuit has been filed on his behalf, he will immediately cause it to be withdrawn and dismissed, (b) he has reported all hours worked as of the date of this Agreement and has been paid all compensation, wages, bonuses, commissions, and/or benefits to which he may be entitled and no other compensation, wages, bonuses, commissions and/or benefits are due to him, except as provided in this Agreement, (c) he has no known workplace injuries or occupational diseases and has been provided and/or has not been denied any leave requested under the Family and Medical Leave Act or any similar state law, (d) the execution, delivery and performance of this Agreement by Executive does not and will not conflict with, breach, violate or cause a default under any agreement, contract or instrument to which Executive is a party or any judgment, order or decree to which Executive is subject, and (e) upon the execution and delivery of this Agreement by the Company and Executive, and expiration of the OWBPA revocation period, this Agreement will be a valid and binding obligation of Executive, enforceable in accordance with its terms.

12. No Assignment by Executive. Executive warrants and represents that no portion of any of the matters released herein, and no portion of any recovery or settlement to which Executive might be entitled, has been assigned or transferred to any other person, firm or corporation not a party to this Agreement, in any manner, including by way of subrogation or operation of law or otherwise. If any claim, action, demand or suit should be made or instituted against the Company or any other Releasee because of any actual assignment, subrogation or transfer by
Executive, Executive agrees to indemnify and hold harmless the Company and all other Releasees against such claim, action, suit or demand, including necessary expenses of investigation, attorneys’ fees and costs. In the event of Executive’s death, this Agreement shall inure to the benefit of Executive and Executive’s executors, administrators, heirs, distributees, devisees, and legatees. None of Executive’s rights or obligations may be assigned or transferred by Executive, other than Executive’s rights to payments hereunder, which may be transferred only upon Executive’s death by will or operation of law.

13. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of California or, where applicable, United States federal law, in each case, without regard to any conflicts of laws provisions or those of any state other than California.

14. Miscellaneous. This Agreement, the Equity Award Agreements and the Confidentiality Agreement comprise the entire agreement between the parties with regard to the subject matter hereof and supersede, in their entirety, any other agreements between Executive and the Company with regard to the subject matters hereof. The Company and Executive acknowledge that the termination of the Executive’s employment with the Company is intended to constitute an involuntary separation from service for the purposes of Section 409A of the Code, and the related Department of Treasury regulations. Executive acknowledges that there are no other agreements, written, oral or implied, and that he may not rely on any prior negotiations, discussions, representations or agreements. This Agreement may be modified only in writing, and such writing must be signed by both parties and recited that it is intended to modify this Agreement. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

15. Company Assignment and Successors. The Company shall assign its rights and obligations under this Agreement to any successor to all or substantially all of the business or the assets of the Company (by merger or otherwise). This Agreement shall be binding upon and inure to the benefit of the Company and its successors, assigns, personnel and legal representatives.

16. Executive’s Cooperation. After the Separation Date, Executive shall cooperate with the Company and its affiliates, upon the Company’s reasonable request, with respect to any internal investigation or administrative, regulatory or judicial proceeding involving matters within the scope of Executive’s duties and responsibilities to the Company or its affiliates during his employment with the Company (including, without limitation, Executive being available to the Company upon reasonable notice for interviews and factual investigations, appearing at the Company’s reasonable request to give testimony without requiring service of a subpoena or other legal process, and turning over to the Company all relevant Company documents which are or may have come into Executive’s possession during his employment); provided, however, that any such request by the Company shall not be unduly burdensome or interfere with Executive’s personal schedule or ability to engage in gainful employment and Executive shall be reimbursed for all reasonable out-of-pocket costs incurred and reasonably compensated for time spent at the Company’s request in compliance with this Section 16.

[Signature page follows]
Thank you for your many years of service and contributions to OncoMed. We wish you all the best in the future.

ONCOMED PHARMACEUTICALS, INC.

By:    /s/ Perry Karsen
Name:  Perry Karsen
Title:  Director

ACCEPTED AND AGREED

/s/ Paul J. Hastings
Paul J. Hastings
Date:  1/2/18

US-DOCS\97698919.8
Dear [Employee]:

This letter (the “Retention Bonus Agreement”) provides terms regarding your eligibility for retention bonus compensation from OncoMed Pharmaceuticals, Inc. ("OncoMed").

Retention Bonus Eligibility

If you remain actively employed with OncoMed in good standing through December 31, 2018 (the “Retention Period”), you will earn a retention bonus equal to $[insert], less applicable withholding taxes (for supplemental wages) and standard deductions for bonus payments (e.g., 401(k) contributions). The retention bonus will be paid at approximately the same time as your regular paycheck for the payroll period ending December 31, 2018.

If your employment is terminated by OncoMed without Cause (as defined herein) prior to the end of the Retention Period, you will be eligible for the retention bonus in full if you deliver a general release of claims against OncoMed in a form acceptable to OncoMed that becomes effective and irrevocable within 60 days following your termination of employment. Payment of such retention bonus shall be made on the first payroll date following the date your general release becomes effective and irrevocable.

“Cause” for purposes of this agreement shall mean: You (i) fail to substantially perform your duties, as reasonably determined by OncoMed; (ii) engage in an act or omission which is in bad faith and to the detriment of OncoMed; or (iii) engage in misconduct or willful malfeasance, or engage in any act of dishonesty, moral turpitude, disclosure of OncoMed confidential information not required by your duties, commercial bribery, criminal act or perpetration of fraud.

“At Will” Employment

Employment with OncoMed is “at-will”. This means that it is not for any specified period of time and can be terminated by you or by OncoMed at any time, with or without
advance notice, and for any or no particular reason or cause. It also means that your job duties, title and responsibility and reporting level, work schedule, compensation and benefits, as well as OncoMed's personnel policies and procedures, may be changed with prospective effect, with or without notice, at any time in OncoMed's sole discretion. This “at-will” nature of your employment is unaffected by this
Retention Bonus Agreement, and may not be changed, except in an express writing signed by you and an authorized officer or director of OncoMed.

**Entire Agreement**

This letter constitutes the complete agreement between you and OncoMed with respect to your eligibility for retention bonus compensation. Any prior or contemporaneous representations (whether oral or written) contrary to or inconsistent with those contained in this letter are expressly cancelled and superseded by this offer.

Sincerely,

/s/ John Lewicki

John Lewicki, Ph.D.
Executive Vice President, Research and Development

*I accept the above-described terms.*

Dated: ___________________, 2018

____________________________________  Employee Signature

____________________________________
Print Employee Name

RETURN SIGNED AGREEMENT TO YVONNE LI BY FEBRUARY 2, 2018
Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-204914) of OncoMed Pharmaceuticals, Inc. and

(2) Registration Statements (Form S-8 Nos. 333-190932, 333-194867, 333-201707, 333-210081, 333-215409 and 333-222411) pertaining to the 2013 Equity Incentive Award Plan, the 2013 Employee Stock Purchase Plan, and the 2004 Stock Incentive Plan of OncoMed Pharmaceuticals, Inc.

of our report dated March 8, 2018, with respect to the financial statements of OncoMed Pharmaceuticals, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Redwood City, California
March 8, 2018
CERTIFICATION

I, John Lewicki, certify that:

1. I have reviewed this Annual Report on Form 10-K of OncoMed Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, 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 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 8, 2018

/s/ John Lewicki
John Lewicki, Ph.D.
President
(principal executive officer)
CERTIFICATION

I, Sunil Patel, certify that:

1. I have reviewed this Annual Report on Form 10-K of OncoMed Pharmaceuticals, Inc.;

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

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

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, 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 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 8, 2018

/s/ Sunil Patel
Sunil Patel
Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of OncoMed Pharmaceuticals, Inc. (the “Company”) on Form 10-K for the fiscal year ended December 31, 2017, as filed with the Securities and Exchange Commission (the “Report”), John Lewicki, President of the Company, and Sunil Patel, Executive Vice President and Chief Financial Officer of the Company, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

• The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
• The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2018

/s/ John Lewicki
John Lewicki, Ph.D.
President
(principal executive officer)

/s/ Sunil Patel
Sunil Patel
Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)

This certification is being furnished to accompany the Report pursuant to 18 U.S.C. § 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.