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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2002

OR

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

For the transition period from to

Commission file number 0-32405

SEATTLE GENETICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**91-1874389**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

21823 30th Drive SE
Bothell, Washington 98021
(Address of principal executive offices, including zip code)

(425) 527-4000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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.

Yes ☒ No ☐

As of April 30, 2002, there were 30,626,082 shares of the registrant's Common Stock outstanding.

Seattle Genetics, Inc.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Seattle Genetics, Inc.
Balance Sheets

	March 31, 2002 (Unaudited)	December 31, 2001
Assets		
Current assets		
Cash and cash equivalents	$ 6,349,334	$ 8,293,504
Short-term investments	39,633,659	33,624,723
Interest receivable	736,935	724,953
Accounts receivable	51,576	81,603
Prepaid expenses and other current assets	874,302	477,782
Total current assets	47,645,806	43,202,565
Property and equipment, net	6,244,899	6,350,450
Restricted investments	984,016	982,002
Long-term investments	6,203,100	12,456,820
Other assets	36,406	36,406
Total assets	$ 61,114,227	$ 63,028,243
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 1,339,987	$ 895,536
Accrued liabilities	899,940	1,012,181
Deferred revenue	141,667	141,667
Total current liabilities	2,381,594	2,049,384
Deferred rent	152,931	107,052
Deferred revenue, net of current portion	165,278	200,694
Total long-term liabilities	318,209	307,746
Stockholders' equity		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, no shares issued	—	—
Common stock, $0.001 par value, 100,000,000 shares authorized, 29,927,812 and 29,322,741 issued and outstanding, respectively	29,928	29,323
Additional paid-in capital	101,925,824	98,484,346
Notes receivable from stockholders	(271,533)	(271,533)
Deferred stock compensation	(4,179,132)	(4,688,507)
Accumulated other comprehensive income	356,769	572,980
Accumulated deficit	(39,447,432)	(33,455,496)
Total stockholders' equity	58,414,424	60,671,113
Total liabilities and stockholders' equity	$ 61,114,227	$ 63,028,243

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

Seattle Genetics, Inc.
Statements of Operations
(Unaudited)

	Three months ended March 31,	
	2002	**2001**
Revenues		
Collaboration and license agreements	$ 219,819	$ —
Government grants	49,453	—
Total revenues	269,272	—
Operating expenses		
Research and development (excludes non-cash stock-based compensation expense of $315,579 and $512,244, respectively)	4,852,896	2,855,999
General and administrative (excludes non-cash stock-based compensation expense of $563,948 and $730,127, respectively)	1,105,412	725,322
Non-cash stock-based compensation expense	879,527	1,242,371
Total operating expenses	6,837,835	4,823,692
Loss from operations	(6,568,563)	(4,823,692)
Investment income, net	576,627	577,761
Net loss	(5,991,936)	(4,245,931)
Accretion on mandatorily redeemable preferred stock	—	(3,295)
Net loss attributable to common stockholders	$ (5,991,936)	$ (4,249,226)
Basic and diluted net loss per share	$ (0.20)	$ (0.46)
Weighted-average shares used in computing basic and diluted net loss per share	29,508,376	9,279,630

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

Seattle Genetics, Inc.
Statements of Cash Flows
(Unaudited)

	Three months ended March 31,	
	2002	**2001**
Operating activities		
Net loss	$ (5,991,936)	$ (4,245,931)
Adjustments to reconcile net loss to net cash used in operating activities		
Amortization of deferred compensation	879,527	1,242,371
Depreciation and amortization	280,781	78,606
Realized loss on sale of investments	—	3,652
Amortization (accretion) on investments	195,629	(13,442)
Deferred rent	45,880	—
Changes in operating assets and liabilities		
Accounts receivable	30,027	—
Interest receivable	(11,982)	51,721
Prepaid expenses and other current assets	(396,285)	(307,124)
Accounts payable	1,031,493	711,739
Accrued liabilities	(112,241)	886,764
Deferred revenue	(35,417)	—
Net cash used in operating activities	(4,084,524)	(1,591,644)
Investing activities		
Purchases of investments	(6,086,019)	(1,048,916)
Proceeds from sale and maturities of investments	5,916,950	7,520,633
Purchases of property and equipment	(762,508)	(127,990)
Net cash (used in) provided by investing activities	(931,577)	6,343,727
Financing activities		
Net proceeds from issuance of common stock	3,071,931	46,979,745
Proceeds from subscription receivable	—	3,096
Net cash provided by financing activities	3,071,931	46,982,841
Net increase (decrease) in cash and cash equivalents	(1,944,170)	51,734,924
Cash and cash equivalents, at beginning of period	8,293,504	2,618,986
Cash and cash equivalents, at end of period	$ 6,349,334	$ 54,353,910
Supplemental disclosure of cash flow information		
Non-cash investing and financing activities		
Conversion of preferred stock to common stock	$ —	$ 37,559,302
Increase (decrease) in deferred stock compensation	$ 370,152	$ (123,160)

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

Seattle Genetics, Inc.
Notes to Financial Statements
(Unaudited)

1. Basis of presentation

The accompanying unaudited financial statements of Seattle Genetics, Inc. ("Seattle Genetics" or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and reflect all adjustments consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the periods shown. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year or for any future period.

The balance sheet at December 31, 2001 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These financial statements should be read in conjunction with the audited financial statements and footnotes included in the Company's annual report filed on Form 10-K as filed with the Securities and Exchange Commission.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements that effect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Collaboration and license agreements

In January 2002, the Company entered into an agreement with Genencor International, Inc. (Genencor) to jointly discover and develop a class of cancer therapeutics based on tumor-targeted enzymes that activate prodrugs. The companies will share preclinical and clinical development costs and have the right to jointly commercialize any resulting products within the field. Genencor may also pay specific fees and milestone payments. Seattle Genetics may also make milestone payments to Genencor. As part of the collaboration, Genencor paid $3 million to acquire 573,614 shares of the Company's common stock at fair value.

Also in March 2002, the Company entered into an agreement with Celltech Group plc (Celltech) to use Seattle Genetics' antibody-drug conjugate technology with Celltech's monoclonal antibodies and antibody fragments directed against specific diseases, including immunological targets. Under the terms of the multi-year agreement, Celltech has paid an upfront technology access fee and may make progress-dependent milestone payments. In addition, Celltech will pay research and reagent fees and royalties on net sales of any resulting products. Celltech will be responsible for product development, manufacturing and marketing of any products generated through the collaboration.

3. Net loss per share

Basic net loss per share has been computed using the weighted-average number of shares of common stock outstanding during the period, less the weighted-average number of restricted shares of common stock issued that are subject to repurchase. The Company has excluded all outstanding options to purchase common stock and restricted shares of common stock subject to repurchase from the calculation of diluted net loss per share, as such securities are antidilutive for all periods presented.

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

	Three months ended March 31, (Unaudited)	
	2002	2001
Net loss attributable to common stockholders	$ (5,991,936)	$ (4,249,226)
Basic and diluted		
Weighted-average shares used in computing basic and diluted net loss per share	29,508,376	9,279,630
Basic and diluted net loss per share	$ (0.20)	$ (0.46)
Antidilutive securities not included in net loss per share calculation		
Options to purchase common stock	3,514,896	1,462,108
Restricted shares of common stock subject to repurchase	346,722	738,543
Total	3,861,618	2,200,651

4. Comprehensive loss

Comprehensive loss includes certain changes in equity that are excluded from net loss. Specifically, unrealized holding gains in available for sale investments, which were reported separately in stockholders' equity, are included in accumulated other comprehensive loss. Comprehensive loss and its components were as follows:

	Three months ended March 31, (Unaudited)	
	2002	2001
Net loss	$ (5,991,936)	$ (4,245,931)
Unrealized (loss) gain on securities available for sale	(216,211)	52,982
Comprehensive loss	$ (6,208,147)	$ (4,192,949)

5. Investments

Investments consist of the following:

	Fair Value March 31, 2001 (Unaudited)	Fair Value December 31, 2001
U.S. corporate obligations	$ 24,383,969	$ 27,923,286
Mortgage-backed securities	14,188,170	11,288,709
U.S. government and agencies	7,730,126	7,286,394
Municipal bonds	518,510	565,156
Total	$ 46,820,775	$ 47,063,545
Reported as:		
Short-term investments	$ 39,633,659	$ 33,624,723
Long-term investments	6,203,100	12,456,820
Restricted investments	984,016	982,002
Total	$ 46,820,775	$ 47,063,545

6. Property and equipment

Property and equipment consists of the following:

	March 31, 2002 (Unaudited)	December 31, 2001
Leasehold improvements	$ 3,750,901	$ 3,731,182
Laboratory equipment	2,245,408	2,135,986
Furniture and fixtures	777,899	761,683
Computers and office equipment	643,953	618,246
	7,418,161	7,247,097
Less: accumulated depreciation and amortization	(1,173,262)	(896,647)
Total	$ 6,244,899	$ 6,350,450

7. Subsequent events

On April 19, 2002, the Company entered into an agreement with Genentech, Inc. (Genentech) to license Seattle Genetics' proprietary antibody-drug conjugate technology for use with Genentech's antibodies targeted to certain diseases. Under the terms of the multi-year agreement, Genentech has agreed to pay a $2.5 million upfront fee and may pay technology access fees and research fees, as well as progress-dependent milestone payments. Genentech will also pay royalties on net sales of any resulting products. Genentech is responsible for research, product development, manufacturing and commercialization of any products resulting from the collaboration.

As part of the collaboration, Genentech purchased 697,544 shares of Seattle Genetics' common stock in a private placement for an aggregate purchase price at fair value of approximately $3.5 million. This stock purchase increases Genentech's total equity ownership in Seattle Genetics to 1,663,530 shares, or approximately 5.4% of Seattle Genetics' outstanding common stock. If an additional benchmark is achieved under the collaboration agreement, Seattle Genetics has an option, at its sole discretion, to sell additional equity to Genentech at fair value.

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

Forward-Looking Statements

The following discussion of our financial condition and results of operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, anticipate, believe, estimate, predict, potential or continue, the negative of terms like these or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. In evaluating these statements, you should specifically consider various factors, including the risks outlined under the caption "Important Factors That May Affect Our Business, Results of Operations and Our Stock Price" set forth at the end of this Item 2 and those contained from time-to-time in our other filings with the SEC. We caution investors that our business and financial performance are subject to substantial risks and uncertainties.

Overview

We focus on the discovery and development of monoclonal antibody–based drugs to treat cancer and related diseases. We have four monoclonal antibody–based technologies: genetically engineered monoclonal antibodies; monoclonal antibody-drug conjugates (ADCs); single–chain immunotoxins; and antibody–directed enzyme prodrug therapy (ADEPT). Our technologies enable us to develop monoclonal antibodies that can kill cells on their own as well as those that require an increase in potency to destroy cancer cells. Using our expertise in cancer and monoclonal antibody technologies, we have constructed a diverse portfolio of product candidates targeted to many human tumors. Our technologies also provide us with an opportunity to partner with other companies that are developing monoclonal antibodies.

We have three monoclonal antibody–based product candidates in clinical trials, SGN-15, SGN-10 and SGN-30. SGN-15 and SGN-10 target a variety of cancers including breast, colon, prostate and lung. SGN-30 is being developed to treat patients with various hematologic malignancies. We also have four preclinical product candidates presently undergoing development for patients with solid tumors, melanoma or hematologic malignancies. These include PRO64553 (formerly SGN-14), which is being developed in an alliance with Genentech, Inc., and SGN-17/19, which is being developed in collaboration with Genencor International. Two of our preclinical product candidates utilize our high-potency ADC technology, SGN-25 and a novel AC10-ADC. This next generation technology utilizes proprietary stable linker systems that can significantly reduce the toxic side effects caused by the systemic release of drugs associated with less stable linker technology. Our ADC technology also contains synthetic, highly-potent, cell-killing drugs including Auristatin E, which can be readily produced.

Since our inception, we have incurred substantial losses and, as of March 31, 2002, we had an accumulated deficit of $39.4 million. These losses and accumulated deficit have resulted from the significant costs incurred in the development of our monoclonal antibody–based technologies, clinical trial costs of SGN-15, SGN-10 and SGN-30, manufacturing expenses of preclinical and clinical grade materials, general and administrative costs, and non-cash stock–based compensation expenses associated with stock options granted to employees and consultants prior to our initial public offering in March 2001. We expect that our losses will increase for the foreseeable future as we continue to expand our research, development, clinical trial activities and infrastructure in support of these activities.

Results of Operations

Three months ended March 31, 2002 and 2001

Revenues. Revenues increased to $269,000 for the three months ended March 31, 2002 from no revenues for the three months ended March 31, 2001. Revenues for the three months ended March 31, 2002 were derived from the earned portion of technology-access fees, service and reagent fees and from a Small Business Innovative Research grant.

Research and development expenses. Research and development expenses, excluding non-cash stock-based compensation expenses, increased 70% to $4.9 million for the three months ended March 31, 2002 from $2.9 million for the three months ended March 31, 2001. This increase was principally due to an increase in rent and occupancy costs related to our new headquarters and operations facility of approximately $806,000, an increase in contract manufacturing expenses of approximately $529,000 and an increase in personnel expenses of approximately $396,000. The number of research and development personnel increased to 62 at March 31, 2002 from 42 at March 31, 2001. We anticipate that research and development expenses will continue to grow in the foreseeable future as we expand our research, development, contract manufacturing and clinical trial activities.

General and administrative expenses. General and administrative expenses, excluding non-cash stock-based compensation expenses, increased 52% to $1.1 million for the three months ended March 31, 2002 from $725,000 for the three months ended March 31, 2001. This increase was primarily due to additional administrative personnel and other increases attributable to being a public company, including higher premiums for directors' and officers' insurance. The number of general and administrative personnel increased to 17 at March 31, 2002 from 11 at March 31, 2001. We anticipate that general and administrative expenses will increase in the foreseeable future as we expand and incur the annualized costs related to our headquarters and operations facility.

Non-cash stock-based compensation expense. Non-cash stock-based compensation expense decreased 29% to $880,000 for the three months ended March 31, 2002 from $1.2 million for the three months ended March 31, 2001. This decrease is attributable to accelerated amortization of deferred stock-based compensation, which will decrease in later years as the options vest, and to adjustments to options subject to variable accounting. Variable accounting treatment will result in charges or credits, recorded to non-cash stock-based compensation, dependent on fluctuations in the quoted prices for the Company's common stock.

Investment income, net. Investment income remained fairly constant at $577,000 for the three months ended March 31, 2002 compared to $578,000 for the three months ended March 31, 2001. Higher average balances of cash and cash equivalents, short-term and long-term investments and restricted investments at lower average interest yields for the three months ended March 31, 2002 counteracted lower average balances and higher average interest yields for the three months ended March 31, 2001, to produce equivalent amounts of investment income, net. Average balances for the three months ended March 31, 2001 included the net proceeds from our initial public offering in March 2001.

Liquidity and Capital Resources

At March 31, 2002, cash, cash equivalents, short-term and long-term investments totaled $52.2 million and restricted investments amounted to $984,000. We have financed our operations since inception through our initial public offering and concurrent private placement in March 2001, the private placement of equity securities prior to and subsequent to our initial public offering, revenue from license agreements, government grants and investment income, net. Our cash, cash equivalents, short-term and long-term investments and restricted investments are held in a variety of interest-bearing instruments, consisting of U.S. government and agency securities, high-grade U.S. corporate bonds, taxable municipal bonds, mortgage-backed securities, commercial paper and money market accounts.

Net cash used in operating activities for the three months ended March 31, 2002 was $4.1 million compared to $1.6 million for the three months ended March 31, 2001. Expenditures in both periods were a result of clinical trials, contract manufacturing, preclinical research and development and general administrative expenses in support of our operations. We expect cash used in operating activities to increase in the future as we increase our number of employees, expand our contract manufacturing initiatives and increase the patient enrollments of our clinical trials.

Net cash used in investing activities for the three months ended March 31, 2002 was $932,000 compared to $6.3 million of net cash provided by investing activities for the three months ended March 31, 2001. Cash provided from investing activities for the three months ended March 31, 2001 includes $6.5 million from the sales of investments, net of purchases. Purchases of property and equipment were $763,000 for the three months ended March 31, 2002 compared to $128,000 for the three months ended March 31, 2001. We expect that our level of capital expenditures for 2002 will decrease when compared to 2001 because of the completion of a significant portion of our facility construction.

Net cash provided by financing activities was $3.1 million for the three months ended March 31, 2002 compared to $47.0 million for the three months ended March 31, 2001. Financing activities during the three months ended March 31, 2002 consisted primarily of the receipt of $3.0 million from the private placement of common stock with Genencor International. Financing activities during the three months ended March 31, 2001 included net proceeds of approximately $44.9 million from our initial public offering and approximately $2.0 million from our concurrent private placement.

We expect to incur substantial costs as we continue to develop and commercialize our product candidates. We anticipate that our rate of spending will accelerate as the result of the increased costs and expenses associated with clinical trials, regulatory filings, manufacturing, and research and development collaborations.

Our future expenditures and capital requirements will depend on numerous factors, including the progress of our research and development activities, the cost of filing and enforcing any patent claims and other intellectual property rights, competing technological and market developments, and our ability to establish license and collaboration agreements.

We believe that our current cash and investment balances will be sufficient to enable us to meet our anticipated expenditures and operating requirements for at least the next 12 months. We intend to seek additional funding through some or all of the following methods: corporate collaborations, licensing arrangements and public or private equity sales. However, additional financing may not be available on favorable terms or at all. If we are unable to raise additional funds should we need them, we may be required to delay, reduce or eliminate some of our development programs and some of our clinical trials, which may adversely affect our business and operations.

Subsequent Event

In April 2002, we announced that Genentech, Inc. had licensed our proprietary antibody-drug conjugate ("ADC") technology for use with Genentech's antibodies targeted to certain diseases. The collaboration agreement provides Genentech with broad access to our ADC technology for use with therapeutic antibodies recognizing multiple target antigens. Genentech intends to utilize this technology in its efforts to develop therapeutic antibodies linked to toxic payloads that could increase their potency.

Under the terms of the multi-year agreement, Genentech has agreed to pay a $2.5 million upfront fee and may pay technology access fees and research fees, as well as progress-dependent milestone payments. Genentech will also pay royalties on net sales of any resulting products. Genentech is responsible for research, product development, manufacturing and commercialization of any products resulting from the collaboration.

As part of the collaboration, Genentech purchased 697,544 shares of our common stock in a private placement for an aggregate purchase price of approximately $3.5 million. This stock purchase increases Genentech's total equity

ownership in Seattle Genetics to 1,663,530 shares, or approximately 5.4% of our outstanding common stock. If an additional benchmark is achieved under the collaboration agreement, we have an option, at our sole discretion, to sell additional equity to Genentech. The shares sold to Genentech are not registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. We have granted Genentech registration rights for such shares alongside existing registration rights holders. We intend to use the proceeds from this investment for working capital and general corporate purposes.

Important Factors That May Affect Our Business, Results of Operations and Our Stock Price

You should carefully consider the risks described below, together with all of the other information included in this quarterly report on Form 10-Q and the information incorporated by reference herein. If we do not effectively address the risks we face, our business will suffer and we may never achieve or sustain profitability. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

This quarterly report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this quarterly report on Form 10-Q.

We have a history of net losses. We expect to continue to incur net losses and may not achieve or maintain profitability for some time. Our limited operating history may make it difficult to evaluate our business and an investment in our common stock.

We incorporated in July 1997 and have a limited operating history upon which an investor may evaluate our operations and future prospects. We have incurred net losses since our inception and, as of March 31, 2002, we had an accumulated deficit of approximately $39.4 million. We expect to make substantial expenditures to further develop and commercialize our product candidates and expect that our rate of spending will accelerate as the result of the increased costs and expenses associated with research, development, clinical trials, manufacturing, regulatory approvals and commercialization of our potential products. In the near term, we expect our revenues to be derived from milestone payments, technology licensing fees and sponsored research fees under existing and future collaborative arrangements. In the longer term, our revenues may also include royalties from collaborations with current and future strategic partners and commercial product sales. However, our revenue and profit potential is unproven and our limited operating history makes our future operating results difficult to predict.

Our product candidates are at an early stage of development and, if we are not able to successfully develop and commercialize them, we may not generate sufficient revenues to continue our business operations.

All of our product candidates are in early stages of development. Significant further research and development, financial resources and personnel will be required to develop commercially viable products and obtain regulatory approvals. We expect that much of our efforts and expenditures over the next few years will be devoted to SGN-15, SGN-10, SGN-30, PRO64553 (formerly SGN-14), SGN-17/19, SGN-25 and a novel AC10-ADC. These are our only product candidates in preclinical development, clinical trials or in collaboration with others at the present time. We have no drugs that have received regulatory approval for commercial sale.

Our ability to commercialize our product candidates depends on first receiving FDA approval. The future commercial success of these product candidates will depend upon their acceptance by physicians, patients and other key decision-makers as

therapeutic and cost-effective alternatives to currently available products. If we fail to gain approval from the FDA or to produce a commercially successful product, we may not be able to earn sufficient revenues to continue as a going concern.

We will continue to need significant amounts of additional capital that may not be available to us.

From inception to March 31, 2002, we have used approximately $26.3 million of cash in operating activities and approximately $7.5 million of cash to purchase property and equipment. We expect to make additional capital outlays and to increase operating expenditures over the next several years as we hire additional employees and support our preclinical development and clinical trial activities. We believe that our existing cash and investment securities, milestone payments and research grants will be sufficient to fund our operations for at least the next 12 months. However, changes in our business may occur that would consume available capital resources sooner than we expect. If adequate funds are not available to us, we will be required to delay, reduce the scope of or eliminate one or more of our development programs. We do not know whether additional financing will be available when needed, or that, if available, we will obtain financing on terms favorable to our stockholders or us. To the extent that we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. To the extent that we raise additional funds through collaboration and licensing arrangements, we may be required to relinquish some rights to our technologies or product candidates, or grant licenses on terms that are not favorable to us.

Clinical trials for our product candidates are expensive, time consuming and their outcome is uncertain.

Before we can obtain regulatory approval for the commercial sale of any product candidate that we wish to develop, we are required to complete preclinical development and extensive clinical trials in humans to demonstrate its safety and efficacy. Each of these trials requires the investment of substantial expense and time. We are currently conducting multiple clinical trials of our three most advanced product candidates, and expect to commence additional trials of these and other product candidates. There are numerous factors that could delay each of these clinical trials or prevent us from completing these trials successfully.

Success in preclinical and early clinical trials does not ensure that large-scale trials will be successful nor does it predict final results. Acceptable results in early trials may not be repeated in later trials. A number of companies in the biotechnology industry have suffered significant setbacks in advanced clinical trials, even after promising results in earlier trials. Negative or inconclusive results or adverse medical events during a clinical trial could cause it to be redone or terminated. In addition, failure to construct appropriate clinical trial protocols could result in the test or control group experiencing a disproportionate number of adverse events and could cause a clinical trial to be redone or terminated.

The length of time necessary to complete clinical trials and to submit an application for marketing approval for a final decision by the FDA or another regulatory authority may vary significantly based on the type, complexity and novelty of the product involved as well as other factors. To date, we have limited clinical data and have seen evidence of gastrointestinal toxicity with SGN-15 and SGN-10. Future trials may not show sufficient safety or efficacy to obtain the requisite regulatory approval for these product candidates or any other potential product candidates. Because SGN-15, SGN-10, SGN-30, PRO64553 (formerly SGN-14), SGN-17/19, SGN-25 and a novel AC10-ADC, are our only product candidates in clinical trials or preclinical development at the present time, any delays or difficulties we encounter may impact our ability to generate revenue and cause our stock price to decline significantly.

We may choose to, or may be required to, delay, suspend, repeat or terminate our clinical trials if patient enrollment cannot be achieved on a timely basis or if the trials are not conducted in accordance with regulatory requirements, the results are negative or inconclusive or the trials are not well designed.

Clinical trials must be conducted in accordance with the FDA's guidelines and are subject to oversight by the FDA and institutional review boards at the medical institutions where the clinical trials are conducted. In addition, clinical trials must be conducted with product candidates produced under the FDA's current Good Manufacturing Practices, and may require large numbers of test patients. Patient enrollment is a function of many factors, including the size of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the existence of competing clinical trials and the availability of alternative or new treatments. We depend on medical institutions to conduct our clinical trials and to the extent they fail to enroll patients for our clinical trials or are delayed for a significant time in achieving full enrollment, we may be affected by increased costs, program delays or both, which may harm our business.

In addition, we or the FDA might delay or halt our clinical trials of a product candidate for various reasons, including: deficiencies in the conduct of the clinical trials; the product candidate may have unforeseen adverse side effects; the time required to determine whether the product candidate is effective may be longer than expected; fatalities arising during a clinical trial due to medical problems that may not be related to clinical trial treatments; the product candidate may not appear to be more effective than current therapies; insufficient patient enrollment in the clinical trials; the quality or stability of the product candidate may fall below acceptable standards; or we may not be able to produce sufficient quantities of the product candidate to complete the trials.

Due to these and other factors, our current product candidates or any of our other future product candidates could take a significantly longer time to gain regulatory approval than we expect or may never gain approval, which could reduce or eliminate our revenue and delay or terminate the potential commercialization of our product candidates.

We currently rely on third-party manufacturers and other third parties for production of our drug products and our dependence on these manufacturers may impair the development of our product candidates.

We do not currently have the ability to manufacture the drug products that we need to conduct our clinical trials. For two of our product candidates in clinical trials, SGN-15 and SGN-10, we presently rely on drug products that were produced and vialed by Bristol-Myers Squibb and contract manufacturers retained by Bristol-Myers Squibb. We intend to enter into agreements with contract manufacturers to supplement our supplies of SGN-15 and SGN-10 as necessary. We have contracted with ICOS Corporation to manufacture clinical supplies of monoclonal antibody BR96, the monoclonal antibody used in our product candidate SGN-15. For our third product candidate in clinical trials, SGN-30, we also contracted with ICOS to manufacture preclinical and clinical supplies. In addition, we rely on other third parties to perform additional steps in the manufacturing process, including vialing and storage of these product candidates.

For the foreseeable future, we will continue to rely on contract manufacturers and other third parties to produce, vial and store sufficient quantities of our product candidates for use in our clinical trials. If our contract manufacturers or other third parties fail to deliver our product candidates for clinical use on a timely basis, with sufficient quality, and at commercially reasonable prices, and we fail to find replacement manufacturers or to develop our own manufacturing capabilities, we may be unable to continue development and production of our product candidates.

Contract manufacturers have a limited number of facilities in which our product candidates can be produced. We currently rely on contract manufacturers to produce our product candidates under FDA current Good Manufacturing Practices to meet acceptable standards for our clinical trials. Such standards may change, affecting the ability of contract manufacturers to produce our product candidates on the schedule we require for our clinical trials. Contract manufacturers may not perform or may discontinue their business before the time required by us to successfully produce and market our product candidates.

In some circumstances we rely on collaborators to assist in the research and development activities necessary for the commercialization of our product candidates. If we are not able to locate suitable collaborators or if our collaborators do not perform as expected, we may not be able to commercialize our product candidates.

We have established and intend to continue to establish alliances with third party collaborators to develop and market our current and future product candidates. We may not be able to locate third party collaborators to develop and market our product candidates and we may lack the capital and resources necessary to develop all our product candidates alone. If our collaborators do not prioritize and commit substantial resources to programs associated with our product candidates, we may be unable to commercialize our product candidates, which would limit our ability to generate revenue and become profitable.

We have a license agreement with Genentech pursuant to which they are developing our lead CD40 targeted product candidate, PRO64553 (formerly SGN-14), to treat patients with hematologic malignancies or other types of cancer. Genentech is also responsible for gaining final approval through the required U.S. and international regulatory authorities to ultimately market the product. At any time, Genentech may terminate the agreement for any reason and return the rights of the CD40 program to us.

If we are unable to protect our proprietary technology, trade secrets or know-how, we may not be able to operate our business profitably. Similarly, if we fail to sustain and further build our intellectual property rights, competitors may be able to develop competing therapies.

Our success depends, in part, on our ability to maintain protection for our products and technologies under the patent laws or other intellectual property laws of the United States, France, Germany, Japan, United Kingdom and Italy, as well as other countries. We have filed several patent applications with the U.S. Patent and Trademark Office for our technologies that are currently pending. We also have exclusive rights to issued U.S. patents, and foreign counterpart patents and patent applications in the countries listed above relating to our monoclonal antibody-based technology. Our rights to these patents are derived from worldwide licenses from Bristol-Myers Squibb, Arizona State University, Proacta Therapeutics and the National Institutes of Health, among others. In addition, we have licensed or optioned rights to pending U.S. patent applications and foreign counterpart patents and patent applications to third parties. The standards which the U.S. Patent and Trademark Office uses to grant patents are not always applied predictably or uniformly and can change. Consequently, the pending patent applications may not be allowed; and if allowed, may not contain the type and extent of patent claims that will be adequate to conduct our business as planned. Additionally, any issued patents may not contain claims that will permit us to stop competitors from using similar technology. Similarly, the standards that courts use to interpret patents are not always applied predictably or uniformly and can change, particularly as new technologies develop. As a result, the protection, if any, given by our patents if we attempt to enforce them or if they are challenged in court is uncertain. In addition, we rely on certain proprietary trade secrets and know-how. We have taken measures to protect our unpatented trade secrets and know-how, including the use of confidentiality and assignment of inventions agreements with our employees, consultants and certain contractors. It is possible, however, that these persons may breach the agreements or that our competitors may independently develop or otherwise discover our trade secrets.

We may incur substantial costs and lose important rights as a result of litigation or other proceedings relating to patent and other intellectual property rights.

The defense and prosecution of intellectual property rights, U.S. Patent and Trademark Office interference proceedings and related legal and administrative proceedings in the United States and elsewhere involve complex legal and factual questions. These proceedings are costly and time-consuming. If we become involved in any litigation, interference or other administrative proceedings, we will incur substantial expense and it will divert the efforts of our technical and management personnel. An adverse determination may subject us to significant liabilities or require us to seek licenses that may not be available from third parties on commercially reasonable terms, if at all. We may be restricted or prevented from developing and commercializing our product candidates in the event of an adverse determination in a judicial or administrative proceeding, or if we fail to obtain necessary licenses.

If we lose our key personnel or are unable to attract and retain additional qualified personnel, our future growth and ability to compete would suffer.

We are highly dependent on the efforts and abilities of the principal members of our managerial and scientific staff, particularly Dr. H. Perry Fell, our Chairman and Chief Executive Officer, and Dr. Clay B. Siegall, our President and Chief Scientific Officer. Additionally, we have several scientific personnel with significant and unique expertise in monoclonal antibodies and related technologies. The loss of the services of principal members of our managerial or scientific staff may prevent us from achieving our business objectives.

The competition for qualified personnel in the biotechnology field is intense, and we rely heavily on our ability to attract and retain qualified scientific, technical and managerial personnel. Our future success depends upon our ability to attract, retain and motivate highly skilled employees. In order to commercialize our products successfully, we will be required to expand our workforce, particularly in the areas of manufacturing, clinical trials management, regulatory affairs, business development and sales and marketing. These activities will require the addition of new personnel, including management, and the development of additional expertise by existing management personnel. We face intense competition for qualified individuals from numerous pharmaceutical and biotechnology companies, as well as academic and other research institutions. To the extent we are not able to attract and retain these individuals on favorable terms, our business may be harmed.

We face intense competition and rapid technological change, which may result in others discovering, developing or commercializing competing products before or more successfully than we do.

The biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change. We are aware of several pharmaceutical and biotechnology companies that are actively engaged in research and development in areas related to antibody therapy. Some of these companies have commenced clinical trials of antibody products or have successfully commercialized antibody products. Many of these companies are developing products for the same disease indications as we are. Some of these competitors have received regulatory approval or are developing or testing product candidates that do or may in the future compete directly with our product candidates. For example, Genentech, Immunogen, IDEC Pharmaceuticals and Wyeth market products that may compete with ours. Other potential competitors include large, fully integrated pharmaceutical companies and more established biotechnology companies, which have significant resources and expertise in research and development, manufacturing, testing, obtaining regulatory approvals and marketing. Also, academic institutions, government agencies and other public and private research organizations conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and marketing. It is possible that these competitors will succeed in developing technologies that are more effective than those being developed by us or that would render our technology obsolete or noncompetitive.

If our competitors develop superior products, manufacturing capability or marketing expertise, our business may fail.

Our business may fail because we face intense competition from major pharmaceutical companies and specialized biotechnology companies engaged in the development of other products directed at cancer. Many of our competitors have greater financial and human resources expertise and more experience in the commercialization of product candidates. Our competitors may, among other things: develop safer or more effective products; implement more effective approaches to sales and marketing; develop less costly products; obtain quicker regulatory approval; have access to more manufacturing capacity; form more advantageous strategic alliances; or establish superior proprietary positions. In addition, if we receive regulatory approvals, we may compete with well-established, FDA approved therapies that have generated substantial sales over a number of years. We anticipate that we will face increased competition in the future as new companies enter our market and scientific developments surrounding other cancer therapies continue to accelerate.

We have no experience in commercializing products on our own and to the extent we do not develop this ability or contract with a third-party to assist us, we may not be able to successfully sell our product candidates.

We do not have a sales and marketing force and may not be able to develop this capacity. If we are unable to establish sales and marketing capabilities, we will need to enter into sales and marketing agreements to market our products in the United States. For sales outside the United States, we plan to enter into third-party arrangements. In these foreign markets, if we are unable to establish successful distribution relationships with pharmaceutical companies, we may fail to realize the full sales potential of our product candidates.

Additionally, our product candidates may not gain market acceptance among physicians, patients, healthcare payors and the medical community. The degree of market acceptance of any approved product candidate will depend on a number of factors, including: establishment and demonstration of clinical efficacy and safety; cost-effectiveness of a product; its potential advantage over alternative treatment methods; and marketing and distribution support for the product.

Moreover, government health administrative authorities, private health insurers and other organizations are increasingly challenging both the need for and the price of new medical products and services. Consequently, uncertainty exists as to the reimbursement status of newly approved therapeutics and diagnostics. For these and other reasons, physicians, patients, third-party payors and the medical community may not accept and utilize any product candidates that we develop and even if they do, reimbursement may not be available for our products to enable us to maintain price levels sufficient to realize an appropriate return on our investment in research and product development.

Our stock price may be volatile and your shares may suffer a decline in value.

The market prices for securities of biotechnology companies have in the past been, and are likely to continue in the future to be, very volatile. As a result of fluctuations in the price of our common stock you may be unable to sell your shares at or above the price you paid for them. The market price of our common stock may be subject to substantial volatility in response to many risk factors listed in this section, and others beyond our control, including: announcements regarding the results of discovery efforts and preclinical and clinical activities by us or our competitors; changes in our existing corporate partnerships or licensing arrangements; establishment of new corporate partnering or licensing arrangements by us or our competitors; developments or disputes concerning our proprietary rights; issuance of new or changed analysts' reports and recommendations regarding us or our competitors; share price and volume fluctuations attributable to inconsistent trading volume levels of our shares; changes in government regulations; and economic or other external factors.

We face product liability risks and may not be able to obtain adequate insurance to protect us against losses.

We currently have no products that are available for commercial sale. However, the current use of any of our product candidates in clinical trials, and the sale of any approved products in the future, may expose us to liability claims. These claims might be made directly by consumers and healthcare providers or indirectly by pharmaceutical companies, our corporate collaborators or others selling such products. We may experience financial losses in the future due to product liability claims. We have obtained limited product liability insurance coverage for our clinical trials. We intend to expand our insurance coverage to include the sale of commercial products if marketing approval is obtained for product candidates in development. However, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired.

Our existing stockholders have significant control of our management and affairs, which they could exercise against your best interests.

Our executive officers and directors and greater than 5% stockholders, together with entities that may be deemed affiliates of, or related to, such persons or entities, beneficially own approximately 65% of our outstanding common stock. As a result, these stockholders, acting together, may be able to control our management and affairs and matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying, deferring or preventing a change in control, including a merger, consolidation, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control, which might affect the market price of our common stock.

We may engage in future acquisitions that increase our capital requirements, dilute our stockholders, cause us to incur debt or assume contingent liabilities and subject us to other risks.

We actively evaluate various strategic transactions on an ongoing basis, including in-licensing or acquiring complementary products, technologies or businesses. Any potential acquisitions may entail numerous risks, including increased operating expenses and cash requirements, assimilation of operations and products, retention of key employees, diversion of our management's attention and uncertainties in our ability to maintain key business relationships of the acquired entities. In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. Moreover, we may not be able to locate suitable acquisition opportunities and this inability could impair our ability to grow or obtain access to technology or products that may be important to the development of our business.

Anti-takeover provisions could make it more difficult for a third party to acquire us.

Our Board of Directors has the authority to issue up to 5,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The rights of the holders of common stock may be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change of control of Seattle Genetics without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. Further, certain provisions of our charter documents, including provisions eliminating the ability of stockholders to take action by written consent and limiting the ability of stockholders to raise matters at a meeting of stockholders without giving advance notice, may have the effect of delaying or preventing changes in control or management of Seattle Genetics, which could have an adverse effect on the market price of our stock. In addition, our charter documents provide for a classified board, which may make it more difficult for a third party to gain control of our Board of Directors. Similarly, state anti-takeover laws in Washington related to corporate takeovers may prevent or delay a change of control of Seattle Genetics.

Item 3. Quantitative and Qualitative Disclosure of Market Risk

In accordance with our policy, we do not use derivative financial instruments in our investment portfolio. We invest in high quality interest-bearing instruments, consisting of U.S. government and agency securities, high-grade U.S. corporate bonds, taxable municipal bonds, mortgage-backed securities, commercial paper and money market accounts. Such securities are subject to interest rate risk and will rise and fall in value if market interest rates change, however, we do not expect any material loss from such interest rate changes.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

(c) Recent Sales of Unregistered Securities

In January 2002, we formed a strategic alliance with Genencor International, Inc. to jointly discover and develop a class of cancer therapeutics based on tumor-targeted enzymes that activate prodrugs. In conjunction with forming this strategic alliance, we sold Genencor 573,614 shares of our common stock for an aggregate purchase price of $3 million in a private placement.

In April 2002, we entered into an agreement with Genentech, Inc. to license our proprietary antibody-drug conjugate technology for use with Genentech's antibodies targeted to certain diseases. As part of the collaboration, we sold Genentech 697,544 shares of our common stock for an aggregate purchase price of approximately $3.5 million in a private placement. This stock purchase increased Genentech's total equity ownership in Seattle Genetics to 1,663,530 shares, or approximately 5.4% of Seattle Genetics' outstanding common stock.

The shares of common stock sold to Genencor and Genentech were issued in reliance on the exemption from registration provided by Section 4(2) under the Securities Act of 1933, as amended (the "Securities Act"). Genencor and Genentech made certain representations to us as to investment intent, their receipt of all information they considered necessary or appropriate in deciding whether to purchase the securities, their knowledge and experience in financial or business matters such that they were capable of evaluating the risks and merits of the investment in the securities, and their ability to bear the economic risk of the investment in the securities, that they possessed a sufficient level of financial sophistication and that they received information about Seattle Genetics. The shares issued in the transactions were subject to restrictions on transfer absent registration under the Securities Act, and no offers to sell the securities were made by any form of general solicitation or general advertisement.

(d) Use of Proceeds from Sale of Registered Securities

Seattle Genetics completed its initial public offering of common stock pursuant to a Registration Statement on Form S-1 under the Securities Act (File No. 333-50266) that was declared effective by the SEC on March 6, 2001. The aggregate gross proceeds of the offering were $49.0 million, which resulted in net proceeds to us of approximately $44.4 million after deducting underwriting discounts and commissions and other offering expenses of $4.6 million. As of March 31, 2002, we had used approximately $22.7 million of the offering proceeds, including $1.1 million for clinical trials, $7.0 million for contract manufacturing costs, $6.1 million for purchase of property and equipment and approximately $8.5 million for preclinical research and development activities and general corporate purposes.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

Exhibit Number	
3.1*	Amended and Restated Certificate of Incorporation of the Registrant
3.2*	Bylaws of the Registrant
4.1*	Form of Stock Certificate
4.2*	Amended and Restated Investors Rights Agreement dated December 22, 2000 by and among the Registrant and certain holders of the Registrant's capital stock.
10.1†	Collaboration Agreement dated January 4, 2002 between Seattle Genetics, Inc. and Genencor International, Inc.
10.2	Common Stock Purchase Agreement dated January 4, 2002 between Seattle Genetics and Genencor International, Inc.
10.3†	Collaboration Agreement dated March 27, 2002 between Seattle Genetics, Inc. and Celltech R&D Limited.

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* Previously filed as an exhibit to Registrant's registration statement on Form S-1, File No. 333-50266, originally filed with the Securities and Exchange Commission on November 20, 2000, as subsequently amended, and incorporated herein by reference.

† Confidential treatment requested.

(b) Reports on Form 8-K:

The Company did not file any reports on Form 8-K during the three months ended March 31, 2002.

SIGNATURES

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

Seattle Genetics, Inc.

By: /s/ TIM CARROLL
Tim Carroll
Chief Financial Officer
(Principal Financial Officer and Authorized Officer)

Date: May 14, 2002

INDEX TO EXHIBITS

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†	Confidential treatment requested.

EXHIBIT 10.1
Confidential treatment requested

COLLABORATION AGREEMENT

This Agreement is entered into as of January 4, 2002, by and between:

- **SEATTLE GENETICS, INC.**, a Delaware corporation, having its principal place of business at 21823 30th Drive S.E., Bothell, Washington 98021

  (hereinafter referred to as "SGI")

and:

- **GENENCOR INTERNATIONAL, INC.**, a Delaware corporation, having its principal place of business at 925 Page Mill Road, Palo Alto, CA 94304-1013.

  (hereinafter referred to as "GCOR").

WHEREAS, SGI and GCOR entered into a Mutual Non-Disclosure Agreement dated December 19, 2000 pursuant to which the parties have been discussing a potential relationship relating to the use of enzymes for the activation of prodrugs;

WHEREAS, SGI has developed and/or acquired technology and intellectual property relating to its ADEPT platform, including a lead ADEPT molecule referred to as SGN-17/19, and GCOR has developed technology and intellectual property relating to its TEPT platform, and each intends to continue developing its platform through the collaboration envisioned by this Agreement;

WHEREAS, SGI and GCOR desire to enter into an agreement to exclusively collaborate in the field of targeted enzyme technologies in combination with prodrugs for the treatment of cancer;

WHEREAS, SGI and GCOR each have ongoing research and/or development activities relating to cancer therapies outside the field of the collaboration envisioned by this Agreement and intend that nothing contained in this Agreement will preclude such other activities;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, do hereby agree as follows:

ARTICLE I — DEFINITIONS AND INTERPRETATION

1.1 **Definitions**: For the purposes of this Agreement the following words and phrases shall have the following meanings:

"ADEPT" means SGI's antibody-directed enzyme prodrug therapy platform covered by SGI ADEPT Patents and the SGI **[***]** Patents.

"Affiliate" means, with respect to a Party, any person, corporation or business entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, a Party. For the purpose of this definition, control shall mean the direct or indirect ownership of at least **[***]** of the voting interest or equity in such corporation or other business entity.

"Agreement" means this agreement, all amendments and supplements to this Agreement and all exhibits to this Agreement, including the following:

Exhibit A	-	SGI ADEPT Patents
Exhibit B	-	SGI **[***]** Patents
Exhibit C	-	GCOR TEPT Patents
Exhibit D	-	GCOR TE Patents
Exhibit E	-	GCOR Background Patents
Exhibit F	-	Work Plan
Exhibit G	-	The Stock Purchase Agreement

"Applicable Law" means the applicable laws, rules, and regulations, including any rules, regulations, guidelines, or other requirements of the Regulatory Authorities that may be in effect from time to time.

"BLA" means a Biologics License Application, as defined in the U.S. Federal Food, Drug, and Cosmetics Act, as amended, and the regulations promulgated thereunder, and any corresponding foreign or domestic marketing authorization application, registration or certification, necessary or reasonably useful to market a Product, but not including pricing and reimbursement approvals.

"[***]" means the **[***]**.

"[***]" means the **[***]**.

"[***]" means any of the **[***]** periods beginning **[***]** in any year.

"Collaboration" means all research, development, manufacture and commercialization activities conducted by or on behalf of the Parties in the Field according to the terms of this Agreement.

"Collaboration Product" means any Product other than a **[***]** Product or a **[***]** Product.

"Commercially Reasonable Efforts" means, with respect to the research, development, manufacture or commercialization of Products, efforts and resources commonly used in the biotechnology industry for a product of similar commercial potential at a similar stage in its lifecycle, taking into consideration its safety and efficacy, its cost to develop, the competitiveness of alternative products, its proprietary position, the likelihood of regulatory

approval, its profitability, and all other relevant factors. Commercially Reasonable Efforts shall be determined on a market-by-market basis for each Product, as applicable.

"Control" means, with respect to any Information and Invention, Patent or other intellectual property right, possession of the right, whether directly or indirectly, and whether by ownership, license or otherwise, to assign, or grant a license, sublicense or other right to or under, such Information and Invention, Patent or right as provided for herein without violating the terms of any agreement with any Third Party.

"Development Decision" means a decision by the Steering Committee regarding whether a Development Program should be commenced for a Collaboration Product and/or whether a Collaboration Product should be advanced to the next stage of a Development Program such as for example, advancing a Collaboration Product from Phase I Clinical Trials to Phase II Clinical Trials or advancing a Collaboration Product to IND filing stage.

"Development Program" means any activities conducted by or on behalf of the Parties with respect to a Collaboration Product pursuant to a Development Decision, commencing upon identification of a **[***]** for such Collaboration Product, as determined by the Steering Committee, and ending upon First Commercial Sale of such Collaboration Product in a Major Country. The Parties may also agree to initiate a Development Program for a Collaboration Product prior to the above by unanimous decision of the Steering Committee.

"Effective Date" means the date of this Agreement.

"Exploit" or **"Exploitation"** means to make, have made, import, use, sell, offer for sale, or otherwise dispose of, including all discovery, research, development, registration, modification, enhancement, improvement, manufacture, storage, formulation, exportation, transportation, distribution, promotion and marketing activities related thereto.

"FDA" means the United States Food and Drug Administration and any successor agency thereto or its equivalent in other countries or regulatory jurisdiction.

"Field" means the use of **[***]** for the treatment and diagnosis of cancer in humans.

"First Commercial Sale" means, in each country, the first commercial sale of a Product following, if required by law, Regulatory Approval and, when Regulatory Approval is not required by law, the first commercial sale in that country, in each case for use or consumption of such Product in such country by the general public; for avoidance of doubt, First Commercial Sale of a given Product cannot occur more than once in any particular country.

"GCOR Background Know-How" means all Information and Inventions in the Control of GCOR as of the Effective Date or at any time during the Term that **[***]** are deemed necessary or reasonably useful for the Collaboration or for the exercise of the GCOR Background Patents, including without limitation all Information and Inventions relating to **[***]**, but excluding: (a) any **[***]**; and (b) any **[***]**.

"GCOR Background Patents" means: (a) all Patents listed in Exhibit E to this Agreement; and (b) any other Patents in the Control of GCOR during the Term that are necessary or reasonably useful for the Collaboration or for the practice of the GCOR Background Know-How, but excluding: (a) any **[***]**; (b) any **[***]**; and (c) any **[***]**.

"GCOR Background Technology" means GCOR Background Patents and GCOR Background Know-How.

"GCOR Expression Technology" means GCOR Background Technology relating to microbial production systems for the expression of proteins, peptides or antibodies.

"GCOR *i*-mune Technology" means GCOR Background Technology relating to its *in vitro* method used to determine allergenic epitope(s) in a protein.

"GCOR Patents" means GCOR Background Patents and GCOR TEPT Patents.

"GCOR Technology" means GCOR Background Technology and GCOR TEPT Technology.

"GCOR TE Patents" means (a) all Patents listed in Exhibit D to this Agreement; and (b) any other Patents in the Control of GCOR at any time that relate to TE.

"GCOR TEPT Know-How" means all Information and Inventions in the Control of GCOR or its Affiliates as of the Effective Date or at any time during the Term that: (a) relate to **[***]**; and (b) are necessary or reasonably useful for the Collaboration or for the exercise of the GCOR TEPT Patents.

"GCOR TEPT Patents" means: (a) all Patents listed in Exhibit C to this Agreement; and (b) any other Patents in the Control of GCOR during the Term that: (i) relate to **[***]**; and (ii) are necessary or reasonably useful for the Collaboration.

"GCOR TEPT Technology" means GCOR TEPT Patents and GCOR TEPT Know-How.

"Improvement" means any modification to an antibody, compound, product or technology or any discovery, device, process or formulation related to such antibody, compound, product or technology, whether or not patented or patentable, including any enhancement in the efficiency, operation, manufacture, ingredients, preparation, presentation, formulation, means of delivery, packaging or dosage of an antibody, compound, product or technology, any discovery or development of any new or expanded indications or applications for an antibody, compound, product or technology, or any discovery or development that improves the stability, safety or efficacy of an antibody, compound, product or technology.

"IND" means an investigational new drug application filed with the FDA for authorization to commence human clinical trials, and its equivalent in other countries or regulatory jurisdictions.

"Information and Inventions" means all technical, scientific and other know-how and information, trade secrets, knowledge, technology, means, methods, processes, practices, formulas, instructions, skills, techniques, procedures, experiences, ideas, technical assistance, designs, drawings, assembly procedures, computer programs, apparatuses, specifications, data, results and other material, including high-throughput screening, gene expression, genomics, proteomics and other drug discovery and development technology, pre-clinical and clinical trial results, manufacturing procedures, test procedures and purification and isolation techniques, (whether or not confidential, proprietary, patented or patentable) in written, electronic or any other form now known or hereafter developed, and all Improvements, whether to the foregoing or otherwise, and other discoveries, developments, inventions and other intellectual property (whether or not confidential, proprietary, patented or patentable).

"Joint Know-How" means all Information and Inventions made jointly by employees of SGI and GCOR under this Agreement, but excluding any Improvements to either Party's Background Technology which shall remain the sole property of the Party contributing said Background Technology.

"Joint Patents" means any Patents jointly owned by the Parties that relate to Joint Know-How and cover the manufacture, use or sale of Products.

"Joint Technology" means Joint Patents and Joint Know-How, but excluding SGI Technology and GCOR Technology.

"Major Country" means any of **[***]**.

"NDA" means a New Drug Application filed with the FDA and its equivalent in other countries or regulatory jurisdictions.

"Net Sales" shall mean **[***]** amounts **[***]** from or in connection with the sale or other disposition of Product **[***]**:**[***]**

In the event a Party or its Affiliates or Sublicensees sells or otherwise disposes of a Product in combination with other active ingredients or components which are not Products, Net Sales for purposes of royalty payments on the combination shall be calculated as follows:

In the event the Product is sold **[***]**, the applicable royalty for such Product shall be determined by **[***]**.

"Parties" means GCOR and SGI, and **"Party"** means either of them.

"Patents" means: (a) patents and patent applications; (b) any substitutions, divisions, continuations, continuations-in-part, reissues, renewals, registrations, confirmations, re-examinations, extensions, supplementary protection certificates and the like, and any

provisional applications, of any such patents or patent applications; and (c) any foreign or international equivalent of any of the foregoing.

"Phase I Clinical Trial" means a clinical study in subjects to evaluate the pharmacokinetic and pharmacodynamic properties, maximum tolerated dose, dosing interval, and absorption, distribution, metabolism and excretion of a candidate drug.

"Phase II Clinical Trial" means a controlled dose clinical trial to evaluate the efficacy and safety of a candidate drug in the targeted patient population and to define the optimal dosing regimen.

"Phase III Clinical Trial" means a controlled, pivotal, multi-center clinical trial, involving patients with the disease or condition of interest to obtain sufficient efficacy and safety data to support regulatory submission of a BLA or NDA and labeling of a candidate drug.

"Product" means any targeted enzyme plus prodrug combination product(s) developed pursuant to the Collaboration.

"Product Trademarks" means the Trademarks developed for the Products by the Steering Committee and owned jointly be the Parties, all packaging designs and other trade dress used in connection with the Products and such other Trademarks relating thereto and any registrations thereof or any pending applications relating thereto.

"Regulatory Approval" means final regulatory approval (including, where applicable, pricing approval in the event that actual sales do not take place before such approval) required to market a Product for a disease or condition in accordance with the applicable laws and regulations of a given country. In the United States, its territories and possessions, Regulatory Approval means approval of a BLA or its equivalent by the FDA.

"Regulatory Authority" means any applicable government entities regulating or otherwise exercising authority with respect to the Exploitation of the Products.

"Regulatory Documentation" means all applications, registrations, licenses, authorizations and approvals (including all Regulatory Approvals), all correspondence submitted to or received from Regulatory Authorities (including minutes and official contact reports relating to any communications with any Regulatory Authority), all supporting documents and all clinical studies and tests, relating to any Product, and all data contained in any of the foregoing, including all regulatory drug lists, advertising and promotion documents, adverse event files and complaint files.

"Research Program" means the research program conducted pursuant to Section 3.2.

"Royalty Term" means, on a Product-by-Product and country-by-country basis, the period of time equal to the longer of: (a) **[***]** from the date of First Commercial Sale of the Product in such country; or (b) the expiration of the last to expire of the Valid Patent Claims necessary for the manufacture, use or sale of a Product in such country.

"SGI ADEPT Know-How" means all Information and Inventions in the Control of SGI as of the Effective Date or at any time during the Term that: (a) relate to SGN-17/19 or ADEPT; and (b) are necessary or reasonably useful for the Collaboration or for the exercise of the SGI ADEPT Patents or SGI **[***]** Patents.

"SGI ADEPT Patents" means: (a) all Patents listed in Exhibit A to this Agreement; and (b) any other Patents in the Control of SGI during the Term that: (i) relate to SGN-17/19 or ADEPT; and (ii) are necessary or reasonably useful for the Collaboration.

"SGI ADEPT Technology" means SGI ADEPT Patents, SGI **[***]** Patents and SGI ADEPT Know-How.

"SGI Background Know-How" means all Information and Inventions in the Control of SGI as of the Effective Date or at any time during the Term that **[***]** are deemed necessary or reasonably useful for the Collaboration or for the exercise of the SGI Background Patents, but excluding: (a) any **[***]**; and (b) any **[***]**.

"SGI Background Patents" means any Patents in the Control of SGI during the Term that are necessary or reasonably useful for the Collaboration or for the practice of the SGI Background Know-How, but excluding: (a) any **[***]**; (b) **[***]**; and (c) any **[***]**.

"SGI Background Technology" means SGI Background Patents and SGI Background Know-How.

"SGI [***] Patents" means **[***]** and all Patents relating thereto **[***]** to SGI pursuant to the **[***]** and all other Patents listed on Exhibit B.

"SGI Patents" means SGI Background Patents, SGI ADEPT Patents and SGI **[***]** Patents.

"SGI Technology" means the SGI Background Technology and the SGI ADEPT Technology.

"SGN-17" means SGI's proprietary protein containing monoclonal antibody and enzyme components that incorporates the binding site of the monoclonal antibody L49 and the enzyme β-lactamase, as well as **[***]**.

"SGN-19" means SGI's proprietary form of the chemotherapeutic prodrug melphanan that has been inactivated through the addition of a chemical group that can be removed by the enzyme β-lactamase.

"SGN-17/19" means a combination of SGN-17 and SGN-19.

"Stock Purchase Agreement" means the Common Stock Purchase Agreement of even date herewith by and between SGI and GCOR attached hereto as Exhibit G.

"Sublicensee" means any person acting pursuant to a permitted sublicense granted to it by the Parties pursuant to Section 6.4 or Section 15.6.3(c) and the other terms and conditions of this Agreement.

"Technology" means SGI Technology, the GCOR Technology and/or the Joint Technology, as applicable.

"TE" means GCOR's **[***]** and covered in GCOR TE Patent(s).

"TEPT" means GCOR's targeted enzyme prodrug therapy platform covered by GCOR TEPT Patents expressly **[***]**.

"Term" means the Initial Term and any Renewal Term(s).

"Therapeutics Field" shall mean the use of **[***]** for the treatment and diagnosis of diseases in humans.

"Third-Party" means any person or entity other than GCOR, SGI and their respective Affiliates.

"Trademark" means any word, name, symbol, color, designation or device or any combination thereof, including any trademark, trade dress, service mark, service name, brand mark, trade name, brand name, logo or business symbol.

"Valid Patent Claim" means a claim of an issued and unexpired patent included in SGI Patents, GCOR Patents or Joint Patents which has not been held permanently revoked, unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been admitted to be invalid or unenforceable through reissue or disclaimer or otherwise.

"Work Plan" means the plan developed by the Parties and attached hereto in draft form setting forth the roles, responsibilities, timelines and deliverables for each of the Parties during the Collaboration, which, when finalized and approved by the Steering Committee no later than ninety (90) days from the Effective Date, shall be attached to this Agreement as Exhibit F, including any amendments or modifications made by agreement of the Steering Committee.

1.2 **Terms Defined Elsewhere in this Agreement.** In addition to the foregoing definitions, the following terms are defined in the applicable Sections of this Agreement:

Defined Term	Section
"[***]"	15.6.3(a)
"[***]"	15.6.3(e)
"Collective Opinion of Counsel"	13.3
"[***] Party"	7.2
"**Confidential Information**"	9.1
"[***] Product"	7.4
"Indemnified Party"	16.3.1
"Indemnification Claim Notice"	16.3.1
"Indemnitee" and **"Indemnitiees"**	16.3.1
"Infringement Suit"	13.4.2
"Initial Term"	15.1
"Losses"	16.1
"[***]"	7.1
"[***] Notice"	7.1
"[***] Party"	7.1
"Project Plan"	3.5(a)
"Project Budget"	3.5(b)
"Publication"	9.5
"Renewal Term"	15.1
"Reporting Party"	4.5.2
"Royalty Reports"	4.5.1
"Steering Committee"	2.1
"[***]"	15.6.3(b)
"Third Party Claim"	16.3.2
"[***] Product"	7.2
"Withholding Taxes"	5.3
"Working Teams"	3.1(c)

1.3 **Certain Rules of Interpretation in this Agreement and the Schedules.**

(a) Unless otherwise specified, all references to monetary amounts are to United States of America currency (U.S. Dollars);

(b) The descriptive headings of Articles and Sections are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of the content of such Articles or Sections;

(c) The use of words in the singular or plural, or with a particular gender, shall not limit the scope or exclude the application of any provision of this Agreement to such person or persons or circumstances as the context otherwise permits;

(d) The words "include" and "including" have the inclusive meaning frequently identified with the phrases "without limitation" and "but not limited to";

(e) Subject to Article 17, whenever a provision of this Agreement requires an approval or consent by a Party to this Agreement and notification of such approval or consent is not delivered within the applicable time limit, then, unless otherwise specified, the Party whose approval or consent is required shall be conclusively deemed to have withheld its approval or consent;

(f) Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next business day following if the last day of the period is not a business day in the jurisdiction of the Party to make such payment or do such act; and

(g) Whenever any payment is to be made or action to be taken under this Agreement is required to be made or taken on a day other than a business day, such payment shall be made or action taken on the next business day following such day to make such payment or do such act.

ARTICLE 2 — STEERING COMMITTEE

2.1 **Formation of Steering Committee.** Within **[***]** of the Effective Date, the Parties shall establish a joint committee (the **"Steering Committee"**) to make certain decisions regarding the Collaboration. The Steering Committee will be composed of **[***]** representatives of each Party, who shall be appointed (and may be replaced at any time) by such Party on written notice to the other in accordance with this Agreement. Such representatives shall possess the requisite experience and seniority to enable them to make decisions on behalf of the Parties with respect to the Collaboration. Development Decisions, and such other decisions as expressly set forth herein, shall be subject to approval of the Parties.

2.2 **Responsibilities of the Steering Committee.** The Steering Committee will be responsible for, among other things:

(a) determining the overall strategy for the Collaboration in the manner contemplated by this Agreement;

(b) within **[***]** of the Effective Date, formulating a final Work Plan, which shall be attached to this Agreement as Exhibit F and may be amended from time to time by the Steering Committee;

(c) preparing a Project Plan and Project Budget for each Collaboration Product;

(d) coordinating, expediting, overseeing and controlling all development of Collaboration Products in the Field, including pre-clinical research, clinical research, manufacturing, regulatory filings and post approval development studies;

(e) monitoring, reviewing and directing the commercialization of Collaboration Products within the Field, including developing annual marketing and sales budgets, annual forecasts or sales and production requirements, an annual marketing plan, product positioning, creative campaign strategies, pricing and managed care contract strategies;

(f) evaluating additional technologies that may be necessary or beneficial to the Collaboration and recommending the acquisition or in-licensing of these technologies;

(g) addressing, financial issues which arise in connection with the Collaboration in the areas of accounting, cost allocation, budgeting and financial reporting

(h) settling disputes or disagreements between the Parties regarding the Collaboration ; and

(i) performing such other functions as appropriate to further the purposes of this Agreement.

2.3. **Steering Committee Decision-Making.** The Steering Committee will make decisions related to the matters set forth above and such day-to-day matters as necessary to progress the Collaboration. Development Decisions and other decisions deemed extraordinary by a majority of the Steering Committee shall be made by mutual agreement of the Parties within **[***]** of the Steering Committee presenting such extraordinary matters to the Parties. All decisions of the Steering Committee will be based on a **[***]** vote of the total number of members of the Steering Committee, regardless of the number of members actually in attendance at a meeting; provided that no decision may be made at any Steering Committee meeting unless there is at least one (1) representative from each Party in attendance at such meeting. The Steering Committee will have an appointed Chairperson who shall hold such position for **[***]**. The Chairperson shall preside over meetings of the Steering Committee and shall perform such other duties as shall be assigned to him or her from time to time by the Steering Committee. The Chairperson will alternate between SGI and GCOR with the first Chairperson being a GCOR representative. Any member of the Steering Committee may designate a substitute to attend and perform the functions of that member (including voting) at any meeting of the Steering Committee. The Steering Committee will meet, either in person or by teleconference, at least **[***]**, or more frequently upon **[***]** agreement of the members of the Steering Committee. Face-to-face meetings, unless otherwise agreed, will alternate between Bothell and Palo Alto. The Steering Committee may also act by written consent of **[***]** of the members of the Steering Committee.

2.4. **Progress Reports.** Within **[***]** after the end of each **[***]** during which research, development or commercialization activities with respect to Collaboration Products are performed by or on behalf of the Parties, each Party shall provide to the other Party through the Steering Committee a written progress report, which shall (a) describe such activities and any other work relating to the Collaboration Products that it has performed, or caused to be performed, during such **[***]**, (b) evaluate the work performed in relation to the goals of the Work Plan and any existing Project Plans and Project Budgets, and (c) provide such other information as may be required by the Work Plan, Project Plan or Project Budget or reasonably requested by the other Party relating to such activities.

2.5. **Dispute Resolution.** Any dispute that may arise relating to the terms of this Agreement or the activities of the Parties hereunder shall be brought to the attention of the

Steering Committee, which shall attempt in good faith to achieve a resolution. Either Party may convene a special meeting of the Steering Committee for the purpose of resolving disputes. If the Steering Committee is unable to resolve such a dispute within **[***]** of the first presentation of such dispute to the Steering Committee, such dispute shall be resolved in accordance with the dispute resolution procedures set forth in Section 22.3.

ARTICLE 3 — CONDUCT OF THE COLLABORATION

3.1 **General Responsibilities of the Parties.** Subject to each Party's internal decisions regarding allocation of its resources, the general responsibilities of the Parties under the Collaboration are intended to be as follows:

(a) SGI Responsibilities. SGI will use Commercially Reasonable Efforts to: (i) perform **[***]** to determine **[***]**; (ii) perform **[***]** on all **[***]** provided by either Party; and (iii) identify and research potential **[***]** and/or **[***]** other than **[***]**, including those that do not relate to **[***]**, for development consideration. Assays will include **[***]** experiments comparing **[***]** with **[***]**. Once **[***]**, SGI will use Commercially Reasonable Efforts to perform **[***]**, using **[***]** of **[***]**, to assess **[***]** for consideration to include in a **[***]**. Prior to **[***]**, SGI will be responsible for the **[***]** of **[***]** for use in combination with **[***]**.

(b) GCOR Responsibilities. GCOR will use Commercially Reasonable Efforts to: (i) perform analysis of the **[***]** using **[***]**; (ii) determine **[***]** with the objective of **[***]** of **[***]** in humans; (iii) introduce **[***]** into the **[***]**; (iv) test **[***]** using **[***]** to identify those with **[***]** to **[***]**; (v) produce **[***]** of **[***]** for each of the best **[***]** for delivery to SGI for testing in **[***]**; and (vi) identify and research potential **[***]** (excluding **[***]** components thereof) for development consideration. In the event **[***]** described above are not successful, GCOR will, at its discretion, attempt to provide other **[***]**, either new, or through **[***]** of **[***]** provided by SGI, for SGI to test and for the Steering Committee to consider for further development. Additionally, GCOR will attempt to develop a process for **[***]**, or a **[***]**, but **[***]** form of **[***]**, or other **[***]** mutually agreed upon, at a level of **[***]** determined by the Steering Committee.

(c) Reallocation of Responsibilities. Responsibilities set forth in Sections 3.1(a) and (b) reflect the Parties' skills and interests as of the Effective Date, which skills and interests may evolve during the Term, at which time responsibilities may be reallocated **[***]**.

(d) Cooperation. In order to advance the Collaboration SGI and GCOR personnel working on the Collaboration including research, development, pre-clinical and clinical personnel as appropriate ("**Working Teams**") will periodically and at least **[***]** exchange information and results relating to their efforts on behalf of the Collaboration. This exchange will be done primarily through telephonic conference calls, but may also include face-to-face meetings, site visits or other methods as deemed appropriate by the Steering Committee.

(e) Intent. During the term of the Agreement, the Parties intend that each will contribute sufficient resources to the Collaboration to identify and present Collaboration Products to the Steering Committee for consideration in a Development Program.

3.2. **Scope of the Research Program.** The initial scope of the Research Program shall comprise research efforts relating to **[***]**. At the discretion of the Steering Committee, the Research Program may be expanded to include research efforts relating to other SGI Technology or GCOR Technology, such as other **[***]** within the Field. Absent agreement to the contrary, nothing contained in this Agreement shall obligate either SGI or GCOR to provide to the other or to the Collaboration novel cancer targets regardless of whether they might be useful within the Field.

3.3. **Conduct of Research Program.** Under the direction and supervision of the Steering Committee, the Parties shall use Commercially Reasonable Efforts to conduct their respective research and development activities in accordance with this Agreement. All research work performed by GCOR and SGI pursuant hereto shall be performed in a good scientific manner and in compliance with all applicable laws.

3.4 **Research Program Expenses**. **[***]** costs incurred with respect to any Collaboration Product **[***]** (**"Research Costs"**).

3.5 **Development Program.** The Steering Committee shall determine whether to advance each Collaboration Product to a Development Program as set forth in Article 2. Upon such advancement, the following terms shall apply:

(a) Project Plans and Project Budgets. The Steering Committee shall develop and implement a project plan (each a "**Project Plan**") and project budget (each a "**Project Budget**") for the research, development, manufacture and commercialization of each Collaboration Product that has entered a Development Program. It is understood that the components of each Project Plan and Project Budget will evolve as the applicable Collaboration Product moves through the development, manufacture and commercialization life cycle.

(b) Development Costs. The Parties shall **[***]** expenses incurred in connection with any Collaboration Products that **[***]**, including without limitation costs associated with **[***]** and **[***]** (collectively, **"Development Costs"**); provided, however, that such costs or expenses may not exceed (or be projected to exceed) the amounts set forth in the relevant Project Budget with respect to such Collaboration Product by more than **[***]** in any **[***]** without the approval of the Steering Committee (**"Authorized Development Costs"**). For the purposes of calculating development costs, each employee of either Party working on a Development Program shall be valued at **[***]** per FTE per year increasing at a rate of **[***]** per **[***]** starting on the **[***]** of the Effective Date. Within **[***]** after the end of each **[***]**, each Party shall furnish the Steering Committee with: (a) a statement detailing the Development Costs actually incurred by or on behalf of such Party during such **[***]**; and (b) a comparison of the actual Development Costs with the projections set forth in the Project Budget. Within **[***]** after

the end of each **[***]**, the Parties shall make any necessary re-balancing payments to each another so that **[***]** shall bear **[***]** of the total Authorized Development Costs for such **[***]**.

(c) SGN-17/19. The Parties intend that promptly after the Effective Date, SGN-17/19 will be **[***]**. Accordingly, **[***]** associated with the **[***]** of **[***]**, as specified in the Project Budget will be **[***]**.

3.6 **Resourcing Development Activities.** With respect to any Development Program activities that can be outsourced, including but not limited to activities such as toxicology studies, clinical and commercial supplies of Collaboration Products in a Development Program, and clinical development activities, the Steering Committee may solicit bids from Third Parties. Each Party shall have the right to submit a bid on such terms, as it desires. The Steering Committee shall use its best efforts to enter into appropriate agreement(s) with the Third Party that is best able to meet the Parties' requirements, taking into consideration such factors as price, quality, capacity, quantity, reliability and reputation. In the event the Steering Committee selects a Party to provide such development activities pursuant to this Section 3.6, the price and other terms and conditions of such services shall be based on arm's length negotiations with the Steering Committee.

3.7 **Marketing and Sales Responsibilities.** The Parties may out license Collaboration Products in a Development Program; however, if the Parties decide to further develop and commercialize a Collaboration Product already in a Development Program, the Parties shall negotiate and conclude a marketing and sales agreement or such other agreement as deemed appropriate and necessary to complement the terms set forth in this Collaboration Agreement promptly after such decision, setting forth the Parties rights and obligations, cost sharing, profit sharing and such other matters as deemed necessary and appropriate.

ARTICLE 4 — FINANCIAL TERMS

4.1 **Equity Purchase.** GCOR shall purchase Three Million U.S. Dollars ($3,000,000) of common stock of SGI on the terms set forth in the Stock Purchase Agreement.

4.2 **Milestone Payments.** The Parties shall make the following payments to each other within **[***]** of the first occurrence of each event set forth below:

(a) SGI will make a payment of U.S. **[***]** to GCOR upon the **[***]** by GCOR to SGI of either:

(i) a **[***]** having all of the following **[***]** traits: (1) **[***]** or a mutually agreed upon **[***]** with a **[***]**; (2) **[***]** to other **[***]** comparable to or less than **[***]**; (3) **[***]** of **[***]** to **[***]** of at least **[***]** of **[***]**; and (4) **[***]** comprising **[***]** in the **[***]** (the **[***]** to be agreed to by the Steering Committee) that result in a decrease of the **[***]** of the **[***]** to less than **[***]** relative to the **[***]** of **[***]**; or

(ii) a [***] that is not a [***] with an [***] or [***] having traits [***] specified in Section 4.2(a)(i) above and [***] based on [***] over time) [***] to [***] when both are combined with [***].

(b) GCOR shall make a payment of U.S. [***] to SGI upon [***].

(c) SGI shall make a payment of U.S. [***] to GCOR upon the earlier of: (i) the [***] of the first [***] that [***]; or (ii) completion of the [***] that [***] if [***] by the Steering Committee for reasons other than [***].

(d) GCOR shall make a payment of U.S. [***] to SGI on the [***] anniversary of the Effective Date.

(e) If the Steering Committee is [***] on the [***] anniversary of the Effective Date, GCOR shall make a payment of U.S. [***] to SGI.

4.3 **Royalties.**

4.3.1 Royalties Payable by SGI. During the Royalty Term, SGI shall pay royalties to GCOR on Net Sales of [***] Products for which [***] has [***] pursuant to Section 7.1, determined on a [***] Product-by-[***] Product basis, as follows:

For [***] Products Incorporating:	Rate1	Rate 2
[***]	[***]%	[***]%
[***]	[***]%	[***]%
[***]	[***]%	[***]%

Rate 1 shall apply if [***] with respect to such [***] Product prior to completing the [***] of the first [***] in a [***] for such [***] Product. Rate 2 shall apply if [***] with respect to such [***] Product after completing the [***] of the first [***] in a [***] for such [***] Product.

If a [***] Product incorporates [***], the royalties payable by SGI shall be [***]. For purposes of illustration, if a [***] Product incorporates [***], SGI shall pay royalties to GCOR on Net Sales of such [***] **Product** at the rate of [***] above.

4.3.2. Royalties Payable by GCOR. During the Royalty Term, GCOR shall pay royalties to SGI on Net Sales of [***] Products for which [***] pursuant to Section 7.1, determined on a [***] Product-by-[***] Product basis, as follows:

For [***] Products Incorporating:	Rate 1	Rate 2
[***]	[***]%	[***]%

Rate 1 shall apply if [***] with respect to such [***] Product prior to completing the [***] of the first [***] in a [***] for such [***] Product. Rate 2 shall apply if [***] with respect

to such **[***]** Product after completing the **[***]** of the first **[***]** in a **[***]** for such **[***]** Product.

4.4 **Third-Party Obligations.**

4.4.1 Collaboration Products. The Parties shall **[***]** any royalties, milestones or other payments owed to Third Parties based on a decision made by the Steering Committee on account of Exploitation of Collaboration Products.

4.4.2 **[***]** Products. The **[***]** Party electing to **[***]** a **[***]** Product shall be responsible for **[***]** of such **[***]** Product arising under the **[***]** or arising after the Effective Date based on a decision made by the Steering Committee. The **[***]** Party shall remain responsible for **[***]** of such **[***]** Product based on agreements existing prior to the Effective Date and to which the **[***]** Party was a party excluding the **[***]**.

4.5 **Royalty Reports.**

4.5.1 Reports. During the Royalty Term, any Party commercializing a **[***]** Product subject to royalty payments pursuant to Section 4.3 shall provide to the other Party, with respect to each **[***]**, a written report showing on a consolidated basis in reasonably specific detail and **[***]**, (a) the gross sales of **[***]** Products sold by such Party and its Affiliates during the corresponding **[***]** and the calculation of Net Sales from such gross sales; (b) the royalties payable in U.S. dollars, if any, which shall have accrued hereunder based upon Net Sales of **[***]** Products; (c) the withholding taxes, if any, required by law to be deducted in respect of such royalties; (d) the dates of the First Commercial Sale of each **[***]** Product in each country if it has occurred during the corresponding **[***]**; and (e) the exchange rates (as determined pursuant to Section 5.2 herein) used in determining the royalty amount expressed in U.S. dollars (collectively, **"Royalty Reports"**).

4.5.2 Submission of Reports and Payment. The Party making such Royalty Reports (the **"Reporting Party"**) shall include in each permitted sublicense granted by it pursuant to this Agreement a provision requiring its Sublicensees to make Royalty Reports to the other Party consistent with Section 4.5.1. Royalty Reports and payment shall be due on the **[***]** day following the close of each **[***]**. Subject to Section 5.4, the Reporting Party shall keep complete and accurate records in sufficient detail to properly reflect all gross sales and Net Sales and to enable the royalties payable hereunder to be determined.

ARTICLE 5 — PAYMENTS TERMS; RECORDS; AUDITS

5.1 **Payment Method.** All amounts due by one Party hereunder shall be paid in U.S. dollars by wire transfer in immediately available funds to an account designated by the receiving Party. Any payments or portions thereof due hereunder which are not paid within **[***]** of the date such payments are due under this Agreement shall bear interest at a rate equal to the lesser of the **[***]**, on the first day of each **[***]** in which such payments are overdue, plus **[***]**

percent (**[***]**%), or the maximum rate permitted by law, calculated on the number of days such payment is delinquent, compounded monthly.

5.2 **Currency; Foreign Payments.** If any currency conversion shall be required in connection with any payment hereunder, such conversion shall be made by using the exchange rate for the purchase of U.S. dollars as published in **[***]** on the last business day of the **[***]** to which such payments relate.

5.3 **Taxes.** A Party may deduct from any amounts it is required to pay pursuant to this Agreement an amount equal to that withheld for or due on account of any taxes (other than taxes imposed on or measured by net income) or similar governmental charge imposed by a jurisdiction other than the United States (**"Withholding Taxes"**). At the receiving Party's request, the paying Party shall provide the receiving Party a certificate evidencing payment of any Withholding Taxes hereunder and shall reasonably assist the receiving Party, at the receiving Party's expense, to obtain the benefit of any applicable tax treaty.

5.4 **Records Retention; Audit.**

5.4.1 Record Retention. Each Party shall maintain (and shall ensure that its Affiliates and Sublicensees shall maintain) complete and accurate books, records and accounts that fairly reflect their respective: (a) Development Costs reimbursable or otherwise shared by the Parties hereunder and (b) royalties payable hereunder by one Party to the other Party with respect to **[***]** Products in each case in sufficient detail to confirm the accuracy of any payments required hereunder and in accordance with generally accepted accounting principles, which books, records and accounts shall be retained by such party **[***]** after the end of the period to which such books, records and accounts pertain.

5.4.2 Audit. Each Party shall have the right to have an independent certified public accounting firm of nationally recognized standing, reasonably acceptable to the audited Party, to have access during normal business hours, and upon reasonable prior written notice, to such of the records of the other Party (and its Affiliates and Sublicensees) as may be reasonably necessary to verify the accuracy of such Development Costs and royalties, as applicable, for any **[***]** ending not more than **[***]** prior to the date of such request; provided, however, that neither Party shall have the right to conduct more than one such audit in any **[***]** period. The accounting firm shall only disclose to each Party whether such Development Costs or royalties, as applicable, are correct or incorrect and the specific details concerning any discrepancies. No other information shall be provided to the requesting Party. The requesting Party shall bear the cost of such audit unless the audit reveals a variance of more than **[***]** percent (**[***]**%) from the reported results, in which case the audited Party shall bear the cost of the audit. The results of such accounting firm shall be final, absent manifest error.

5.4.3 Payment of Additional Amounts. If, based on the results of such audit, additional payments are owed by a Party under this Agreement, such Party shall make such additional payments, with interest from the date originally due at the rate of **[***]** percent (**[***]**%) per month, within **[***]** after the date on which such accounting firm's written report is delivered to such Party.

5.4.4 Confidentiality. The auditing Party shall treat all information subject to review under this Section 5.4 in accordance with the confidentiality provisions of Article 9 and shall cause its accounting firm to enter into a reasonably acceptable confidentiality agreement with the audited Party obligating such firm to maintain all such financial information in confidence pursuant to such confidentiality agreement.

5.5 **Sales by Affiliates and Sublicensees.** Each Party shall include in each permitted sublicense granted by it pursuant to the Agreement a provision requiring its Affiliates and Sublicensees to make reports to the other Party, to keep and maintain records of sales made pursuant to such sublicense and to grant access to such records by the other Party's independent accountant to the same extent required with respect to such Party's records under this Agreement.

ARTICLE 6 — LICENSES

6.1 **[***] Licenses.**

6.1.1 By SGI. Subject to the terms and conditions of this Agreement, SGI hereby grants to GCOR and its Affiliates a **[***]**, license or sub-license under the SGI ADEPT Patents and Joint Technology, with the limited right to sublicense as permitted in Section 6.4, solely to Exploit Products within the Field.

6.1.2 By GCOR. Subject to the terms and conditions of this Agreement, GCOR hereby grants to SGI and its Affiliates a **[***]**, license under the GCOR TEPT Patents and Joint Technology, with a limited right to sublicense as permitted in Section 6.4, solely to Exploit Products within the Field.

6.2 **[***] Licenses.**

6.2.1 By SGI. Subject to the terms and conditions of this Agreement, SGI hereby grants to GCOR and its Affiliates a **[***]**, license or sub-license under the (a) SGI Background Technology; and (b) SGI ADEPT Know-How; with the limited right to further sublicense as permitted in Section 6.4, solely to Exploit Products within the Field. SGI hereby grants to GCOR and its Affiliates a **[***]** sublicense under the SGI **[***]** Patents with the limited right to sublicense as permitted in Section 6.4, solely to Exploit Products in the Field.

6.2.2 By GCOR. Subject to the terms and conditions of this Agreement, GCOR hereby grants to SGI and its Affiliates a **[***]**, license under the (a) GCOR Background Technology; and (b) GCOR TEPT Know-How; with a limited right to sublicense as permitted in Section 6.4, solely to Exploit Products within the Field.

6.3 **[***] Product Licenses.** If one Party **[***]** with respect to a particular **[***]** Product pursuant to Article 7, the **[***]** Party shall thereupon be automatically deemed to have granted to the **[***]** Party a **[***]** to the extent **[***]**, license under such Party's Technology, with the right to sublicense, to Exploit the particular **[***]** Product within the Field.

6.4 **Rights to Sublicense.** Neither Party may further sublicense the rights granted to it pursuant to Section 6.1 and 6.2 except as follows: (a) the **[***]** Party may sublicense the rights granted to it pursuant to Section 6.1 or 6.2 to a Sublicensee solely to Exploit a **[***]** Product in the Field; and (b) either Party may sublicense to a Third Party under its interest in Joint Technology solely for the Exploitation of products **[***]**. No approval shall be required for sublicensing conducted by the Parties under this Section 6.4; provided that the Party granting such sublicense shall forward to the other Party a fully executed copy of such sublicense agreement or amendment thereof (either of which may be redacted to remove confidential information) within **[***]** of execution of such sublicense agreement or amendment. Neither party may grant any rights under the Joint Technology to any Third Party **[***]** that would restrict the other Party's use of the Joint Technology, except by mutual agreement of the Parties.

6.5 **Third Party Licenses.** Each Party shall be free to license its respective Background Technology to Third Parties within or outside the Field without notice or approval. Only by decision of the Steering Committee, as approved by the Parties, may licenses or sublicenses to SGI ADEPT Technology, GCOR TEPT Technology and Joint Technology be granted to Third Parties for Exploitation of Products within the Field.

6.6 **[***].** All licenses granted by SGI to GCOR herein are subject to the terms and conditions of the **[***]**, including the **[***]**. GCOR and its Sublicensees agree to comply with the following sections of the **[***]**, and any amendments thereto upon written disclosure thereof to GCOR, as if GCOR were a party to the **[***]**: Sections **[***]**. The Parties agree that **[***]** is a **[***]** to this Agreement with respect to SGI Technology that includes technology **[***]**. SGI hereby agrees that it will not amend or otherwise modify the **[***]** in any manner that negatively impacts GCOR's rights or obligations hereunder without the prior written consent of GCOR. If **[***]** under the **[***]** to **[***]**, SGI agrees to **[***]**. SGI will provide GCOR notice of any other amendment or modification to the **[***]** including a copy thereof within **[***]** of execution of such amendment; provided that SGI may redact such amendment to remove confidential information that is not related to GCOR's rights or obligations.

6.7 **Restriction on Use.** Notwithstanding anything to the contrary in this Agreement, GCOR shall not have any right to **[***]**.

ARTICLE 7 — [***] DEVELOPMENT AND COMMERCIALIZATION

7.1 **[***] by a Party.** Each Party (the **"[***] Party"**) shall have the right, on **[***]** written notice to the other (an **"[***] Notice"**), to **[***]** at any time; provided that such Party shall be responsible for all **[***]** that the Steering Committee has approved in the applicable **[***]** for the **[***]** following the date that the other Party receives such Party's **[***]** Notice to the extent such **[***]**.

7.2 **Rights and Obligations of Parties with Respect To [***] Products.** Upon receipt by a Party of an **[***]** Notice with respect to a **[***]**, the receiving Party shall have the right on written notice to the **[***]** Party within **[***]** following receipt of the **[***]** Notice, to proceed **[***]** (the **"[***] Party**") with the **[***]** of such Product (each, a "**[***]** Product")],

subject to **[***]**. The **[***]** Party shall have: (a) **[***]** to **[***]** any additional efforts in respect of such **[***]** Product except as set forth in Section 7.1; (b) **[***]** regarding such **[***]** in respect of such **[***]** Product; and (c) **[***]** to **[***]** of such **[***]** Product. In the event that neither Party elects to **[***]**, or the **[***]** Party subsequently **[***]** of a **[***]** Compound such **[***]** or such **[***]** Product shall become a **[***]** Product and the rights and obligations of the Parties with respect thereto shall thereafter be governed by Section 7.4.

7.3 **Diligence of [***] Party.** A **[***]** Party shall use Commercially Reasonable Efforts to develop and commercialize a **[***]** Product. The **[***]** Party will provide to the **[***]** Party a written report overviewing the continued development and commercialization activities of the **[***]** Product upon request and no more than **[***]**. Failure to **[***]** the **[***]** Compound over a **[***]** period shall result in the **[***]** Compound becoming a **[***]** Product.

7.4 **Third-Party Research, Development and Commercialization of [***] Products.** At the discretion of the Steering Committee, the Parties shall have the right, at any time with respect to a **[***]** Product or **[***]** Product, to license to Third Parties rights with respect to the research, development, manufacture or commercialization of such **[***]** Product or **[***]** Product on such terms and conditions as the Parties may mutually agree; provided that any disputes between the Parties as to whether or not to grant such a license shall not be subject to any Third Party dispute resolution mechanism.

7.5 **[***] Products.** If the Parties **[***]** of a particular **[***]** Product **[***]**, and the Parties have not **[***]** to such **[***]** Product to a Third Party pursuant to Section 7.3 that would be inconsistent therewith, (each, a **"[***] Product"**) either Party shall have the right at any time to **[***]** such **[***]** Product to the **[***]** to discuss whether to **[***]** of such **[[***]** Product. The initiating Party shall specify the reasons for proposing to **[***]**. If, within **[***]** after the receipt of such notice, the other Party fails to notify the interested Party in writing that it wishes to **[***]** of such **[***]** Product, then the interested Party shall have the right to **[***]** of such **[***]** Product as a **[***]** Product pursuant to Sections 7.1 and 7.2.

ARTICLE 8 — DISCLOSURE OF INFORMATION

8.1 **Exchange of Know-How.** During the Term, each Party will, and will cause its Affiliates and Sublicensees, as applicable, to, without additional compensation and at such Party's sole expense, disclose and make available to the other Party, in whatever form each such other Party may reasonably request, all Regulatory Documentation, all of its Background and Co-Exclusive Know-How, all Joint Know-How and any other Information and Inventions reasonably necessary for the Exploitation of any Collaboration Product in a Development Program.

8.2 **Cooperation.** With respect to the research, development, commercialization or other Exploitation of the Collaboration Products, each Party, shall cooperate with any and all reasonable requests for assistance from the other Party, including by making its employees, consultants and other scientific staff available upon reasonable notice during normal business hours at their respective places of employment to consult with such other Party, as applicable, on issues arising during such research, development, commercialization or Exploitation.

8.3 **Regulatory Records.** With respect to the subject matter of this Agreement, each Party shall maintain, or cause to be maintained, records of its respective research, development, manufacturing and commercialization activities, including all Regulatory Documentation, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall be complete and accurate and shall fully and properly reflect all work done and results achieved in the performance of such activities, and which shall be retained during the term of this Agreement and for a period of **[***]** thereafter, or for such longer period as may be required by Applicable Law.

ARTICLE 9 — CONFIDENTIALITY

9.1 **Non-Disclosure Obligations.** Except as otherwise provided in this Article 9, during the Term and for a period of **[***]** thereafter, each Party shall maintain in confidence, and use only for purposes as expressly authorized and contemplated by this Agreement, all confidential or proprietary information, data, documents or other materials supplied by the other Party under this Agreement and marked or otherwise identified as "Confidential", including all SGI Technology and GCOR Technology. For purposes of this Agreement, information and data described above shall be hereinafter referred to as **"Confidential Information"**. Each Party shall use at least the same standard of care as it uses to protect its own Confidential Information to ensure that its and its Affiliates' employees, agents, consultants and clinical investigators only make use of Confidential Information for purposes as expressly authorized and contemplated by this Agreement and do not disclose or make any unauthorized use of such Confidential Information.

9.2 **Permitted Disclosures.** Notwithstanding the foregoing, the provisions of Section 9.1 hereof shall not apply to information, documents or materials that can conclusively be established:

(a) to have become published or otherwise entered the public domain other than by acts of the recipient in contravention of this Agreement;

(b) are permitted to be disclosed by prior consent of the discloser;

(c) have become known to the recipient by a Third Party, provided such Confidential Information was not obtained by such Third Party directly or indirectly from the discloser on a confidential basis;

(d) prior to disclosure under the Agreement, was already in the possession of the recipient or its Affiliates or Sublicensees;

(e) is disclosed in a press release agreed to by both Parties hereto, which agreement shall not be unreasonably withheld; and

(f) are required to be disclosed by the recipient to comply with any applicable law, regulation or court order, or are reasonably necessary to obtain Patents, copyrights or

authorizations to conduct clinical trials with, and to commercially market Product(s), provided that the recipient shall provide prior notice of such disclosure to the discloser and take reasonable and lawful actions to avoid or minimize the degree of disclosure.

9.3 **Terms of the Agreement.** GCOR and SGI shall not disclose any terms or conditions of this Agreement to any Third-Party without the prior consent of the other Party, except as required by applicable laws, the Securities and Exchange Commission ("SEC") or any listing agency on which a Party's stock is traded, regulations or a court order (and in any such case the Recipient shall provide notice to the Discloser and take reasonable and lawful actions to avoid or minimize the degree of such disclosures).

9.4 **Press Releases and Other Disclosures to Third-Parties.** The Parties shall mutually agree upon press releases to be released announcing the execution of this Agreement and the existence of the Collaboration. For any subsequent press releases or disclosures relating to the Collaboration, each Party shall promptly review and comment or approve any press release proposed by the other Party. Failure to respond or approve within **[***]** of receipt of a proposed press release shall be deemed acceptance. Neither SGI nor GCOR will, without the prior consent of the other, issue any other press release or make any other public announcement or furnish any statement to any Person concerning the terms of this Agreement and the transactions contemplated thereby, except for: (i) disclosures made in compliance with Sections 9.2 and 9.3 hereof; (ii) disclosures to attorneys, consultants, and accountants retained to represent them in connection with the transactions contemplated hereby; and (iii) occasional, brief comments by the respective officers of GCOR and SGI consistent with such guidelines for public statements as may be mutually agreed by GCOR and SGI made in connection with routine interviews with analysts or members of the financial press.

9.5 **Publications Regarding Results of the Collaboration.** Neither Party may publish, present or announce results of the Collaboration either orally or in writing (the **"Publication"**) without obtaining the written consent of the other Party. The other Party shall have **[***]** from receipt of the proposed Publication to provide comments and/or proposed changes to the disclosing Party. The disclosing Party shall take into account the comments and/or proposed changes made by the other Party on any Publication and shall agree to have employees or others acting on behalf of the other Party be mentioned as co-authors on any Publication describing results to which such persons have contributed. If the other Party reasonably determines the Publication would amount to the public disclosure of such Party's Confidential Information and/or of a patentable invention upon which a patent application should be filed prior to any such disclosure, submission of the concerned Publication to Third-Parties shall be delayed for a **[***]** period from the date of said notice, or for such longer period which may appear necessary for appropriately deleting Confidential Information from the proposed Publication and/or drafting and filing a patent application covering such invention.

ARTICLE 10 — COMMERCIALIZATION OF COLLABORATION PRODUCTS

10.1 **Commercialization Efforts.** Subject to Section 3.3, the Parties each agree to use Commercially Reasonable Efforts to collaborate diligently on the commercialization of

Collaboration Products, including without limitation regulatory, marketing, sales, distribution efforts. The Parties shall be guided by a standard of reasonable in economic terms and of fairness to each of the Parties, striving to balance as best they can the legitimate interests and concerns of the Parties to realize the economic potential of Collaboration Products.

10.2 **Product Trademarks.** All Collaboration Products shall be sold under Product Trademarks selected by the Steering Committee and owned jointly by the Parties. The Steering Committee shall use its best efforts to select worldwide Product Trademarks. Such Product Trademarks shall not be confusingly similar to, misleading or deceptive with respect to, or dilute any of the Trademarks owned or Controlled by either of the Parties, or any part of such Trademarks. Absent agreement to the contrary, no Party or any of its Affiliates or Sublicensees shall commercialize a Collaboration Product under any Trademark other than the Product Trademarks.

ARTICLE 11 — INTELLECTUAL PROPERTY

11.1 **Intellectual Property Ownership.** SGI shall retain all its right, title and interest in all SGI Technology and GCOR shall retain all its right, title and interest in all GCOR Technology. All Joint Know-How shall be **[***]** owned by SGI and GCOR, and **[***]** Party shall retain **[***]** in any Joint Patents resulting therefrom, with **[***]** rights in any field and subject to the licenses granted in Article 6, the right to sublicense pursuant to Sections 6.4 and 15.6.3(c). The laws of the United States with respect to joint ownership of inventions shall apply in all jurisdictions giving force and effect to this Agreement.

11.2 **Ownership of Product Trademarks.** The Parties shall each own **[***]** in each Product Trademark with respect to a Collaboration Product. In the event that a Party **[***]** with respect to a Collaboration Product, it shall, without any additional consideration, assign all of its right, title and interest in and to any Product Trademark with respect to such **[***]** Product to the **[***]** Party; provided, however, that each Party shall retain all of its right, title and interest in and to any Product Trademarks with respect to **[***]** Products.

11.3 **Ownership of Regulatory Documentation.** The Parties shall **[***]** own all Regulatory Approvals with respect to a Collaboration Product. Each Party shall, to the extent permitted by law, have **[***]** in all other Regulatory Documentation; provided, however, that if certain Regulatory Documentation must be held in the name of one Party only, then SGI shall hold title for Regulatory Documentation for SGN-17/19 and variants and GCOR shall hold title to Regulatory Documentation for any TEPT Product. Each **[***]** Party shall have the right to own all right, title and interest in and to all Regulatory Approvals with respect to its **[***]** Products. In the event that a Party **[***]** with respect to a Collaboration Product in a Development Program, it shall assign all of its right, title and interest in and to all Regulatory Documentation with respect to such **[***]** Product, including any Regulatory Approvals and applications therefore, to the **[***]** Party (or its designee); provided, however, that each Party shall retain any of its right, title and interest in and to any Regulatory Documentation with respect to a **[***]** Product. Notwithstanding the ownership of any Regulatory Approval or any other Regulatory Documentation, each Party shall have the right to use and reference any of the

Regulatory Documentation in connection with the Exploitation of Collaboration Products as provided in this Agreement.

ARTICLE 12 — PROSECUTION OF PATENTS AND TRADEMARKS

12.1 **SGI Patents.** As between the Parties, SGI shall have the sole right, at its cost and expense, to obtain, prosecute and maintain throughout the world the SGI Patents.

12.2 **GCOR Patents.** As between the Parties, GCOR shall have the sole right, at its cost and expense, to obtain, prosecute and maintain throughout the world the GCOR Patents.

12.3 **Joint Patents.** The Steering Committee shall make a recommendation to the Parties regarding which Party is best situated to file, prosecute and maintain Joint Patents. The Parties shall, and shall cause their respective Affiliates and Sublicensees, as applicable, to, cooperate with one another with respect to the filing, prosecution and maintenance of all Joint Patents, including selecting outside counsel, reasonably acceptable to the Parties, to handle such filing, prosecution and maintenance. The Steering Committee shall provide each Party with (i) drafts of any new application for a Joint Patent prior to filing that application, allowing adequate time for review and comment by the Parties if possible; provided, however, the Steering Committee shall not be obligated to delay the filing of any application; and (ii) copies of all correspondence from any and all Patent offices concerning Joint Patent applications and an opportunity to comment on any proposed responses, amendments and submissions of any kind to be made to any and all such Patent offices. The Parties shall share equally in the expenses associated with the filing, prosecution (including any interferences, reissue proceedings and reexaminations) and maintenance of all Joint Patents.

12.4 **Product Trademarks.** The Steering Committee, with respect to a Product, shall supervise and direct the filing, prosecution and maintenance of the registrations of the Product Trademarks for such Product. The Steering Committee shall provide each Party with (i) drafts of any new application to register a Product Trademark prior to filing that application, allowing adequate time for review and comment by the Parties if possible; provided, however, the Steering Committee shall not be obligated to delay the filing of any application; and (ii) copies of all correspondence from any and all Trademark offices concerning Product Trademark registrations and an opportunity to comment on any proposed responses, voluntary amendments and submissions of any kind to be made to any and all such Trademark offices. The Parties shall share equally in the expenses associated with the filing, prosecution and maintenance of such Product Trademark registrations.

12.5 **Cooperation.** Each Party shall, and shall cause its Affiliates and Sublicensees, as applicable, to, cooperate fully in the preparation, filing, prosecution, and maintenance of Joint Patents, SGI Patents, GCOR Patents and Product Trademarks. Such cooperation includes (a) promptly executing all papers and instruments and requiring employees to execute such papers and instruments as reasonable and appropriate so as to enable such other Party or the Steering Committee, as applicable, to file, prosecute, and maintain Joint Patents, SGI Patents or GCOR Patents, as the case may be, in any country; and (b) promptly informing such other Party of matters that may affect the preparation, filing, prosecution, or maintenance of any such Patents.

12.6 **Patent Filings.** SGI covenants not to, and to cause its Affiliates and Sublicensees, as applicable, not to, file any patent application disclosing or claiming any GCOR Technology or the Exploitation thereof, without GCOR's prior written consent. GCOR covenants not to, and to cause its Affiliates and Sublicensees, as applicable, not to, file any patent application disclosing or claiming any SGI Technology or the Exploitation thereof, without SGI's prior written consent.

12.7 **Election not to Prosecute.** If a Party elects not (a) to pursue the filing, prosecution or maintenance of a Joint Patent in a particular country, (b) to pursue the registration, prosecution or maintenance of a Product Trademark in a particular country, or (c) to take any other action with respect to Joint Technology or a Product Trademark in a particular country that is necessary or reasonably useful to establish or preserve rights thereto, then in each such case such Party shall so notify the other Party promptly in writing and in good time to enable such other Party to meet any deadlines by which an action must be taken to establish or preserve any such rights in such Joint Technology or Product Trademark, as applicable, in such country. Upon receipt of each such notice by such other Party or if, at any time, such Party fails to initiate any such action within **[***]** after a request by such other Party that it do so (and thereafter diligently pursue such action), such other Party shall have the right, but not the obligation, to pursue the filing or registration, or support the continued prosecution or maintenance, of such Patent or Product Trademark, as applicable, at its expense in such country. If such other Party elects to pursue such filing or registration, as the case may be, or continue such support, then such other Party shall notify such Party of such election and such Party shall, and shall cause its Affiliates and Sublicensees, as applicable, to, (x) reasonably cooperate with such other Party in this regard, and (y) promptly release or assign to such other Party, without compensation, all right, title and interest in and to such Patent or Product Trademark, as applicable, in such country.

ARTICLE 13 — ENFORCEMENT OF PATENTS AND TRADEMARKS

13.1 **Rights and Procedures.** If SGI or GCOR determines that any Technology or Product Trademark is being infringed by a Third Party's activities and that such infringement could affect the exercise by the Parties of their respective rights and obligations under this Agreement, it shall promptly notify the other Party in writing and provide such other Party with any evidence of such infringement that is reasonably available.

13.1.1 Joint Technology and Product Trademarks. With respect to Joint Technology and Product Trademarks, the Steering Committee, upon approval of the Parties, shall have the first right to remove such infringement using commercially appropriate steps, including the filing of an infringement suit or taking other similar action. Each Party shall be responsible for half of the reasonable and verifiable costs and expenses incurred in connection with such action. In the event the Steering Committee fails to take commercially appropriate steps to remove any infringement of any such Joint Technology or Product Trademark within **[***]** following notice of such infringement, or earlier notifies the Parties in writing of its intent not to take such steps, either Party shall have the right to do so at its expense; provided, however, that if the Steering Committee has commenced negotiations with an alleged infringer for discontinuance of such infringement within such **[***]** period, the Steering Committee shall have an additional

[***] to conclude its negotiations before a Party unilaterally may bring suit for such infringement.

13.1.2 SGI Technology and GCOR Technology. With respect to SGI Technology or GCOR Technology, the owner of such Technology shall have the sole right, but not the obligation, to remove such infringement; provided, however, that the other Party shall reimburse the owner of such Technology for **[***]** of the reasonable out-of-pocket costs incurred by such owner with respect to the removal of any such infringement with respect to any Collaboration Product.

13.2 **Cooperation.** The Party not enforcing the applicable Technology or Product Trademark shall provide reasonable assistance to the other Party, including providing access to relevant documents and other evidence, making its employees available at reasonable business hours, and joining the action to the extent necessary to allow the enforcing Party to maintain the action.

13.3 **Recovery.** Any amounts recovered by a Party pursuant to Section 14.1, whether by settlement or judgment, shall be used to reimburse the Parties for their reasonable costs and expenses in making such recovery (which amounts shall be allocated pro rata if insufficient to cover the totality of such expenses), with any remainder being retained by the Party that has exercised its right to bring the enforcement action; provided, however, that to the extent that any award is attributable to loss of sales of a Collaboration Product, the Parties shall negotiate in good faith an appropriate allocation of such award to reflect the economic interests of the Parties under this Agreement with respect to such Collaboration Product.

13.4 **Potential Third Party Rights.**

13.4.1 Third Party Licenses. If (a) in the Collective Opinion of Counsel, a Party, or any of its Affiliates or Sublicensees, cannot Exploit a Collaboration Product in a country without infringing one or more Patents that have issued to a Third Party in such country, or (b) one or both of the Parties identify Third Party Patents or technology that may be beneficial to the Collaboration and/or the Exploitation of Collaboration Products and the Steering Committee agrees that one or both Parties should pursue a license to such Third Party Patents or technology, or (c) as a result of any claim made against a Party, or any of its Affiliates or Sublicensees, alleging that the Exploitation of a Collaboration Product infringes or misappropriates any Patent or any other intellectual property right of a Third Party in a country, a judgment is entered by a court of competent jurisdiction from which no appeal is taken within the time permitted for appeal, such that a Party cannot Exploit such Collaboration Product in such country without infringing the Patent or other proprietary rights of such Third Party, then, in any case, the Parties shall use Commercially Reasonable Efforts to obtain a license in the names of the Parties from such Third Party as necessary for the Exploitation of any Collaboration Products hereunder in such country; provided, however, that SGI shall have the sole right to seek any such license with respect to Exploitation of SGI Technology, and shall use Commercially Reasonable Efforts to obtain such a license in its own name from such Third Party in such country, under which SGI shall, to the extent permissible under such license, grant a sublicense to GCOR as necessary for GCOR, and any of its Affiliates and Sublicensees, to Exploit the Collaboration Products as

provided hereunder in such country; and provided further that GCOR shall have the sole right to seek any such license with respect to Exploitation of GCOR Technology, and shall use Commercially Reasonable Efforts to obtain such a license in its own name from such Third Party in such country, under which GCOR shall, to the extent permissible under such license, grant a sublicense to SGI as necessary for SGI, and any of its Affiliates and Sublicensees, to Exploit the Collaboration Products as provided hereunder in such country. The Parties shall **[***]** bear **[***]** of any royalty or other obligations under such licenses to the extent related to the Exploitation of Collaboration Products. Any royalty or other obligation relating to either SGI's or GCOR's use of the licensed technology for purposes other than the Exploitation of Collaboration Products shall be borne by the respective party using the licensed technology. **"Collective Opinion of Counsel"** means the final joint opinion of patent counsel designated by SGI and patent counsel designated by GCOR, after review of all data and information reasonably available at the time such opinion is rendered. If patent counsel for the Parties cannot agree on a final joint opinion within **[***]** after submission of the matter to such counsel, the patent counsel of the Parties shall agree on a third patent counsel who shall offer an independent opinion on the subject matter, which independent opinion shall be deemed the Collective Opinion of Counsel.

13.4.2 Third Party Litigation. In the event that a Third Party institutes a Patent, Trademark or other infringement suit against either Party during the Term, alleging that the Exploitation of the Collaboration Products or any other activities hereunder, infringes one or more Patent, Trademark or other intellectual property rights held by such Third Party (an **"Infringement Suit"**), the Parties shall cooperate with one another in defending such suit. The Parties shall jointly direct and control any Infringement Suit with respect to Collaboration Products. The Parties shall **[***]** bear **[***]** of any costs and expenses of such defense.

13.4.3 Retained Rights. Nothing in this Section 13.4 shall prevent either Party, at its own expense, from obtaining any license or other rights from Third Parties it deems appropriate in order to permit the full and unhindered exercise of its rights under this Agreement.

13.5 **[***] Patent Rights.** Notwithstanding anything to the contrary in this Agreement, with respect to any SGI Patents that are subject to the **[***]**, the rights and obligations of the Parties under this Article 13 shall be subject to **[***]**'s rights to participate in and control prosecution, maintenance and enforcement of such SGI Patents in accordance with the terms and conditions of the **[***]**.

ARTICLE 14 — REPRESENTATIONS AND WARRANTIES

14.1. **Representations, Warranties and Covenants.** Each of the Parties hereby represents, warrants and covenants as follows:

(a) This Agreement has been duly executed and delivered by such Party and constitutes the valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium or other laws relating to or affecting creditors' rights generally and by general equitable principals. The execution, delivery and

performance of this Agreement has been duly authorized by all necessary action on the part of such Party, its officers and directors.

(b) The execution, delivery and performance of this Agreement by such Party does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it is bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

(c) SGI represents and warrants that it has not, and during the Term of the Agreement will not, grant any right to any Third Party relating to the SGI Technology that would conflict with the rights granted to GCOR hereunder. SGI represents and warrants that it has the right to grant the licenses (including the sublicense under the SGI **[***]** Patents and SGI ADEPT Know-How) granted herein and that, **[***],** SGI has no knowledge of any rights of any Third Parties that would interfere with the rights granted to GCOR hereunder or otherwise interfere with the Parties Exploitation of ADEPT-based Collaboration Products and SGN-17/19. SGI represents and warrants that it has disclosed to GCOR all financial obligations existing as of the Effective Date for the Exploitation of ADEPT and SGN-17/19.

(d) GCOR represents and warrants that it has not, and during the Term of the Agreement will not, grant any right to any Third Party relating to the GCOR Technology that would conflict with the rights granted to SGI hereunder. GCOR represents and warrants that it has the right to grant the licenses granted herein and that it has no knowledge of any rights of any Third Parties that would interfere with the practice of the GCOR Patents or other GCOR Technology.

(e) SGI will use diligent efforts to obtain and disclose to GCOR information relating to the rights, if any, **[***]** to the SGI Technology licensed under the **[***]** as soon as practicable after the Effective Date.

14.2. **Performance by Affiliates**. The Parties recognize that each may perform some or all of its obligations under this Agreement through Affiliates, provided, however, that each Party shall remain responsible and be guarantor of the performance by its Affiliates and shall cause its Affiliates to comply with the provisions of this Agreement in connection with such performance.

ARTICLE 15 — TERM AND TERMINATION

15.1 **Term.** The term of this Agreement shall commence upon the Effective Date and shall continue in effect until the **[***]** anniversary of the Effective Date (the **"Initial Term"**), unless terminated at an earlier date in accordance with the terms and conditions set forth in this Article 15. The Initial Term shall automatically be extended for additional consecutive **[***]** terms (each, a **"Renewal Term"**) unless either Party delivers written notice of termination to the other Party more than **[***]** prior to the expiration of the Initial Term or any Renewal Term.

15.2 **Termination of Agreement for Material Breach.** Failure by a Party to comply with any of its material obligations contained herein shall entitle the Party not in default to give

to the Party in default notice specifying the nature of the default, requiring the defaulting Party to make good or otherwise cure such default, and stating its intention to terminate if such default is not cured. If such default is not cured within **[***]** after the receipt of such notice (or, if such default cannot be cured within such **[***]** period, if the Party in default does not commence actions to cure such default within such period and thereafter diligently continue such actions or if such default is not otherwise cured within **[***]** after the receipt of such notice), the Party not in default shall be entitled, without prejudice to any of its other rights conferred on it by this Agreement, and in addition to any other remedies available to it by law or in equity, to terminate this Agreement in its entirety.

15.3 **Termination of Rights with Respect to Products Upon Material Breach.** Failure by a Party to comply with any of its material obligations contained herein with respect to a Collaboration Product shall entitle the Party not in default to give to the Party in default notice specifying the nature of the default, requiring the defaulting Party to make good or otherwise cure such default, and stating its intention to **[***]** pursuant to Sections 7.1 and 7.2 if such default is not cured. If such default is not cured within **[***]** after the receipt of such notice (or, if such default cannot be cured within such **[***]** period, if the Party in default does not commence actions to cure such default within such period and thereafter diligently continue such actions or if such default is not otherwise cured within **[***]** after the receipt of such notice), the Party not in default shall be entitled, on written notice to the other Party, to **[***]** pursuant to Sections 7.1 and 7.2, whereupon the defaulting Party shall be deemed the **[***]** Party with respect to such **[***]** Product for all purposes hereunder and the notice provided under this provision shall be deemed equivalent to an **[***]** notice as provided in Sections 7.1 and 7.2.

15.4 **Termination Upon Insolvency.** Either Party may terminate this Agreement if, at any time, the other Party shall file in any court or agency pursuant to any statute or regulation of any state, country or jurisdiction, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of that Party or of its assets, or if such other Party proposes a written agreement of composition or extension of its debts, or if such other Party shall be served with an involuntary petition against it, filed in any insolvency proceeding, and such petition shall not be dismissed within **[***]** after the filing thereof, or if such other Party shall propose or be a party to any dissolution or liquidation, or if such other Party shall make an assignment for the benefit of its creditors.

15.5 **Rights in Bankruptcy.** All rights and licenses granted under or pursuant to this Agreement by either Party are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the United States Bankruptcy Code. The Parties agree that the Parties, as licensees of such rights under this Agreement, shall retain and may fully exercise all of their rights and elections under the United States Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a Party under the United States Bankruptcy Code, the Party hereto that is not a Party to such proceeding shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in the non-subject Party's possession, shall be promptly delivered to it (a) upon any such commencement of

a bankruptcy proceeding upon the non-subject Party's written request therefor, unless the Party subject to such proceeding elects to continue to perform all of its obligations under this Agreement or (b) if not delivered under clause (a) above, following the rejection of this Agreement by or on behalf of the Party subject to such proceeding upon written request therefor by the non-subject Party.

15.6 **Consequences of Expiration or Termination.**

15.6.1 Termination of the Research Program. Upon expiration or termination of the Agreement, the Parties shall discontinue the Research Program with respect to all Products that **[***]**. The Steering Committee shall determine whether to jointly continue development and commercialization activities with respect to each Collaboration Product that **[***]**.

15.6.2 Return of Information and Materials. Upon expiration or termination of the Agreement, each Party, at the request of the other Party, shall return or destroy all data, files, records and other materials in its possession or control relating to such other Party's Technology, or containing or comprising such other Party's Information and Inventions or other Confidential Information (excluding one copy of which may be retained solely for archival purposes), except to the extent that the returning Party retains rights hereunder with respect to further development of **[***]** Products or Products pursuant to this Section 15.6.

15.6.3 Further Development and Commercialization.

(a) **[***]** Products by SGI. Notwithstanding Section 15.6.1, SGI shall have the right but not the obligation to **[***]** of any **[***]** or **[***]** after the termination or expiration of the Agreement (collectively "**[***]**") subject to: (i) the obligation to **[***]** for the **[***]** set forth in Section 15.6.3(c)(i); (ii) the obligation to **[***]** using the **[***]** or **[***]** under Section 15.6.3(c)(i) **[***]** by SGI or its Affiliates or Sublicensees; (iii) the obligation to **[***]** upon the **[***]** for each **[***]** using the **[***]** or **[***]** under Section 15.6.3(c)(i), by SGI, or its Affiliates or Sublicensees; (iv) the obligation to **[***]** upon the **[***]** each **[***]** using the **[***]** or **[***]** under Section 15.6.3(c)(i), by SGI or its Affiliates or Sublicensees; (v) the obligation to **[***]** upon the **[***]** each **[***]** using the **[***]** or **[***]** under Section 15.6.3(c)(i), by SGI or its Affiliates or Sublicensees; (vi) the obligation to **[***]** upon the **[***]** for each **[***]** using the **[***]** or **[***]** under Section 15.6.3(c)(i), by SGI, its Affiliate or Sublicensee; and (vii) the **[***]** set forth in Section 15.6.3(d).

(b) **[***]** Products by GCOR. Notwithstanding Section 15.6.1, GCOR shall have the right but not the obligation to **[***]** of any **[***]** or **[***]** after the termination or expiration of the Agreement (collectively "**[***]**") subject to: (i) the obligation to **[***]** for the **[***]** set forth in Section 15.6.3(c)(ii); (ii) the obligation to **[***]** using the **[***]** under Section 15.6.3(c)(ii) **[***]** by GCOR or its Affiliates or Sublicensees; provided that in the event GCOR or its Affiliates or Sublicensees do not **[***]** pursuant to this Section 15.6.3(b)(ii) but SGI **[***]** under the **[***]**, then GCOR or its Affiliates or Sublicensees shall **[***]**; (iii) the obligation to **[***]** upon the **[***]** for each **[***]** using the **[***]** or **[***]** under Section 15.6.3(c)(ii), by GCOR or its Affiliates or Sublicensees; (iv) the obligation to **[***]** upon the **[***]** each **[***]** using the **[***]** or **[***]** under Section 15.6.3(d)(ii), by SGI or its Affiliates or Sublicensees; (v)

the obligation to **[***]** upon the **[***]** each **[***]** using the **[***]** or **[***]** under Section 15.6.3(c)(ii), by SGI or its Affiliates or Sublicensees; (vi) the obligation to **[***]** upon the **[***]** for each **[***]** using the **[***]** or **[***]** under Section 15.6.3(c)(ii), by GCOR or its Affiliates or Sublicensees; and (vii) the **[***]** set forth in Section 15.6.3(d).

(c) Post-Termination **[***]**.

(i) To SGI. If, within **[***]** after termination or expiration of this Agreement, **[***]** specified in Section 15.6.3(a)(i), GCOR shall **[***]**.

(ii) To GCOR. If, within **[***]** after termination or expiration of this Agreement, **[***]** specified in Section 15.6.3(b)(i), SGI shall **[***]**; except to the extent such **[***]** incorporates or uses technology covered by the **[***]** or any **[***]** necessary to **[***]**, in which case this **[***]**.

(iii) Each Party agrees to provide the other Party a fully executed copy of any sublicense agreement or amendment thereof entered into pursuant to this Section 15.6.3(c) (either of which may be redacted to remove confidential information) within **[***]** of execution of such agreement or amendment.

(d) **[***]** Products and **[***]**. If the Parties **[***]** after expiration or termination of the Agreement, either Party or the Parties jointly upon decision of the Steering Committee may **[***]**; provided, however, that if one Party **[***]** of research on a **[***]**, the **[***]** Party shall **[***]** the **[***]** Party a **[***]** to **[***]**. Prior to the equivalent of a **[***]** by the **[***]** Party, the **[***]** Party shall give the **[***]** Party written notice of the **[***]** Party's intention to **[***]** the equivalent of a **[***]** for each **[***]**. Notice shall include **[***]** and such other information as is reasonably necessary for the **[***]** Party to make an informed decision on whether to **[***]**. The **[***]** Party shall have **[***]** from receipt of such notice to inform the **[***]** Party that it wishes to **[***]** to **[***]** for such **[***]**, subject to the terms of this Agreement relating to **[***]** in a **[***]**, including **[***]**. **"[***]"** shall mean all **[***]** of a **[***]** that **[***]** to the same **[***]** as a **[***]** already in a **[***]**.

15.6.4 Accrued Rights; Surviving Obligations. Termination or expiration of this Agreement for any reason shall be without prejudice to any rights that shall have accrued to the benefit of a Party prior to such termination or expiration. Such termination or expiration shall not relieve a Party from obligations that are expressly indicated to survive the termination or expiration of this Agreement.

15.6.5 Survival. Articles 5, 7, 9, 11, 12, 13, 16, 17, 18, 19, 20, 21 and 22, and Sections 4.3, 4.4.2, 4.5, 6.3, 6.4, 6.6, 6.7, 8.3 and 15.7, of this Agreement and this Section 15.6 shall survive expiration or termination of this Agreement for any reason.

15.7 Termination of **[***]**. All rights and obligations under the **[***]** or **[***]**, as the case may be, sublicensed under this Agreement shall terminate upon **[***]** prior written notice by **[***]** if **[***]** breaches any material provision of the **[***]** or the **[***]**, as the case may be, and fails to cure such breach within **[***]** after notice thereof; provided, however such cure period

may be extended by consent of the Parties. All rights and obligations under the **[***]** shall automatically terminate if **[***]** fails to maintain the insurance required under the **[***]**. All rights and obligations under the **[***]** or **[***]**, as the case may be, sublicensed under this Agreement shall terminate upon termination of the **[***]** or **[***]**, as the case may be.

ARTICLE 16 — INDEMNIFICATION AND INSURANCE

16.1 **Indemnification by SGI.** SGI shall indemnify GCOR and its Affiliates, directors, officers, employees and agents, and defend and save each of them harmless, from and against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) in connection with any and all liability suits, investigations, claims or demands (collectively, **"Losses"**) arising from or occurring as a result of or in connection with (a) any breach by SGI of any representation or warranty pursuant to Section 14.1, or (b) the gross negligence or willful misconduct on the part of SGI or its Affiliates or Sublicensees in performing any activity contemplated by this Agreement, except for those Losses for which GCOR has an obligation to indemnify SGI pursuant to Section 16.2, as to which Losses each Party shall indemnify the other to the extent of their respective liability for the Losses.

16.2 **Indemnification by GCOR.** GCOR shall indemnify SGI, its Affiliates and their respective directors, officers, employees and agents, and defend and save each of them harmless, from and against any and all Losses arising from or occurring as a result of or in connection with (a) any breach by GCOR of any representation or warranty pursuant to Section 14.1, or (b) the gross negligence or willful misconduct on the part of GCOR or its Affiliates or Sublicensees in performing any activity contemplated by this Agreement, except for those Losses for which SGI has an obligation to indemnify GCOR and its Affiliates pursuant to Section 16.1, as to which Losses each Party shall indemnify the other to the extent of their respective liability for the Losses.

16.3 **Indemnification Procedure.**

16.3.1 Notice of Claim. The indemnified Party shall give the indemnifying Party prompt written notice (an **"Indemnification Claim Notice"**) of any Losses or discovery of fact upon which such indemnified Party intends to base a request for indemnification under Section 16.1 or 16.2, but in no event shall the indemnifying Party be liable for any Losses that result from any unreasonable delay in providing such notice. Each Indemnification Claim Notice must contain a description of the claim and the nature and amount of such Loss (to the extent that the nature and amount of such Loss are known at such time). The indemnified Party shall furnish promptly to the indemnifying Party copies of all papers and official documents received in respect of any Losses. All indemnification claims in respect of a Party, its Affiliates or their respective directors, officers, employees and agents (collectively, the **"Indemnitees"** and each an **"Indemnitee"**) shall be made solely by such Party to this Agreement (the **"Indemnified Party"**).

16.3.2 Third Party Claims. The obligations of an indemnifying Party under this Article 16 with respect to Losses arising from claims of any Third Party that are subject to

indemnification as provided for in Section 16.1 or 16.2 (a **"Third Party Claim"**) shall be governed by and be contingent upon the following additional terms and conditions:

(a) Control of Defense. At its option, the indemnifying Party may assume the defense of any Third Party Claim by giving written notice to the Indemnified Party within thirty (30) days after the indemnifying Party's receipt of an Indemnification Claim Notice. The assumption of the defense of a Third Party Claim by the indemnifying Party shall not be construed as an acknowledgment that the indemnifying Party is liable to indemnify any Indemnitee in respect of the Third Party Claim, nor shall it constitute a waiver by the indemnifying Party of any defenses it may assert against any Indemnitee's claim for indemnification. Upon assuming the defense of a Third Party Claim, the indemnifying Party may appoint as lead counsel in the defense of the Third Party Claim any legal counsel selected by the indemnifying Party subject to approval of the indemnified Party. In the event the indemnifying Party assumes the defense of a Third Party Claim, the Indemnified Party shall immediately deliver to the indemnifying Party all original notices and documents (including court papers) received by any Indemnitee in connection with the Third Party Claim. Should the indemnifying Party assume the defense of a Third Party Claim, the indemnifying Party shall not be liable to the Indemnified Party or any other Indemnitee for any legal expenses subsequently incurred by such Indemnified Party or other Indemnitee in connection with the analysis, defense or settlement of the Third Party Claim.

(b) Right to Participate in Defense. Without limiting Section 16.3.2(a), any Indemnitee shall be entitled to participate in, but not control, the defense of such Third Party Claim and to employ counsel of its choice for such purpose; provided, however, that such employment shall be at the Indemnitee's own expense unless (i) the employment thereof has been specifically authorized by the indemnifying Party in writing, or (ii) the indemnifying Party has failed to assume the defense and employ counsel in accordance with Section 16.3.2(a) (in which case the Indemnified Party shall control the defense).

(c) Settlement. With respect to any Losses relating solely to the payment of money damages in connection with a Third Party Claim and that will not result in the Indemnitee's becoming subject to injunctive or other relief or otherwise adversely affect the business of the Indemnitee in any manner, and as to which the indemnifying Party shall have acknowledged in writing the obligation to indemnify the Indemnitee hereunder, the indemnifying Party shall have the sole right to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss, on such terms as the indemnifying Party, in its sole discretion, shall deem appropriate. With respect to all other Losses in connection with Third Party Claims, where the indemnifying Party has assumed the defense of the Third Party Claim in accordance with Section 16.3.2(a), the indemnifying Party shall have authority to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss provided it obtains the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed). The indemnifying Party shall not be liable for any settlement or other disposition of a Loss by an Indemnitee that is reached without the written consent of the indemnifying Party. Regardless of whether the indemnifying Party chooses to defend or prosecute any Third Party Claim, no Indemnitee shall admit any liability with respect to, or settle, compromise or discharge, any Third Party Claim without the prior written consent of the indemnifying Party.

(d) Cooperation. Regardless of whether the indemnifying Party chooses to defend or prosecute any Third Party Claim, the Indemnified Party shall, and shall cause each Indemnitee to, cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith. Such cooperation shall include access during normal business hours afforded to the indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Third Party Claim, and making Indemnitees and other employees and agents available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, and the indemnifying Party shall reimburse the Indemnified Party for all its reasonable out-of-pocket expenses in connection therewith.

(e) Expenses. Except as provided above, the reasonable and verifiable costs and expenses, including fees and disbursements of counsel, incurred by the Indemnified Party in connection with any claim shall be reimbursed on a **[***]** basis within **[***]** of invoice, by the indemnifying Party, without prejudice to the indemnifying Party's right to contest the Indemnified Party's right to indemnification and subject to refund in the event the indemnifying Party is ultimately held not to be obligated to indemnify the Indemnified Party.

ARTICLE 17 — FORCE MAJEURE

No Party (or any of its Affiliates) shall be held liable or responsible to the other Party (or any of its Affiliates) nor be deemed to have defaulted under or breached the Agreement for failure or delay in fulfilling or performing any term of the Agreement when such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party (or any of its Affiliates) including fire, floods, embargoes, war, acts of war (whether war be declared or not), insurrections, riots, civil commotion, acts of God or acts, acts of terrorism, earthquake, failure of utilities or omissions or delays in acting by any governmental authority (collectively**, "Events of Force Majeure"**); provided, however, that the affected Party shall exert all reasonable efforts to eliminate, cure or overcome any such Event of Force Majeure and to resume performance of its covenants with all possible speed. Notwithstanding the foregoing, to the extent that an Event of Force Majeure continues for a period in excess of **[***]**, the affected Party shall promptly notify in writing the other Party of such Event of Force Majeure and within **[***]** of the other Party's receipt of such notice, the Parties agree to negotiate in good faith either (i) to resolve the Event of Force Majeure, if possible, (ii) to extend by mutual agreement the time period to resolve, eliminate, cure or overcome such Event of Force Majeure, (iii) to amend this Agreement to the extent reasonably possible, or (iv) to terminate this Agreement.

ARTICLE 18 — ASSIGNMENT

This Agreement may not be assigned or otherwise transferred, nor, except as expressly provided hereunder, may any right or obligations hereunder be assigned or transferred to any Third-Party by either Party without the consent of the other Party, such consent not to be unreasonably withheld; provided, however, that either Party may, without such consent but with

notification, assign this Agreement and its rights and obligations hereunder to any of its Affiliates or in connection with the transfer or sale of all or substantially all of its business, or in the event of its merger or consolidation. Any permitted assignee shall assume all rights and obligations of its assignor under this Agreement.

ARTICLE 19 — SEVERABILITY

Each Party hereby agrees that it does not intend to violate any public policy, statutory or common laws, rules, regulations, treaty or decision of any government agency or executive body thereof of any country or community or association of countries. Should one or more provisions of this Agreement be or become invalid, the Parties hereto shall substitute, by mutual consent, valid provisions for such invalid provisions which valid provisions in their economic effect are sufficiently similar to the invalid provisions that it can be reasonably assumed that the Parties would have entered into this Agreement with such provisions.

In case such provisions cannot be agreed upon, the invalidity of one or several provisions of this Agreement shall not affect the validity of this Agreement as a whole, unless the invalid provisions are of such essential importance to this Agreement that it is to be reasonably assumed that the Parties would not have entered into this Agreement without the invalid provisions.

ARTICLE 20 — INSURANCE

During the term of this Agreement and thereafter for the period of time required below, each Party shall maintain an ongoing basis **[***]** in the minimum amount of **[***]** per occurrence and **[***]** annual aggregate combined single limit for bodily injury and property damage liability; and commencing not later than **[***]** and thereafter for the period of time required below, each Party shall obtain and maintain on an ongoing basis **[***]** (including **[***]** under this Agreement) in the amount of at least **[***]** per occurrence and annual aggregate combined single limit for **[***]**. All of such insurance coverage shall be maintained with an insurance company or companies having an **[***]** and an aggregate deductible not to exceed **[***]** per occurrence.

Not later than **[***]** with respect to the **[***]** coverage, and not later than **[***]** prior to the **[***]** with respect to the **[***]**, each Party shall provide to the other a certificate(s) evidencing all such required coverage hereunder. Thereafter each Party shall maintain such insurance coverage without interruption during the term of this Agreement and for a period of at least **[***]** after the expiration or termination of the term and shall provide certificates evidencing such insurance coverage without interruption on an **[***]** basis (by no later than the **[***]** for such coverage) during the period of time for which such coverage must be maintained.

Each Party's insurance shall **[***]** and shall state that **[***]** of any cancellation or material change in the insurance policy. The Parties expressly acknowledge that this Article 20 is based on the obligations of **[***]** and its sublicensees under the **[***]**. In the event the **[***]** is terminated or is otherwise irrelevant to the Exploitation of Products pursuant to this Agreement, the Parties will discuss and agree on an appropriate level of insurance coverage and term of such coverage to be obtained and maintained by each of the Parties.

ARTICLE 21 - DISCLAIMER OF WARRANTIES

EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN ARTICLE 14, THE PARTIES MAKE NO REPRESENTATIONS AND GRANT NO WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, AND THE PARTIES EACH SPECIFICALLY DISCLAIM ANY OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE OR ANY WARRANTY AS TO THE VALIDITY OF ANY PATENTS OR THE NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES.

ARTICLE 22 - MISCELLANEOUS

22.1. **Notices.** Any consent, notice or report required or permitted to be given or made under this Agreement by one of the Parties hereto to the other shall be in writing, delivered personally or by facsimile (and promptly confirmed by personal delivery, first class air mail or courier), first class air mail or courier, postage prepaid (where applicable), addressed to such other Party at its address indicated below, or to such other address as the addressee shall have last furnished in writing to the address or in accordance with this Section 22.1 and (except as otherwise provided in this Agreement) shall be effective upon receipt by the addressee.

If to SGI:
Seattle Genetics, Inc.
21823 30th Drive S.E.
Bothell, WA 98021
Attention: Chief Executive Officer

With copy to:
Venture Law Group
4750 Carillon Point
Kirkland, WA 98033
Attention: Sonya F. Erickson

If to GCOR:
Genencor International, Inc.
925 Page Mill Road
Palo Alto, CA 94304-1013
Attention: Chief Business Officer, Health Care

With copy to:
Genencor International, Inc.
925 Page Mill Road
Palo Alto, CA 94304-1013

Attention: General Counsel

22.2. **Applicable Law.** The Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflict of law principles thereof.

22.3. **Dispute Resolution.** The Parties agree that if any dispute or disagreement arises between GCOR on the one hand and SGI on the other in respect of this Agreement, they shall follow the following procedure in an attempt to resolve the dispute or disagreement.

(a) The Party claiming that such a dispute exists shall give notice in writing (**"Notice of Dispute"**) to the other Party of the nature of the dispute;

(b) Within **[***]** of receipt of a Notice of Dispute, a nominee or nominees of GCOR and a nominee or nominees of SGI shall meet in person and exchange written summaries reflecting, in reasonable detail, the nature and extent of the dispute, and at this meeting they shall use their reasonable endeavors to resolve the dispute;

(c) If, within a further period of **[***]**, the dispute has not been resolved, the President of SGI and the Chief Business Officer, Health Care of GCOR shall meet at a mutually agreed upon time and location for the purpose of resolving such dispute;

(d) If, within a further period of **[***]**, the dispute has not been resolved or if, for any reason, the required meeting has not been held, then (i) if the dispute relates to a Development Decision, the compound will default to "no go" for any further joint development, subject to Sections 7.4 and 15.6.3; or (b) if the dispute does not relate to a Development Decision, the dispute shall be resolved pursuant to paragraph (e) of this Section 22.3.

(e) The Parties agree that they will mediate such dispute before taking any adversarial action such as litigation. The mediation shall take place in **[***]** and be conducted by an experienced mediator mutually selected by the Parties or, if the Parties cannot agree on a mediator, shall be asked to propose a list of five qualified people which each Party shall rank in order of preference, the person with the highest total ranking being chosen. The mediation shall proceed through at least one joint mediation session or its equivalent to determine whether the Parties are capable of reaching a mediated agreement. If the mediator is satisfied that the Parties are working to an agreement, the Parties agree to continue the mediation process until an agreement is reached or the mediator is satisfied that the Parties are not progressing in the mediation process. Upon the conclusion of the mediation process the parties shall be free to proceed with litigation according to the terms of this agreement.

(f) In the event of a dispute regarding any payments owing under this Agreement, all undisputed amounts shall be paid promptly when due and the balance, if any, promptly after resolution of the dispute.

22.4. **Entire Agreement.** This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof. All express or implied agreements and understandings, either oral or written, heretofore made are expressly superseded by this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by both Parties hereto.

22.5. **Independent Contractors.** SGI and GCOR each acknowledge that they shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither SGI nor GCOR shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior consent of the other Party to do so.

22.6. **Affiliates.** Each Party shall cause its respective Affiliates to comply fully with the provisions of this Agreement to the extent such provisions specifically relate to, or are intended to specifically relate to, such Affiliates, as though such Affiliates were expressly named as joint obligors hereunder.

22.7. **Waiver.** The waiver by either Party hereto of any right hereunder or the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by said other Party whether of a similar nature or otherwise.

22.8. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

SEATTLE GENETICS, INC.

By: /s/ Clay B. Siegall

Name: Clay B. Siegall

Title: President & CSO

GENENCOR INTERNATIONAL, INC.

By: /s/ Debby Jo Blank

Name: Debby Jo Blank, M.D.

Title: CBO/Sr. V.P. Healthcare

Exhibit 10.2

SEATTLE GENETICS, INC.

COMMON STOCK

PURCHASE AGREEMENT

Dated as of January 4, 2002

SEATTLE GENETICS, INC.

Common Stock Purchase Agreement

This Common Stock Purchase Agreement (this "Agreement") is made as of January 4, 2002 between Seattle Genetics, Inc., a Delaware corporation with an office at 21823 30th Drive S.E., Bothell, WA 98021(the "Company"), and Genencor International, Inc., a Delaware corporation with an office at 925 Page Mill Road, Palo Alto, California 94304 (the "Purchaser").

RECITALS

WHEREAS, it is a condition of the Collaboration Agreement of even date herewith (the "Collaboration Agreement") by and between the Company and Purchaser that the Purchaser purchase from the Company $3,000,000 of shares of Common Stock, $0.001 par value per share ("Common Stock"), of the Company in a private placement; and

WHEREAS, the Company and the Purchaser wish to set forth the terms and conditions upon which the Company will issue and sell such shares to the Purchaser;

NOW, THEREFORE, in consideration of the premises and mutual covenants and conditions contained herein, the Company and the Purchaser hereby agree as follows:

ARTICLE I

PURCHASE AND SALE OF SHARES

1.01 Purchase Price and Closing. The Company will issue and sell to the Purchaser and, subject to the terms and conditions of this Agreement, the Purchaser will purchase from the Company that number of unregistered shares of Company's Common Stock (the "Shares") equal to $3,000,000.00 divided by average closing price (based on a trading day from 9:30 a.m. to 4:00 p.m. (New York time)) of the Company's Common Stock as reported on the Nasdaq National Market for the thirty (30) trading days ending one (1) day prior to the Closing. The purchase and sale will take place at a closing (the "Closing") to be held on the date, at the location and at the time of execution of this Agreement by both the Company and Purchaser, subject to the satisfaction of all of the conditions to the Closing specified in Article II herein. At the Closing the Company will issue and deliver a certificate evidencing the Shares to the Purchaser against payment of the full purchase price therefor by wire transfer of immediately available funds to an account designated by the Company.

1.02 Restrictions on Transfer. Except as may be contemplated by this Agreement, the Purchaser hereby agrees that without the prior written consent of the Company, the Purchaser will not, directly or indirectly, during the period beginning on the date hereof and ending on the one (1) year anniversary of the date hereof: (a) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any Shares; or (b) enter into any swap, option, future, forward or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, regardless of whether any of the transactions described in clause (a) or (b) above is to be settled by delivery of Shares, in cash or otherwise, and the Purchaser further represents that it understands and agrees that all certificates evidencing any of the Shares, whether upon initial issuance or upon any transfer thereof, shall bear a legend until the expiration of such lock-up period, prominently stamped or printed thereon, reading substantially as follows:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY."

1.03 Representations and Warranties by the Purchaser. The Purchaser represents and warrants to the Company that: (a) it is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended; (b) it will acquire the Shares for its own account, for the purpose of investment and not with a view to distribution or resale thereof; (c) the execution of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Purchaser, and this Agreement has been duly executed and delivered, and constitutes a valid, legal, binding and enforceable agreement of the Purchaser, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies; (d) it has taken no action which would give rise to any claim by any other person for any brokerage commissions, finders' fees or the like relating to this Agreement or the transactions contemplated hereby; (e) it has had the opportunity to ask questions of and receive answers from representatives of the Company concerning the terms of the offering of the Shares and to obtain additional information concerning the Company and its business, and has all of the information necessary for it to evaluate the merits and risks of an investment in the Shares and can bear the economic risks of such investment. The acquisition by the Purchaser of the Shares shall constitute a confirmation of the representations and warranties made by the Purchaser as at the date of such acquisition. The Purchaser further represents that it understands and agrees that, until registered under the Securities Act or transferred pursuant to the provisions of Rule 144 as promulgated by the Commission, all certificates evidencing any of the Shares, whether upon initial issuance or upon any transfer thereof, shall bear a legend, prominently stamped or printed thereon, reading substantially as follows:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THESE SECURITIES MAY NOT BE SOLD, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS, OR THE AVAILABILITY OF AN EXEMPTION FROM THE REGISTRATION PROVISIONS OF THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS."

ARTICLE II

CONDITIONS TO CLOSING

2.01 Conditions of the Purchaser's Obligation. The obligation of the Purchaser to purchase and pay for the Shares at the Closing is subject to the satisfaction of the following conditions, any one or more of which may be waived by the Purchaser:

(a) Documentation at Closing. The Purchaser shall have received prior to or at the Closing all of the following documents or instruments, or evidence of completion thereof, each in form and substance satisfactory to the Purchaser:

(i) A copy of the Certificate of Incorporation of the Company, certified by the Secretary of State of the State of Delaware, a copy of the resolutions of the Board of Directors of the Company evidencing the approval of this Agreement, the issuance of the Shares and the other matters contemplated hereby, and a copy of the Bylaws of the Company, all of which shall have been certified by the Secretary of the Company to be true, complete and correct in every particular, and certified copies of all documents evidencing other necessary corporate or other action and governmental approvals, if any, with respect to this Agreement and the Shares.

(ii) A certificate of the Secretary of the Company which shall certify the names of the officers of the Company authorized to sign this Agreement, the certificate for the Shares and the other documents, instruments or certificates to be delivered pursuant to this Agreement by the Company or any of its officers, together with the true signatures of such officers. The Purchaser may conclusively rely on such certificate until it shall receive a further certificate of the Secretary or an Assistant Secretary of the Company canceling or amending the prior certificate and submitting the signatures of the officers named in such further certificate.

(iii) A certificate of the President or Chief Executive Officer of the Company stating that all covenants and conditions required to be performed prior to or at the Closing have been performed as of the Closing and that all the representations and warranties contained in Section 3 herein are true and correct as of the Closing.

(iv) Certificates of Good Standing and Existence for the Company from the Secretaries of State of the States of Delaware and Washington, as the case may be.

(b) Performance. The Company shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

(c) Consents, Waivers, Etc. The Company shall have obtained all consents or waivers, if any, necessary to execute and deliver this Agreement, issue the Shares and to carry out the transactions contemplated hereby and thereby. All corporate and other action and governmental filings necessary to effectuate the terms of this Agreement, the Shares and other agreements and instruments executed and delivered by the Company in connection herewith shall have been made or taken, except for any post-sale filing that may be required under federal or state securities laws. In addition to the documents set forth above, the Company shall have provided to the Purchaser any other information or copies of documents that it may reasonably request.

(d) Collaboration Agreement. The Purchaser and the Company shall have entered into the Collaboration Agreement.

(e) Investors' Rights Agreement. The Company's Amended and Restated Investors' Rights Agreement dated as of December 22, 1999 (the "Rights Agreement") shall have been amended to include the Purchaser as a party such that the Purchaser is entitled to registration pursuant to Sections 1.3 and 1.4 of the Rights Agreement with respect to the Shares as though the Purchaser were a Holder (as defined in the Rights Agreement) and the Shares were Registrable Securities (as defined in the Rights Agreement) for the purposes of registration pursuant to Sections 1.3 and 1.4, and provisions related thereto, of the Rights Agreement (provided, however, that the Purchaser shall not be able to initiate a request for registration pursuant to Section 1.4, but may include their Registrable Securities in any S-3 registration statement initiated pursuant to Section 1.4 by other Holders of Registrable Securities).

2.02 Conditions of the Company's Obligation. The obligation of the Company to sell the Shares at the Closing is subject to the satisfaction of the following conditions:

(a) Consents, Waivers, Etc. The Company shall have obtained all consents or waivers, if any, necessary to execute and deliver this Agreement, issue the Shares and to carry out the transactions contemplated hereby and thereby. All corporate and other action and governmental filings necessary to effectuate the terms of this Agreement, the Shares and other agreements and instruments executed and delivered by the Company in connection herewith shall have been made or taken, except for any post-sale filing that may be required under federal or state securities laws.

(b) Collaboration Agreement. The Purchaser and the Company shall have entered into the Collaboration Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to the Purchaser as follows:

3.01 Corporate Action. The Company has all necessary corporate power and has taken all corporate action required to enter into and perform this Agreement. This Agreement is a valid and legally binding obligations of the Company, enforceable in accordance with its terms. The issuance, sale and delivery of the Shares in accordance with this Agreement, have been duly authorized by all necessary corporate action on the part of the Company. The issuance of the Shares is not subject to preemptive rights or other preferential rights in any present stockholders of the Company that have not been waived and will not conflict with any provision of any agreement or instrument to which the Company is a party or by which it or its property is bound and to which the Company has not obtained appropriate waivers.

3.02 No Conflict. The execution and delivery of this Agreement by the Company does not, and the consummation of the transactions contemplated hereby will not, conflict with, or result in any material violation of, or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation, modification or acceleration of any obligation under (i) any provision of the Certificate of Incorporation of the Company or Bylaws of the Company, (ii) any mortgage, indenture, lease, contract or other agreement or instrument, permit, concession or license to which the Company or any of its properties or assets is subject or (iii) any judgment, order, decree, applicable to the Company or its properties or assets.

3.03 Status of Shares. Subject to the accuracy of the Purchaser's representations and warranties in this Agreement, the offer, sale and issuance of the Shares in conformity with the terms of this Agreement constitute transactions exempt from the registration or qualification requirements of the laws of any applicable state or U.S. jurisdiction. The Shares have been duly authorized for issuance to the Purchaser and, when issued and delivered in accordance with the terms hereof and after payment of the purchase price therefor, will be duly authorized, validly issued, fully-paid and non-assessable, issued in compliance with applicable state and federal securities laws and free of restrictions on transfer other than restrictions on transfer under this Agreement and applicable state and federal securities laws. The issuance of the Shares is not subject to preemptive or other similar rights. No further approval or authority of the stockholders or the Board of Directors of the Company will be required for the issuance and sale of the Shares.

3.04 Organization, Good Standing and Qualification. The Company is a corporation duly organized and validly existing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to carry on its business. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure so to qualify would have a material adverse effect on its business or properties.

3.05 Capitalization. The authorized capital stock of the Company consists of 100,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock. As of December 31, 2001, the issued and outstanding capital stock of the Company consisted of 29,322,741 shares of Common Stock and no shares of Preferred Stock. The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued, are fully paid and non-assessable and have not been issued in violation of or are not otherwise subject to any preemptive or other similar rights. The Company has reserved 4,800,000 shares of Common Stock for issuance upon the exercise of stock options granted or available for future grant under the Company's Stock Option Plans and 300,000 shares of Common Stock reserved for sale under the Company's Employee Stock Purchase Plan.

3.06 SEC Documents.

(a) The Company has timely filed all reports, schedules, registration statements and other documents required to be filed by the Company with the Securities and Exchange Commission on or after the date of filing with the Securities and Exchange Commission of the Company's Final Prospectus for its initial public offering on March 7, 2001 through the date hereof (such documents as supplemented and amended from time to time, collectively, the "Company SEC Documents"). As of their respective filing dates, or in the case of registration statements, their respective effective dates, none of the Company SEC Documents (including all exhibits and schedules thereto and documents incorporated by reference therein) contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Company SEC Documents complied when filed, or in the case of registration statements, as of their respective effective dates, in all material respects with the then applicable requirements of the Securities Act or the Securities Exchange Act of 1934, as the case may be, and the rules and regulations promulgated by the Securities and Exchange Commission thereunder.

(b) The financial statements (including the notes thereto) of the Company included in the Form 10-Q (subject, in the case of the Form 10-Q, to year-end audit adjustments), complied in all material respects with the then applicable accounting requirements and the published rules and regulations of the Securities and Exchange Commission with respect thereto, were prepared in accordance with generally accepted accounting principles during the periods involved (except as may have been indicated in the notes thereto) and fairly present the financial condition of the Company as at the dates thereof and the results of their operations, stockholders' equity and cash flows for periods then ended.

3.07 Governmental Permits. Except as described in the Company SEC Documents, the Company owns, possesses or has obtained all licenses, permits, certificates, consents, orders, approvals and other authorizations from, and has made all declarations and filings with, all federal, state, local and other governmental authorities (including foreign regulatory agencies), all self-regulatory organizations and all courts and other tribunals, domestic or foreign, necessary to own or lease, as the case may be, and to operate its properties and to carry on its business as conducted as of the date hereof, except where the failure to own, possess, obtain or make would not, individually or in the aggregate, have a material adverse effect, and the Company has not received any actual notice of any proceeding relating to revocation or modification of any such license, permit, certificate, consent, order, approval or other authorization, except as described in the Company SEC Documents.

3.08 Prior Offerings. All offers of capital stock of the Company before the date of this Agreement were at all relevant times duly registered or exempt from the registration requirements of the Securities Act and were duly registered or subject to an available exemption from the registration requirements of the applicable state securities or Blue Sky laws.

3.09 No Defaults; No Litigation. The Company is not in violation of its Certificate of Incorporation, or Bylaws or in material default in the performance of observance of any obligation, agreement, covenant or condition contained in any material contract, indenture, mortgage, loan agreement, deed, trust, note, lease, sublease, voting agreement, voting trust, or other instrument or material agreement to which the Company is a party which, singly or in the aggregate, could reasonably be expected to result in any material adverse change in the condition, financial or otherwise, or in the business affairs or business prospects of the Company. There is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened against or affecting the Company which, singly or in the aggregate, could reasonably be expected to result in any material adverse change in the condition, financial or otherwise, or in the business affairs or business prospects of the Company.

3.10 Taxes. The Company has filed all material tax returns required to be filed, which returns are true and correct in all material respects, and the Company is not in default in the payment of any taxes, including penalties and interest, assessments, fees and other charges shown thereon due or otherwise assessed other than those being contested in good faith and for which adequate reserves have been provided or those currently payable without which were payable pursuant to said returns or any assessments with respect thereto.

3.11 Insurance. The Company maintains insurance of the type and in the amount that the Company reasonably believes is adequate for the business, including, but not limited to, liability insurance for clinical testing and insurance covering all real and personal property owned or leased by the Company against theft, damage, destruction, acts of vandalism and all other risks customarily insured against by similarly situated companies, all of which insurance is in full force and effect.

3.12 Intellectual Property. The Company, to the best of its knowledge in the course of diligent inquiry, owns or is licensed to use all patents, patent applications, inventions, trademarks, trade names, applications for registration of trademarks, service marks, service mark applications, copyrights, know-how, manufacturing processes, formulae, trade secrets, licenses and rights in any thereof and any other intangible property and assets that are material to the business of the Company as now conducted and as proposed to be conducted (in this Agreement called the "Proprietary Rights"), or is seeking, or will seek, to obtain rights to use such Proprietary Rights that are material to the business of the Company as proposed to be conducted. The Company does not have any knowledge of, and the Company has not given or received any notice of, any pending conflicts with or infringement of the rights of others with respect to any Proprietary Rights or with respect to any license of Proprietary Rights that are material to the business of the Company. No action, suit, arbitration, or legal, administrative or other proceeding, or investigation is pending, or, to the best knowledge of the Company, threatened, which involves any Proprietary Rights, nor, to the best knowledge of the Company, is there any reasonable basis therefor.

3.13 No Integrated Offerings. Neither the Company, nor any person acting on its behalf, has directly or indirectly made any offers or sales of any security or solicited any offers to buy any security under circumstances that would require registration under the Securities Act of the issuance of the Shares to the Purchaser. The issuance of the Shares to the Purchaser will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of the Securities Act or any applicable rules of Nasdaq (or of any national securities exchange on which the Company's Common Stock is then traded). The Company will not make any offers or sales of any security (other than the Shares) that would cause the offering of the Shares to be integrated with any other offering of securities by the Company for purposes of any registration requirement under the Securities Act or any applicable rules of Nasdaq (or of any national securities exchange on which the Company's Common Stock is then traded).

ARTICLE IV

OTHER AGREEMENTS

4.01 Publicity. The parties agree to issue a joint press release announcing this Agreement and the transactions contemplated hereby following execution of this Agreement. Any proposed announcement, press release or other public disclosure concerning this Agreement and/or any of the transactions or relationships contemplated hereby shall be mutually approved by both parties (which approval shall not be unreasonably withheld). The Purchaser agrees and acknowledges that this Agreement and the transactions contemplated hereby may be disclosed by the Company in filings made with the Securities and Exchange Commission and filed as an exhibit to such required filings. Notwithstanding the foregoing or any other Agreements regarding the confidentiality of the Collaboration Agreement, the Company agrees to seek Confidential Treatment of certain matters set forth in the Collaboration Agreement (including but not limited to items specifically requested by Purchaser) and shall allow the Purchaser to participate and shall cooperate with Purchaser with regard to any Confidential Treatment Requests filed either by the Purchaser or by the Company with the Securities and Exchange Commission.

4.02 Rule 144 Information. Until the earlier of (i) the date on which the Shares may be resold by the Purchaser without registration and without regard to any volume limitations by reason of Rule 144(k) under the Securities Act or any other rule of similar effect or (ii) all of the Shares have been sold, the Company shall file all reports required to be filed by it under the Securities Act and the Securities Exchange Act of 1934, as amended, and shall take such further action to the extent reasonably required to enable the Purchaser to sell the Shares pursuant to Rule 144 under the Securities Act (as such rule may be amended from time to time).

4.03 Listing of Shares. If required by the rules and regulations of any national securities exchange or automated quotation system, the Company agrees to promptly secure the listing of the shares upon each national securities exchange or automated quotation system upon which shares of its Common Stock are listed and, so long as Purchaser owns any of the shares, shall maintain such listing of all shares.

4.04 No Manipulation of Stock. The Company has not taken and will not, in violation of applicable law, take any action outside the ordinary course of business designed to or that might be reasonably expected to cause or result in unlawful manipulation of the price of the Common Stock to facilitate the sale or resale of the Shares.

ARTICLE V

MISCELLANEOUS

5.01 Survival. Notwithstanding any investigation made by any party to this Agreement, all covenants, agreements, representations and warranties made by the Company and the Purchaser in this Agreement and in the certificates for the Shares delivered pursuant to this Agreement shall survive for a period of eighteen (18) months after the execution of this Agreement.

5.02 No Waiver. No failure or delay on the part of any party to this Agreement in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder.

5.03 Amendments, Waivers and Consents. Any provision in this Agreement to the contrary notwithstanding, and except as hereinafter provided, changes in or additions to this Agreement may be made, and compliance with any covenant or provision set forth herein may be omitted or waived, if the party requesting such change, addition, omission or waiver shall obtain consent thereto in writing from the other party. Any waiver or consent may be given subject to satisfaction of conditions stated therein and any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

5.04 Addresses for Notices. All notices, requests, demands and other communications provided for hereunder shall be in writing and mailed or delivered to each applicable party at the address set forth below or at such other address as to which such party may inform the other parties in writing in compliance with the terms of this Section.

If to the Purchaser: Genencor International, Inc., 925 Page Mill Road, Palo Alto, California 94304; Attention General Counsel and Chief Financial Officer; or at such other address as shall be designated by the Purchaser in a written notice to the Company complying as to delivery with the terms hereof.

If to the Company: Seattle Genetics, Inc, 21823 30th Drive S.E., Bothell, WA 98021, Attention: General Counsel and Chief Financial Officer, with a copy to: Venture Law Group, 4750 Carillon Point, Kirkland, WA 98033, Attention: Sonya F. Erickson; or at such other address as shall be designated by the Company in a written notice to the Purchaser complying as to delivery with the terms hereof.

All such notices, requests, demands and other communications shall, when mailed (which mailing must be accomplished by certified mail, postage prepaid; express overnight courier service; or registered mail, return receipt requested) be effective upon receipt.

5.05 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Company and the Purchaser and their respective heirs, successors and assigns, except that neither party shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the other party.

5.06 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between the parties and supersedes any prior understandings or agreements concerning the subject matter hereof.

5.07 Severability. The provisions of this Agreement are severable and, in the event that any court of competent jurisdiction shall determine that any one or more of the provisions or part of a provision contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Agreement.

5.08 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without regard to its conflicts of laws principles to the contrary.

5.09 Headings. Article, Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

5.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be enforceable against the party actually executing the counterpart, and all of which together shall constitute one instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

SEATTLE GENETICS, INC.

By: /s/ Clay B. Siegall
Name: Clay B. Siegall
Title: President & CSO

GENENCOR INTERNATIONAL, INC.

By: /s/ Debby Jo Blank
Name: Debby Jo Blank, M.D.
Title: CBO/Sr. V.P. Healthcare

EXHIBIT 10.3
Confidential treatment requested

COLLABORATION AGREEMENT

This Agreement is entered into as of March 27, 2002 ("Effective Date"), by and between:

⇨ **SEATTLE GENETICS, INC.**, a Delaware corporation, having its principal place of business at 21823 30th Drive S.E., Bothell, Washington 98021

(hereinafter referred to as "SGI")

and:

⇨ **CELLTECH R & D LIMITED**, a corporation organized and existing under the laws of England, having its principal place of business at 208 Bath Road, Slough, Berkshire SL1 3WE UK.

(hereinafter referred to as "Celltech").

WITNESSETH

WHEREAS, SGI owns or controls intellectual property rights relating to certain drug conjugation and linker technology;

WHEREAS, Celltech is a biopharmaceutical company currently conducting research and development programs aimed at the discovery of antigens and antibodies targeting those antigens for the development and commercialization of pharmaceutical products;

WHEREAS, Celltech wishes to acquire from SGI exclusive options to worldwide exclusive licenses under SGI's patent rights and know-how related to SGI's drug conjugation and linker technology;

WHEREAS, SGI is willing to grant to Celltech such exclusive options in order to allow Celltech to evaluate SGI's drug conjugation and linker technology for use with certain of Celltech's proprietary antigens and antibodies, and

WHEREAS, SGI is willing to grant to Celltech such exclusive licenses, subject to the terms of and conditioned upon this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and obligations set forth herein, the Parties hereto, intending to be legally bound, agree as follows:

ARTICLE I - DEFINITIONS AND INTERPRETATION

1.1. **Definitions**: For the purposes of this Agreement the following words and phrases shall have the following meanings:

"**Additional Research Program Fees**" has the meaning set forth in Section 3.4(b) hereof.

"**ADC**" means any Antibody **[***]** that incorporates or uses Drug Conjugation Technology.

"**Affiliate**" means, with respect to a Party, any person, corporation or business entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, a Party. For the purpose of this definition, control of a corporation or of another business entity shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or the policies of the entity, whether through the ownership of voting securities, by agreement or otherwise; provided, however, that the direct or indirect beneficial ownership of less than **[***]** of the voting interests in, or less than a **[***]** interest in the equity of, such corporation or other business entity shall not alone constitute control of such corporation or other business entity.

"**Agreement**" means this agreement, all amendments and supplements to this Agreement and all schedules to this Agreement.

"**Antibody**" or "**Antibodies**" means any monoclonal antibody, fragment thereof or modification thereof, **[***]**, with a unique amino acid sequence that binds to a Research Antigen or Exclusive Antigen. By way of clarification, Antibodies with different amino acid sequences shall be deemed to be different Antibodies, irrespective of whether they bind to the same Research Antigen or Exclusive Antigen.

"**Antigen**" means any **[***]** (including any **[***]**), **[***]**, compound or other composition, and any **[***]** thereof, to which an antibody binds.

"**[***]**" and "**[***]**" have the meaning set forth in Schedule B.

"**[***]**" and "**[***]**" have the meaning set forth in Schedule B.

"**[***]**" means the Third Party Patents and Third Party Know-How licensed to SGI under the License Agreement between **[***]** and SGI, dated **[***]**, as amended.

"**Calendar Quarter**" means any of the three-month periods beginning January 1, April 1, July 1 and October 1 in any year.

"**Celltech Know-How**" means confidential information and materials, excluding Third Party Know-How, which is Controlled by Celltech or its Affiliates, whether as of or after the Effective Date, to the extent such is necessary or useful, as reasonably determined by the JDC, for SGI to perform its obligations under the Research Program. The Celltech Know-How shall include the Program Know-How to the extent Controlled by Celltech.

"**Celltech Patents**" means all Patent Rights which are Controlled by Celltech or its Affiliates as of or after the Effective Date and which are necessary, as reasonably determined by the JDC, for SGI to perform its obligations under the Research Program. Celltech Patents shall include the Program Patents to the extent Controlled by Celltech.

"**Celltech Technology**" means the Celltech Know-How and the Celltech Patents.

"Combination Product" means any Licensed Product that contains, in addition to an ADC, one or more other ingredients that have a biologic activity as a therapeutic agent when administered alone.

"**Commercially Reasonable Efforts**" means, with respect to any objective by any Party, reasonable, diligent, good faith efforts to accomplish such objective as such Party would normally use to accomplish a similar objective under similar circumstances.

"**Confidential Information**" has the meaning set forth in Section 10.1.

"**Control**" or "**Controlled**" means with respect to any (a) material, item of information, method, data or other know-how, or (b) intellectual property right, in each case the possession (whether by ownership or license, other than pursuant to this Agreement) by a Party or its Affiliates of the ability to grant to the other Party access and/or a license as provided herein under such item or right without violating the terms of any agreement or other arrangement with any Third Party existing before or after the Effective Date.

"**[***]**" means any **[***]**, or **[***]** thereof, that does not **[***]**.

"**Drug Conjugation Technology**" means drug conjugates and drug conjugation chemistry Controlled by SGI, including **[***]** and analogues and derivatives thereof, **[***]** and analogues and derivatives thereof and linker technology for attaching drugs to Antibodies.

"**Effective Date**" means the date of this Agreement as set forth above.

"**Events of Force Majeure**" shall have the meaning set forth in Article 17.

"**Exclusive Antigen**" shall have the meaning set forth in Section 4.2.1.

"**Exclusive License**" shall have the meaning set forth in Section 4.2.1.

"**Field**" means the **[***]**; provided that with respect to use of the **[***]**, the Field shall be limited to the use of **[***]**.

"FTE" means the per annum rate of full time work of an SGI employee who is adequately trained to perform Research Program activities pursuant to this Agreement.

"GLP Toxicology" means the first toxicology study commenced using GLP grade Licensed Product in an animal model to determine toxicology of said Licensed Product.

"**First Commercial Sale**" means, in each country of the Territory, the first commercial sale of a Licensed Product by Celltech, its Affiliates or Sublicensees to a Third-Party following, if required by law, Regulatory Approval and, when Regulatory Approval is not required by law, the first commercial sale in that country, in each case for use or consumption of such Licensed Product in such country by the general public; for avoidance of doubt, First

Commercial Sale of a given Licensed Product cannot occur more than once in any particular country of the Territory.

"**Initial Research Program Fee**" shall have the meaning set forth in Section 3.4(a).

"**Initiation**" means, with respect to a human clinical trial, the treatment of the first patient with a Licensed Product pursuant to a clinical protocol of the specified clinical trial.

"**JDC**" shall have the meaning set forth in Section 3.6.

"**Licensed Product**" means any and all products that incorporates or uses the SGI Technology and where the development, manufacture, sale or use of such products, absent the rights granted to Celltech under this Agreement, would constitute a misappropriation and/or an infringement of SGI Technology.

"**Net Sales**" means the gross amount received by Celltech, its Affiliates and Sublicensees from the sale of Licensed Products to Third-Parties, less the sum of the following deductions for amounts actually incurred related to said sale:

(i) normal, customary trade discounts (including volume discounts), credits, allowances and adjustments for rejections, recalls and returns; and

(ii) cost of freight and insurance, special packaging, sales, use, excise, value added and similar taxes, surcharges, duties and other governmental charges (other than income tax) imposed on the sale and included in the gross amount charged to customers.

In the event that a Licensed Product is sold as part of a kit or Combination Product, the Parties shall negotiate in good faith an appropriate adjustment to "Net Sales," taking into account SGI's Third Party Obligations and the price or (if not available) the fair market value of the products sold as part of the kit or Combination Product if sold separately.

"**[***]**" means all **[***]** pursuant to which SGI or its Affiliates have, **[***]**, obtained **[***]** of any **[***]** under any **[***]** or **[***]** and **[***]**. SGI's **[***]** and during the Term shall be set forth on Schedule B hereof and the **[***]** of the **[***]** shall be set forth on Schedule F.

"**Option**" means, with respect to each Research Antigen, the exclusive option granted by SGI to Celltech pursuant to the provisions of Section 4.1 hereof to obtain an Exclusive License under Section 4.2 hereof.

"**Option Exercise Fee**" shall have the meaning set forth in Section 7.1.1.

"**Option Period**" means, with respect to each Research Antigen, the period commencing as of the date that **[***]**, provided that for any Research Antigen the Option Period shall be the greater of **[***]** or **[***]** from the date that SGI **[***]**.

"**Parties**" means Celltech and SGI, and "Party" means either of them.

"**Patent Rights**" means all claims in **[***]** patents, **[***]** patent applications and all patent applications **[***]**, provided, such patent has not expired, lapsed, or been held invalid or unenforceable by a final decision, which is unappealed or unappealable, of a court of competent jurisdiction or of an administrative agency having authority over patents or such patent application has not been the subject of a rejection notice from which an appeal cannot be taken or in respect of which the applicable period for appeal has not expired, and any continuations, continuations-in-part, divisions, provisionals or any substitute applications, any patent issued with respect to any such patent applications, any reissue, reexamination, renewal or extension (including any supplementary protection certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all foreign counterparts of any of the foregoing.

"**Phase I Clinical Trial"** means a clinical study in subjects to evaluate the pharmacokinetic and pharmacodynamic properties, maximum tolerated dose, dosing interval, and absorption, distribution, metabolism and excretion of a candidate drug.

"**Phase III Clinical Trial"** means a controlled, multi-center clinical trial, involving patients with the disease or condition of interest to obtain sufficient efficacy and safety data to support regulatory submissions and labeling of a candidate drug.

"**[***]**" and "**[***]**" have the meaning set forth in Schedule B.

"**Program Invention**" means all patentable inventions that are conceived or reduced to practice by one or more employees, agents or consultants of Celltech and/or one or more employees, agents or consultants of SGI in the course of performing the Research Program.

"**Program Know-How**" means confidential information and materials, including, but not limited to, (i) pharmaceutical, chemical, biological and biochemical products, (ii) technical and non-technical data, and information relating to the results of tests, assays, methods and/or processes, and (iii) drawings, plans, diagrams, specifications and/or other documents containing said information and data, in each case which is made jointly by employees, consultants or agents of SGI or its Affiliates and by employees, consultants or agents of Celltech or its Affiliates following the Effective Date during the course of the Research Program Term, but excluding the Program Patents.

"**Program Patents**" means all Patent Rights that claim or cover Program Inventions.

"**Regulatory Approval**" means final regulatory approval (including, where applicable, pricing approval in the event that actual sales do not take place before such approval) required to market a Licensed Product for a disease or condition in accordance with the applicable laws and regulations of a given country. In the United States, its territories and possessions, Regulatory Approval means approval of a Biologics License Application ("BLA") or its equivalent by the United States Food and Drug Administration ("FDA"), or successor agency.

"**Research Antigen**" means any Antigen that is **[***]** designated a "Research Antigen" under this Agreement pursuant to Section 2.1.2.

"**Research Fees**" shall have the meaning set forth in Section 3.4(c).

"**Research Fees Report**" shall have the meaning set forth in Section 3.4(c).

"**Research Program**" means the research program conducted pursuant to Article 3.

"**Research Program Term**" means the term of the Research Program set forth in Section 3.3.

"**Royalty Term**" means, on a Licensed Product-by-Licensed Product and country-by-country basis, the period of time equal to the longer of: (a) **[***]** from the date of First Commercial Sale of Licensed Product in such country; or (b) the term for which there are Valid Claims of SGI Owned Patents or Third Party Patents directly relating to the Licensed Product in such country.

"**SGI Know-How**" shall mean confidential information and materials relating to the Drug Conjugation Technology, excluding Third Party Know-How, which is Controlled by SGI or its Affiliates, whether as of or after the Effective Date, to the extent such is useful or necessary for the manufacture, testing, use or sale of a Licensed Product in the Field. The SGI Know-How shall include Drug Conjugation Technology and, to the extent Controlled by SGI, the Program Know-How.

"**SGI Patents**" means all Patent Rights within Third Party Patents, the SGI Owned Patents and, to the extent Controlled by SGI, the Program Patents.

"**SGI Owned Patents**" means all Patent Rights relating to the Drug Conjugation Technology, other than the Third Party Patents, which are owned and Controlled by SGI or its Affiliates, whether as of or after the Effective Date and which contain claims which would be infringed by the manufacture, use or sale of Licensed Products in the Field in the absence of this Agreement. The relevant SGI Owned Patents as of the Effective Date are listed in Schedule A, which may be amended from time to time by the Parties.

"**SGI Technology**" means all SGI Patents, Third Party Know-How and SGI Know-How.

"**Sublicensees**" means any person acting pursuant to a sublicense granted to it by Celltech or its Affiliates as provided in Section 4.2.2 hereof.

"**Term**" shall have the meaning set forth in Article 15.

"**Territory**" means all countries in the world.

"**Third-Party**" means any person or entity other than Celltech, SGI and their respective Affiliates.

"Third Party Know-How" means confidential information and materials relating to the Drug Conjugation Technology, excluding SGI Know-How which is Controlled by SGI or its Affiliates and Celltech Know-How which is Controlled by Celltech or its Affiliates, as of the Effective Date, to the extent such is useful or necessary for the manufacture, testing, use or sale of a Licensed Product in the Field.

"**Third Party License Agreement**" means all contracts or agreements with Third Parties pursuant to which SGI or its Affiliates have, as of the Effective Date, obtained Control of any rights under any Third Party Patent or Third Party Know-How. SGI's Third Party License Agreements existing as of the Effective Date are set forth in Schedule B and the material provisions of the Third Party License Agreements are set forth on Schedule D.

"**Third Party Obligations**" shall have the meaning set forth in Section 7.3.1.

"**Third Party Patents**" means all Patent Rights relating to the Drug Conjugation Technology, other than the SGI Owned Patents or Program Patents, which are Controlled by SGI or its Affiliates as of the Effective Date and which contain claims which would be infringed by the manufacture, use or sale of Licensed Products in the Field in the absence of this Agreement. The relevant Third Party Patents as of the Effective Date are listed in Schedule C, which may be amended from time to time by the Parties.

"Valid Claim" means a claim of any issued unexpired patent, which has not been revoked or held unenforceable or invalid by a decision of a court or governmental agency of competent jurisdiction from which no appeal can be taken, or with respect which an appeal is not taken within the time allowed for appeal, and which has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue, disclaimer or otherwise.

1.2. **Certain Rules of Interpretation in this Agreement and the Schedules.**

(a) Unless otherwise specified, all references to monetary amounts are to United States of America currency (U.S. Dollar);

(b) The descriptive headings of Articles and Sections are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of the content of such Articles or Sections;

(c) The use of words in the singular or plural, or with a particular gender, shall not limit the scope or exclude the application of any provision of this Agreement to such person or persons or circumstances as the context otherwise permits;

(d) The words "include" and "including" have the inclusive meaning frequently identified with the phrases "without limitation" and "but not limited to";

(e) Whenever a provision of this Agreement requires an approval or consent by a Party to this Agreement and notification of such approval or consent is not delivered within the applicable time limit, then, unless otherwise specified, the Party whose approval or consent is required shall be conclusively deemed to have withheld its approval or consent;

(f) Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next business day following if the last day of the period is not a business day in the jurisdiction of the Party to make such payment or do such act; and

(g) Whenever any payment is to be made or action to be taken under this Agreement is required to be made or taken on a day other than a business day, such payment shall be made or action taken on the next business day following such day to make such payment or do such act.

ARTICLE 2 - RESEARCH ANTIGENS

2.1.1 **Number of Options for Research Antigens.**

Subject to the provisions of this Agreement, including the availability of an Antigen pursuant to Section 2.3, Celltech may acquire Options pursuant to Section 4.1 for the following number of Research Antigens during the Research Program Term:

(a) Upon payment of the Initial Research Program Fee set forth in Section 3.4(a), Celltech shall receive Options for up to **[***]** Research Antigens for evaluation in the Research Program; and

(b) Celltech may acquire Options for up to an additional **[***]** Research Antigens for evaluation in the Research Program by paying the Additional Research Program Fees set forth in Section 3.4(b) hereof.

2.1.2 **Designation of Research Antigens.** Celltech shall notify SGI of the identity of, and to the extent available the genetic sequence for, any Antigen that Celltech wishes to designate as a Research Antigen. Within **[***]** following receipt of such notice, SGI shall notify Celltech whether the Antigen is available for designation as a Research Antigen pursuant to Section 2.3. Upon notice by SGI to Celltech that an Antigen is available for designation as a Research Antigen pursuant to Section 2.3, such Antigen shall be deemed to be a "Research Antigen" under this Agreement. If SGI does not respond within the **[***]** following receipt of such notice, the Antigen Celltech wishes to designate as a Research Antigen shall be deemed to be a Research Antigen. Schedule E to this Agreement will be amended from time to time to list the Research Antigens (including a description thereof) under this Agreement.

2.1.3 **[***].** At any time after designation of a Research Antigen pursuant to Section 2.1.2 but prior to the earlier of (i) delivery of materials for such Research Antigen to SGI or (ii) **[***]** from the date of designation of such Research Antigen, Celltech may, at its sole discretion,

[***] such Research Antigen and **[***]**, at no additional cost, **[***]**; provided that Celltech may not make more than **[***]** for each Research Antigen.

2.2.1 **Research License to Celltech.**

Subject to the provisions of this Agreement, SGI hereby grants to Celltech and its Affiliates, for the Research Program Term, a non-exclusive license in the Territory under SGI Technology as may be specifically designated in writing by Celltech solely for the purpose of conducting research and development activities on Research Antigens to evaluate Celltech's interest in exercising the Options. The research license granted to Celltech under this Section 2.2.1 shall not include (i) the right to use SGI Technology for any commercial purpose whatsoever, (ii) the right to grant sublicenses thereto to any Third-Party other than to engage the services of Third-Party contractors to undertake certain research activities on Celltech's behalf consistent with the research license granted herein or (iii) the right to initiate any human clinical trial of a Licensed Product in any country. Nothing in this Agreement shall be construed to grant Celltech rights to use SGI Technology in any human clinical trial or similar clinical activity with respect to a Licensed Product prior to Celltech exercising its Option for the applicable Research Antigen pursuant to Section 4.2 hereof.

2.2.2 **Research License to SGI.**

Subject to the provisions of this Agreement, Celltech hereby grants to SGI and its Affiliates, for the Research Program Term, a non-exclusive license under Celltech Technology solely for the purpose of conducting research and development activities on Research Antigens and Antibodies thereto in order for SGI to perform its obligations under this Agreement. The research license granted to SGI under this Section 2.2.2 shall not include (i) the right to use Celltech Technology for any commercial purpose whatsoever, (ii) the right to grant sublicenses thereto to any Third-Party or (iii) the right to initiate any human clinical trials using any Celltech Technology.

2.2.3 **Additional Assistance.**

In addition to other assistance explicitly set forth in this Agreement, during the course of the Term, SGI and Celltech shall each provide the other Party with reasonable technical assistance relating to the use of such SGI Technology and Celltech Technology, respectively, solely to the extent licensed to the other Party in this Agreement.

2.3. **Availability of an Antigen [***].**

It is understood and agreed that SGI shall grant Celltech's request to designate an Antigen as a Research Antigen unless, prior to Celltech's request pursuant to Sections 2.1.2 or 2.1.3: (i) **[***]** or (ii) **[***]** pursuant to Sections 2.1.2 or 2.1.3. Additionally, SGI shall not be required to **[***]** any **[***]** pursuant to Section 3.5.1 if such **[***]** are unavailable pursuant to this Section 2.3(i) or (ii).

ARTICLE 3 - RESEARCH PROGRAM

3.1. **Objective.** Celltech intends to conduct a Research Program to evaluate Research Antigens and Antibodies for commercial development under this Agreement. In support of the Research Program, upon SGI's receipt of Antibodies to Research Antigens, SGI shall prepare ADCs for Celltech pursuant to Section 3.5.

3.2. **Conduct of Research Program.** Celltech and SGI shall use all Commercially Reasonable Efforts to complete research works in accordance with the stated objective of the Research Program as set forth in Section 3.1. Any research work performed by Celltech and SGI pursuant hereto shall be performed in a good scientific manner and in compliance with all applicable laws.

3.3. **Term of the Research Program.** The term of the Research Program shall be for a period of **[***]** from the Effective Date unless terminated earlier in accordance with Article 15 hereof (the "Research Program Term").

3.4. **Research Program Fees.** Celltech shall pay to SGI the following amounts in consideration of the Research Program:

(a) In consideration for the Options on the **[***]** Research Antigens as set forth in Section 2.1.1(a) and within thirty (30) days of the Effective Date, Celltech shall pay to SGI the sum of **[***]** by wire transfer of immediately available funds, which payment shall be nonrefundable and non-creditable (the "Initial Research Program Fee").

(b) If Celltech elects to acquire additional Options pursuant to Section 2.1.1(b) during the Research Program Term**,** Celltech shall make an additional payment in the sum of **[***]** per Antigen for up to **[***]** additional Antigens and a maximum aggregate total of **[***]** Research Antigens. Payment shall be by wire transfer of immediately available funds for each additional Research Antigen within thirty (30) days of Option exercise, which payment shall be nonrefundable and non-creditable (the "Additional Research Program Fees").

(c) In partial consideration for the research performed by SGI, Celltech shall reimburse SGI for all JDC (as defined in Section 3.6) pre-approved (which approval will not be unreasonably withheld): 1) out-of-pocket costs incurred by SGI and 2) FTEs at a rate of **[***]** per FTE per year for the **[***]** of the Research Program and **[***]** per FTE per year for the **[***]** of the Research Program (collectively, the "Research Fees"). Within thirty (30) days after the end of each Calendar Quarter, SGI shall submit a report to Celltech supporting the calculation of both out-of-pocket costs and FTEs due for such Calendar Quarter (a "Research Fees Report"). Celltech shall pay all Research Fees to SGI within thirty (30) days of receipt of each Research Fees Report.

(d) Celltech shall pay SGI the following fees immediately upon delivery to Celltech of 1) ADCs meeting the reasonable criteria set by the Joint Development Committee

and 2) all SGI Know-How and Third Party Know-How necessary or useful to evaluate such ADCs:

(i) **[***]** upon receipt of **[***]** requested by Celltech;

(ii) **[***]** upon receipt of **[***]** requested by Celltech; and

(iii) **[***]** upon receipt of **[***]** requested by Celltech.

3.5. **SGI Preparation of ADCs.**

3.5.1 During the Research Program Term, at the request of Celltech and utilizing SGI Technology specifically designated in writing by Celltech, SGI will use Commercially Reasonable Efforts to prepare and deliver to Celltech ADC's for (i) any and all Antibodies provided by Celltech recognizing Research Antigens designated by Celltech under this Agreementand (ii) **[***]**; provided that SGI may decline to prepare an ADC for a **[***]** to an Antigen based on the availability of the **[***]** pursuant to Section 2.3(i) and (ii); and provided further that Celltech shall not be permitted to designate as a Research Antigen any **[***]** for which SGI prepares an ADC pursuant to this Section 3.5.1.

3.5.2 EXCEPT AS PROVIDED IN ARTICLE 14, SGI MAKES NO REPRESENTATIONS AND GRANTS NO WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, REGARDING THE ADCs PREPARED BY SGI INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE.

3.6 **Joint Development Committee.** Within **[***]** of the Effective Date, the Parties will establish a Joint Development Committee (the "JDC") to make decisions regarding the Research Program consistent with the objective as set forth in Section 3.1 hereof. The JDC will be responsible for, among other things, reviewing research plans, exchanging information, monitoring use of the SGI Technology by Celltech and the Celltech Technology by SGI, facilitating cooperation and coordination between the Parties, and for implementing all activities approved by the JDC. The JDC will be composed of **[***]** of each Party, who shall be appointed (and may be replaced at any time) by such Party on written notice to the other in accordance with this Agreement. Such representatives shall possess the requisite experience and seniority to enable them to make decisions on behalf of the Parties with respect to the Research Program. The JDC will make decisions based on a majority vote or by a written resolution signed by the designated representatives of each of the Parties. Any member of the JDC may designate a substitute to attend and perform the functions of that member at any meeting of the JDC. If the members of the JDC are split on a decision, **[***]**. The JDC will meet at least **[***]** annually until **[***]**, and at least **[***]** annually thereafter during the Term, or at any other frequency unanimously agreed by the members of the JDC.

ARTICLE 4 - OPTIONS AND LICENSES

4.1. **Option Grant.**

4.1.1. Grant of the Options. Subject to the terms of this Agreement, SGI hereby grants to Celltech an exclusive Option during the Option Period for each Research Antigen designated pursuant to Section 2.1.2 or 2.1.3 to obtain an Exclusive License as set forth in Section 4.2.1 hereof.

4.1.2. Exercise of the Options. During the Option Period and on a Research Antigen by Research Antigen basis, Celltech may provide written notice to SGI that it wishes to acquire the Exclusive License to the SGI Technology, as set forth in Section 4.2.1.

4.2. **Exclusive License Grant to Celltech.**

4.2.1. Grant. If (i) Celltech elects to exercise its Option pursuant to Section 4.1.2, and (ii) Celltech pays the Option Exercise Fee pursuant to Section 7.1.1, then subject to the terms and conditions of this Agreement, and commencing as of the date that SGI receives the Option Exercise Fee, SGI is automatically deemed to grant, and in such event hereby grants, to Celltech, on a Research Antigen-by-Research Antigen basis, an exclusive (even as to SGI), royalty-bearing license, including the right to sublicense as set forth in Section 4.2.2 hereof, under such SGI Technology specifically designated in writing by Celltech, as required, to develop, have developed, make, have made, use, import, have imported, export, have exported, offer to sell, sell and have sold Licensed Products directed toward such Research Antigen within the Field in the Territory (an "Exclusive License"), whereupon the Research Antigen shall thereafter be deemed to be an "Exclusive Antigen".

The date upon which an Exclusive License is granted with respect to each Research Antigen under this Section 4.2 is referred to herein as the "Exclusive License Date" for such Research Antigen.

4.2.2. Rights to Sublicense.

(a) For each License granted pursuant to Section 4.2.1 hereof, Celltech shall have the right to sublicense its rights to any Affiliate or any Third-Party ("Sublicensee"), subject to the terms and conditions of this Agreement.

(b) Celltech shall be responsible for making all payments due to SGI for completion of any milestones or due to Net Sales of any Licensed Products by any such Sublicensee and for compliance with all terms of this Agreement applicable to Celltech (including all terms of this Agreement identified as applicable to Sublicensee).

(c) Celltech shall notify SGI of each sublicense granted to Affiliates or Third-Parties and shall provide SGI with the name and address of each Sublicensee and a description of the rights granted and the territory covered by such Sublicensee.

4.3. **[***].** Subject to the bona fide rights of Third-Parties that may exist, SGI hereby **[***]** the right to **[***],**" any **[***]** under any **[***]**. SGI shall promptly notify Celltech of any **[***]** by providing a description of the **[***]** thereunder, including all **[***]** applicable to **[***]** including any **[***]** or **[***]**. Upon such notification, Celltech may, at its sole discretion, by giving written notice to SGI at any time during the Term, **[***]** under this Agreement; provided that Celltech will **[***]** to SGI for all **[***]** that **[***]** under any **[***]** any such **[***]** as provided in Section 7.3.2 in so far as they relate to **[***]** and all **[***]** that **[***]** under any **[***]** covering any such **[***]** as provided in Section 7.5.2 in so far as they relate to **[***].** If Celltech does not **[***]** to **[***]** under a **[***],** then Celltech shall have **[***]** to such **[***]** and the **[***]** and **[***]** under such **[***]** shall be **[***]**. Nothing herein shall be construed to obligate SGI to **[***]** or to **[***]** thereunder. Nothing contained herein shall affect SGI's representations and warranties contained in Section 14.1.

4.4. **Compliance with Third Party License Agreements.** To the extent that Celltech designates an SGI Technology pursuant to **[***]** that is covered under a Third Party License Agreement **[***],** Celltech hereby agrees to comply with the covenants and conditions of such Third Party License Agreement as set forth in Schedule D **[***]** hereto as they apply to Celltech, its Affiliates or Sublicensees as a sublicensee of SGI under such Third Party License Agreement **[***]**. To the extent that Celltech **[***]** an SGI Technology pursuant to **[***]** licensed by SGI under a Third Party License Agreement **[***]**, and such agreement is amended to include additional terms or conditions, the parties agree to amend Schedules D **[***]** to include such terms and conditions as are relevant to this Agreement; provided, however, that SGI shall not **[***]** that would **[***]** under this Agreement **[***]**; and provided, further, that SGI shall not **[***]** that **[***]**.

ARTICLE 5 - TECHNOLOGY DISCLOSURE AND SUPPLY

5.1. **Disclosure of Drug Conjugation Technology.**

SGI shall disclose and supply to Celltech in a timely manner such SGI Technology, including Drug Conjugation Technology, SGI Know-How and technology covered by New Third Party License Agreements and any related materials, as may be useful to enable Celltech to use the same at its own facilities for the purposes of and on the terms and conditions of this Agreement. In addition, during the term of this Agreement, SGI shall, upon Celltech's reasonable request and with reasonable notice to SGI, make available to Celltech at SGI's facilities, SGI's personnel to provide a reasonable amount of technical assistance and training to Celltech's personnel. Celltech shall pay all out-of-pocket expenses and FTE costs incurred by SGI in providing such technical assistance and training in accordance with Section 3.4(c).

ARTICLE 6 - DEVELOPMENT AND COMMERCIALIZATION

6.1 Celltech shall develop, commercialize and market Licensed Products using Commercially Reasonable Efforts. Without limiting the foregoing, Celltech, at its sole discretion, (i) shall be responsible for conducting such preclinical and clinical trials as are necessary or

desirable to obtain regulatory approvals to develop and commercialize such Licensed Products, (ii) shall be responsible for developing and obtaining necessary approval to market such Licensed Products (including, as the case may be, pricing approval), and (iii) shall be responsible for marketing such Licensed Products. Celltech shall comply with all applicable good laboratory, clinical and manufacturing practices in the development and commercialization of such Licensed Products, and shall use Commercially Reasonable Efforts to cause its Affiliates and subcontractors to do the same.

6.2 Celltech shall be solely responsible for funding all costs of the development and commercialization of each such Licensed Product. Celltech shall keep SGI informed upon reasonable requests by SGI from time to time as to the progress of the development of Licensed Products. Beginning on **[***]** and thereafter within **[***]** following the end of each **[***]** upon SGI's request, Celltech shall provide SGI with a written report summarizing Celltech's activities related to research and development of Licensed Products and status of clinical trials and government approvals necessary for marketing Licensed Products.

ARTICLE 7 - OPTION EXERCISE FEE, EXCLUSIVE LICENSE FEES, ROYALTIES AND MILESTONES.

7.1. **Option Exercise Fee; Exclusive License Fees.**

7.1.1. In consideration for each Option exercised pursuant to Section 4.1.2, Celltech shall make a payment to SGI in the sum of **[***]** by wire transfer of immediately available funds (the "Option Exercise Fee"). Each Option Exercise Fee paid by Celltech to SGI is **[***]** for the applicable Exclusive Antigen during the **[***]** period from the Exclusive License Date for such Exclusive Antigen.

7.1.2 On the **[***]** of each Exclusive License date and on each subsequent **[***]** until terminated pursuant to 7.1.3 or Article 15, Celltech shall pay to SGI an exclusive license fee in the amount of **[***]** for each Exclusive Antigen. Each annual exclusive license fee is **[***]** for the applicable Exclusive Antigen during the **[***]** period.

7.1.3. Celltech may terminate the Exclusive License for any Exclusive Antigen for any reason and at any time upon **[***]** prior notice to SGI. Upon termination pursuant to this Section 7.1.3, **[***]**.

7.2. **Royalties Payable by Celltech.**

In consideration for the Exclusive Licenses granted to Celltech herein, during the Royalty Term, Celltech shall pay to SGI royalties on Net Sales of Licensed Products. Such royalties shall be at the following rates, determined on a Licensed Product-by-Licensed Product basis:

(a) **[***]** of the first **[***]** in aggregate Net Sales of Licensed Product in each calendar year;

(b) **[***]** of Net Sales of Licensed Product over **[***]** up to **[***]** in each calendar year; and

(c) **[***]** of Net Sales of Licensed Product in excess of **[***]** in each calendar year.

7.3. **Third-Party Royalties.**

7.3.1. **[***]**, Celltech shall pay to SGI **[***]** any Third-Party royalties owed by SGI to a Third Party pursuant to each Third Party License Agreement accruing due to the sale of Licensed Product in the Field in the Territory by Celltech, its Affiliates and Sublicensees ("Third Party Obligations"). The Third Party Obligations are as follows: **[***]**. To the extent Third Party Obligations accrue due to the sale of Licensed Product, Celltech shall be responsible for such royalties based on the following schedule:

(a) **[***]**;

(b) **[***]**

(c) **[***]**;

provided, that SGI shall not be obligated to pay any Third Party Obligations hereunder in excess of **[***]**.

7.3.2 **[***]**

7.4. **Milestone Payments.**

As additional consideration for the licenses granted to Celltech hereunder, Celltech shall pay to SGI the following milestone payments on Licensed Product within **[***]** of each occurrence of each milestone event set forth below:

(a) Upon **[***]**;

(b) Upon **[***]**;

(c) Upon **[***]**;

(d) Upon **[***]**; and

(e) Upon **[***]**.

Celltech will only be required to pay each of the above milestones to SGI for the **[***]** Licensed Product associated with each Exclusive Antigen to complete the milestone event.

7.5 **Third Party Milestone Payments.**

7.5.1 SGI shall be responsible for **[***]**. SGI and Celltech shall each pay **[***]** pursuant to 4.2.1 for the development and commercialization of a Licensed Product under this Agreement. The milestones owed by SGI under the **[***]** that may be applicable to Licensed Products are as follows:

(a) **[***]** upon **[***]**;

(b) **[***]** upon **[***]**;

(c) **[***]** upon **[***]**; and

(d) **[***]** upon **[***]**.

7.5.2 **[***]**

ARTICLE 8 - ROYALTY REPORTS AND ACCOUNTING

8.1. **Reports, Exchange Rates.**

8.1.1. During the Royalty Term, Celltech shall furnish to SGI, with respect to each Calendar Quarter following the First Commercial Sale, a written report showing on a consolidated basis in reasonably specific detail and on a country-by-country basis, (a) the gross sales of Licensed Products sold by Celltech, its Affiliates and its Sublicensees in the Territory during the corresponding Calendar Quarter and the calculation of Net Sales from such gross sales; (b) the royalties payable in U.S. dollars, if any, which shall have accrued hereunder based upon Net Sales of Licensed Products; (c) the withholding taxes, if any, required by law to be deducted in respect of such royalties; (d) the dates of the First Commercial Sale of each Licensed Product in each country in the Territory if it has occurred during the corresponding Calendar Quarter; and (e) the exchange rates (as determined pursuant to Section 8.1.3 herein) used in determining the royalty amount expressed in U.S. dollars (collectively, "Reports").

8.1.2. Reports shall be due on the **[***]** following the close of each Calendar Quarter. Celltech shall keep complete and accurate records in sufficient detail to properly reflect all gross sales and Net Sales and to enable the royalties payable hereunder to be determined.

8.1.3. With respect to sales (if any) of Licensed Products invoiced in U.S. dollars, the gross sales, Net Sales, and royalties payable shall be expressed in U.S. dollars. With respect to sales of Licensed Products invoiced in a currency other than U.S. dollars, the gross sales, Net Sales and royalties payable shall be expressed in the currency of the invoice issued by the Party making the sale together with the U.S. dollars equivalent of the royalty payable, calculated using **[***]**.

8.2. **Audits.**

8.2.1. Upon the written request of SGI and not more than once in each calendar year, Celltech shall permit an independent certified public accounting firm of internationally recognized standing, selected by SGI and reasonably acceptable to Celltech, at SGI's expense, to have access during normal business hours to such of the records of Celltech and its Affiliates as may be reasonably necessary to verify the accuracy of the Reports hereunder for any year ending not more than **[***]** prior to the date of such request. The accounting firm shall disclose to SGI only whether the records are correct or not and the specific details concerning any discrepancies. No other information shall be shared.

8.2.2. If such accounting firm concludes that additional royalties were owed during such period, Celltech shall pay the additional royalties within **[***]** of the date SGI delivers to Celltech such accounting firm's written report so concluding. The fees charged by such accounting firm shall be paid by SGI; provided, however, if the audit discloses that the royalties payable by Celltech for the audited period are more than **[***]** of the royalties actually paid for such period, then Celltech shall pay the reasonable fees charged by such accounting firm.

8.2.3 Upon the expiration of **[***]** following the end of any calendar year, the calculation of royalties payable with respect to such year shall be binding and conclusive upon SGI, and Celltech, its Affiliates and Sublicensees shall be released from any liability or accountability with respect to royalties for such year.

8.3. **Confidential Financial Information.**

SGI shall treat all financial information subject to review under this Article 8 or under any sublicense agreement as Confidential Information of Celltech, and shall cause its accounting firm to retain all such financial information in confidence.

ARTICLE 9 - PAYMENTS. LATE PAYMENTS

9.1. **Payment Terms.**

Royalties shown to have accrued by each Report provided for under Article 8 of this Agreement shall be due on the date such Report is due. Payment of royalties in whole or in part may be made in advance of such due date. Past due payments shall accrue interest at a rate of **[***]** per annum, or if less, the maximum applicable rate permitted by law, unless occurring as a result of an event the Parties agree constitutes an Event of Force Majeure or as a result of a good faith dispute between the Parties regarding performance or breach of their obligations hereunder.

9.2. **Payment Method.**

All payments by Celltech to SGI under this Agreement shall be paid in U.S. dollars, and all such payments shall be made by bank wire transfer in immediately available funds to the bank account designated by SGI in writing.

9.3. **Exchange Control.**

If at any time legal restrictions prevent the prompt remittance of part or all royalties with respect to any country in the Territory where Licensed Product is sold, payment shall be made through such lawful means or method as the Parties reasonably shall determine.

9.4. **Withholding Taxes.**

Except as otherwise provided below, all amounts owing from Celltech to SGI under this Agreement are gross amounts. Celltech shall be entitled to deduct the amount of any withholding taxes payable or required to be withheld by Celltech, its Affiliates or Sublicensees, to the extent Celltech, its Affiliates or Sublicensees pay to the appropriate governmental authority on behalf of SGI such taxes. Celltech shall use Commercially Reasonable Efforts to minimize any such taxes, levies or charges required to be withheld on behalf of SGI by Celltech, its Affiliates or Sublicensees. Celltech shall promptly deliver to SGI proof of payment of all such taxes, levies and other charges, together with copies of all communications from or with such governmental authority with respect thereto.

ARTICLE 10 - CONFIDENTIALITY

10.1. **Non-Disclosure Obligations.**

Except as otherwise provided in this Article 10, during the Term and for a period of **[***]** thereafter, each Party shall maintain in confidence, and use only for purposes as expressly authorized and contemplated by this Agreement, all confidential or proprietary information, data, documents or other materials supplied by the other Party under this Agreement and marked or otherwise identified as "Confidential". For purposes of this Agreement, information and data described above shall be hereinafter referred to as "Confidential Information." Each Party shall use at least the same standard of care as it uses to protect its own Confidential Information to ensure that its and its Affiliates' and its sublicensees (or prospective sublicensees) and their employees, agents, consultants and clinical investigators only make use of Confidential Information for purposes as expressly authorized and contemplated by this Agreement and do not disclose or make any unauthorized use of such Confidential Information.

10.2. **Permitted Disclosures.**

Notwithstanding the foregoing, the provisions of Section 10.1 hereof shall not apply to information, documents or materials that the disclosing Party can conclusively establish:

(a) have become published or otherwise entered the public domain other than by acts of the disclosing Party or its Affiliates in contravention of this Agreement;

(b) are permitted to be disclosed by prior consent of the other Party;

(c) have become known to the disclosing Party by a Third-Party, provided such Confidential Information was not obtained by such Third-Party directly or indirectly from the other Party under this Agreement on a confidential basis;

(d) prior to disclosure under the Agreement, was already in the possession of the disclosing Party, its Affiliates or Sublicensees, provided such Confidential Information was not obtained directly or indirectly from the other Party under this Agreement;

(e) is disclosed in a press release agreed to by both Parties hereto, which agreement shall not be unreasonably withheld; and

(f) are required to be disclosed by the disclosing Party to comply with any applicable law, regulation or court order, or are reasonably necessary to obtain patents, copyrights or authorizations to conduct clinical trials with, and to commercially market Licensed Product(s), provided that the disclosing Party shall provide prior notice of such disclosure to the other Party and take reasonable and lawful actions to avoid or minimize the degree of disclosure.

10.3. **Terms of the Agreement.**

Celltech and SGI shall not disclose any terms or conditions of this Agreement to any Third-Party without the prior written consent of the other Party, except as required by applicable laws, regulations or a court order (and in any such case the disclosing Party shall provide notice to the other Party and take reasonable and lawful actions to avoid or minimize the degree of such disclosures). However, Celltech may disclose the terms and conditions of this Agreement to potential licensees.

10.4. **Press Releases and Other Disclosures to Third-Parties.**

Neither SGI nor Celltech will, without the prior written consent of the other, issue any press release or make any other public announcement or furnish any statement to any Third Party (other than either Parties' respective Affiliates) concerning the existence of this Agreement, its terms and the transactions contemplated thereby, except for (i) general statement referring to the existence of this Agreement, and identity of the Parties but no other details, (ii) disclosures made in compliance with Sections 10.2 and 10.3 hereof, (iii) attorneys, consultants, and accountants retained to represent them in connection with the transactions contemplated hereby and (iv) occasional, brief comments by the respective officers of Celltech and SGI consistent with such guidelines for public statements as may be mutually agreed by Celltech and SGI made in connection with routine interviews with analysts or members of the financial press.

10.5. **Publications Regarding Results of the Research Program.**

No Party may publish, present or announce results of the Research Program either orally or in writing (the "Publication") without obtaining the written consent of the other Party, provided that either Party may release a Publication that generally sets forth information concerning their research programs. The other Party shall have **[***]** from receipt of the

proposed Publication to provide comments and/or proposed changes to the disclosing Party. The disclosing Party shall take into account the comments and/or proposed changes made by the other Party on any Publication and shall agree to have employees or others acting on behalf of the other Party be mentioned as co-authors on any Publication describing results to which such persons have contributed. If the other Party reasonably determines the Publication would amount to the public disclosure of such Party's Confidential Information and/or of a patentable invention upon which a patent application may be filed prior to any such disclosure, submission of the concerned Publication to Third-Parties shall be delayed for a **[***]** period from the date of said notice, or for such longer period which may appear necessary for appropriately deleting Confidential Information from the proposed Publication and/or drafting and filing a patent application covering such invention.

ARTICLE 11 - INVENTIONS AND PATENTS

11.1. **Ownership of Inventions.**

11.1.1. **Disclosure of Program Inventions.** Each Party shall promptly disclose to the other Party the making, conception or reduction to practice of any Program Inventions.

11.1.2 **Ownership of Program Inventions.** All right, title and interest in all Program Inventions that are discovered, made or conceived as part of the activities conducted pursuant to this Agreement during the Research Program Term shall be owned as follows:

a) **[***]** shall own all Program Inventions that are invented solely by one or more employees, agents or consultants of **[***]**;

b) **[***]** shall own all Program Inventions that are invented solely by one or more employees, agents or consultants of **[***]**; and

c) Subject to Section 11.1.3, **[***]** shall **[***]** own all Program Inventions that are invented by one or more of its employees, agents or consultants, together with one or more employees, agents or consultants of the other.

For the purposes of determining ownership of Program Inventions under this Section 11.1.2, inventorship shall be determined under U.S. patent law. In the event of a dispute regarding inventorship, the JDC shall engage a Third Party patent attorney jointly selected by the Parties to resolve such dispute.

11.1.3 **Ownership of Drug Conjugate Technology, Antibodies, Research Antigens and Exclusive Antigens.**

For all Program Inventions set forth under Section 11.1.2.(c):

(a) As between Celltech and SGI, **[***]** shall have and retain all right, title and interest in and to any and all Program Inventions directly relating to **[***]** developed as a direct result of the Research Program, and to the extent that any such **[***]** within Program

Inventions shall have been invented by **[***]** and is owned by **[***]**; **[***]**, subject to retaining an **[***]** hereto during the Term for all **[***]** licensed under this Agreement.

(b) As between SGI and Celltech, **[***]** shall have and retain all right, title and interest in and to any and all Program Inventions directly relating to **[***]** developed as a direct result of the Research Program, and to the extent that any such **[***]** within Program Inventions shall have been invented by **[***]** and are owned by **[***]**, **[***]**.

11.1.4 **Assignment by Employees, Agents or Independent Contractors.** Celltech and SGI agree that all employees acting on its behalf in performing its obligations under this Agreement shall be obligated to assign to such Party all Program Inventions made or conceived by such employee as part of the activities conducted under this Agreement. Celltech and SGI agree that in the case of non-employees working on its behalf, that such Party shall endeavor to obtain an assignment of all Program Inventions made by such non-employees.

11.2. **Patent Prosecution and Maintenance.**

11.2.1. SGI Owned Patents. SGI shall be responsible for and shall control the preparation, filing, prosecution, grant and maintenance of all SGI Owned Patents and shall keep Celltech currently advised as to the status of the same. SGI shall, at its sole expense, prepare, file, prosecute and maintain such SGI Owned Patents in good faith consistent with its customary patent policy and its reasonable business judgment, and shall consider in good faith the interests of Celltech in so doing. If SGI elects to abandon a SGI Owned Patent and/or terminate its obligations to file, prosecute or maintain any such patent, then it shall notify Celltech in writing of its election and provide Celltech a **[***]** period from receipt of such written notification in which to respond to such notice before abandoning and/or discontinuing its obligations to file, prosecute or maintain such patent. If Celltech responds within such **[***]** response period that it wishes to file, prosecute or maintain such patent, then SGI shall promptly transfer and assign such patent to Celltech and shall continue to file, prosecute and maintain such patent until such transfer and assignment becomes effective. Celltech shall reimburse SGI for all reasonable costs associated with filing, prosecuting or maintaining such patent from date it notifies SGI it wishes to assume responsibility for the patent(s) until the transfer and assignment becomes effective. Upon such transfer and assignment becoming effective, SGI shall transfer its files to Celltech and shall reasonably assist Celltech in the filing, prosecuting and maintaining of such patent.

11.2.2. Celltech Patents. Subject to Section 11.2.1 and 11.2.3, Celltech shall be responsible for and shall control the preparation, filing, prosecution, grant and maintenance, of all Celltech Patents other than the Program Patents. Celltech shall, at its sole expense, prepare, file, prosecute and maintain such Patent Rights in good faith consistent with its customary patent policy and its reasonable business judgment.

11.2.3 Program Inventions.

(a) SGI shall have the sole right, but not the obligation, to prepare, file, prosecute, and maintain, at SGI's expense, any patent(s) on Program Inventions set forth in

Section 11.1.3(a). SGI shall keep Celltech currently advised as to the status of all patent(s) with respect to the Program Inventions set forth in Section 11.1.3(a) and shall supply Celltech promptly with copies of all patents, patent applications, substantive patent office actions, substantive responses received or filed in connection with such applications. In the event that SGI elects not to file for patent protection or elects not to prosecute or maintain a patent(s) on the Program Inventions set forth in Section 11.1.3(a), it shall notify Celltech in writing of such decision and provide Celltech a **[***]** period from receipt of such written notification in which to respond to such notice before abandoning and/or discontinuing to file, prosecute or maintain such patent(s). Celltech shall have the right, but not the obligation to assume the responsibility therefore, at its own cost and expense. If Celltech responds within such **[***]** response period that it wishes to file, prosecute or maintain such patent(s), then SGI shall promptly transfer and assign all right, title and interest in and to such patent(s), including all files, to Celltech and shall continue to file, prosecute and maintain such patent(s) until such transfer and assignment become effective. Celltech shall reimburse SGI for all reasonable costs associated with filing, prosecuting or maintaining such Patent(s) from date it notifies SGI it wishes to assume responsibility for the patent(s) until the transfer and assignment becomes effective. Upon such transfer and assignment becoming effective, SGI shall transfer its files to Celltech and shall reasonably assist Celltech in the filing, prosecuting and maintaining of such patent(s).

(b) Celltech shall have the sole right, but not the obligation to prepare, file, prosecute, and maintain, at Celltech's expense, any patent(s) on Program Inventions set forth in Section 11.1.3(b).

(c) For all patents other than as set forth in Sections 11.2.3(a) and (b), Celltech shall have the sole right, but not the obligation to prepare, file, prosecute, and maintain, at both Celltech and SGI's expense, patent(s) on Program Inventions. Celltech shall keep SGI currently advised as to the status of all such patent(s) and shall supply SGI promptly with copies of all patents, patent applications, substantive patent office actions, substantive responses received or filed in connection with such applications. In the event that Celltech elects not to file for patent protection or elects not to prosecute or maintain such patent(s), it shall notify SGI in writing of such decision and provide SGI a **[***]** period from receipt of such written notification in which to respond to such notice before abandoning and/or discontinuing to file, prosecute or maintain such patent(s). SGI shall have the right, but not the obligation to assume the responsibility therefore, at its own cost and expense. If SGI responds within such **[***]** response period that it wishes to file, prosecute or maintain such patent(s), then Celltech shall promptly transfer and assign all its right, title and interest in and to such patent(s) to SGI and shall continue to file, prosecute and maintain such patent(s) until such transfer and assignment become effective. SGI shall reimburse Celltech for all reasonable costs associated with filing, prosecuting or maintaining such Patent(s) from date it notifies Celltech it wishes to assume responsibility for such patent(s) until the transfer and assignment becomes effective. Upon such transfer and assignment becoming effective, Celltech shall transfer its files to SGI and shall reasonably assist SGI in the filing, prosecuting and maintaining of such patent(s).

11.2.4 Cooperation. The Parties shall at all times fully cooperate in order to reasonably implement the foregoing provisions.

11.3. **Enforcement of Patents.**

11.3.1 SGI Patents. Subject to Section 11.3.3, SGI shall have the right, at its sole expense, to determine the appropriate course of action to enforce the SGI Patents or otherwise abate the infringement thereof, to take (or refrain from taking) appropriate action to enforce the SGI Patents, to control any litigation or other enforcement action and to enter into, or permit, the settlement of any such litigation or other enforcement action with respect to the SGI Patents, and in good faith shall consider the interests of Celltech in so doing. All monies recovered upon the final judgment or settlement of any such suit to enforce any SGI Patents shall be retained by SGI; provided, however, that to the extent that any award is attributable to loss of sales of a Licensed Product, the Parties shall negotiate in good faith an appropriate allocation of such award to reflect the economic interests of the Parties under this Agreement with respect to such Licensed Product. Celltech and SGI shall fully cooperate with each other in any action to enforce the SGI Patents. If SGI fails to take any action to enforce the SGI Patents or control any litigation with respect to the SGI Patents within a period of **[***]** after reasonable notice of the infringement of the SGI Patents, then Celltech shall have the right to bring and control any such action by counsel of its own choice, and in such case, all monies recovered upon the final judgment or settlement of any such suit to enforce any SGI Patents shall be retained by Celltech. In such a case, SGI shall cooperate fully with Celltech, at Celltech's expense, in its efforts to enforce the SGI Patents, including being joined as a party to such action if necessary.

11.3.2. Celltech Patents. Subject to Section 11.3.3, Celltech shall have the right, at its sole expense, to determine the appropriate course of action to enforce the Celltech Patents or otherwise abate the infringement thereof, to take (or refrain from taking) appropriate action to enforce the Celltech Patents, to control any litigation or other enforcement action and to enter into, or permit, the settlement of any such litigation or other enforcement action with respect to the Celltech Patents. All monies recovered upon the final judgment or settlement of any such suit to enforce any Celltech Patents shall be retained by Celltech. SGI and Celltech shall fully cooperate with each other in any action to enforce the Celltech Patents.

11.3.3 Program Inventions.

(a) Enforcement. In the event that either Party becomes aware that any patent covering a Program Invention is infringed or misappropriated by a Third Party or is subject to a declaratory judgment action, the Party becoming aware of such event shall promptly notify the other Party. The Party with the right to prepare, file, prosecute, and maintain a patent(s) with respect to such Program Invention, as set forth in Sections 11.2.3(a)-(c), and which is then maintaining said patent(s), in its sole discretion, shall have the right and shall be solely responsible for pursuing any action for infringement or misappropriation against Third Parties or defending any declaratory judgment action relating thereto. To the extent that the Program Invention being pursued is a Program Invention as set forth in Section 11.2.3(c) or an SGI Patent covering a Licensed Product, the Party not having the right to prepare, file, prosecute, and maintain a Patent(s) with respect to such Program Invention and which is not then actually maintaining said Patent(s) shall have the option to participate in such action at its sole expense.

(b) Failure to Enforce**.** If the Party with the right to pursue any action for infringement or misappropriation against Third Parties or defending any declaratory judgment action as set forth in Section 11.3.3(a) above fails to pursue or defend such action relating to a Program Invention within **[***]** written notice by the other Party of its desire to proceed, then the other Party shall have the option to pursue or defend such actions; provided, that such Party pays all costs and expenses related to the same, and keeps the other Party reasonably informed of its progress and provides copies of any documents related to such proceedings and reasonable notice of all proceedings relating to same. A Party electing to exercise its option to proceed under this Section 11.3.3(b) shall notify the other Party of its decision to exercise its option as soon as possible.

(c) Division of Recoveries. Any recovery of damages received in connection with a suit (including by way of settlement) under Section 11.3.3(a) involving a Program Invention set forth in Section 11.2.3(a) or (b) shall be retained by the Party that owns said Program Invention. Any recovery of damages received in connection with a suit (including by way of settlement) under Section 11.3.3(a) involving a Program Invention set forth in Section 11.2.3(c) brought by SGI or Celltech shall be retained by the Party that conducted such suit (other than the assistance that each party is required to provide to the litigating party pursuant to Section 11.5 and for which it has been reimbursed). Any recovery of damages received in connection with a suit under Section 11.3.3(a) (including by way of settlement) jointly brought by SGI and Celltech (other than the assistance that each party is required to provide to the litigating party pursuant to Section 11.5 and for which it has been reimbursed) shall be used first to reimburse the Parties, on a pro-rata basis, for all expenses actually incurred in such suit, and any remainder shall be divided equally between Celltech and SGI after payment of any obligations to any Third Party in relation to any recovery; provided, however, that to the extent that any award recovered under this section 11.3.3(c) is attributable to loss of sales of a Licensed Product, the Parties shall negotiate in good faith an appropriate allocation of such award to reflect the economic interests of the Parties under this Agreement with respect to such Licensed Product.

11.4. **Prior Patent Rights.** Notwithstanding anything to the contrary in this Agreement, with respect to any SGI Patents that are subject to any Third Party License Agreement, the rights and obligations of the Parties under Section 11.2 and 11.3 shall be subject to such Third Party rights to participate in and control prosecution, maintenance and enforcement of such Third Party Patents in accordance with the terms and conditions of the applicable Third Party License Agreement.

11.5 **Cooperation.** In any claim, suit or proceeding under Section 11.3.3 which either Party may become involved, the other Party shall, at the request and expense of the Party initiating or defending the claim, suit or proceeding, cooperate and assist such Party in all reasonable respects, including having its employees testify when requested and making available relevant records, papers, information, specimens and the like.

ARTICLE 12 - INFRINGEMENT ACTIONS BY THIRD-PARTIES

12.1 Infringement Claims by Third Parties.

(a) **Third Party Claims.** If the making, having made, developing, using, distributing for sale, promoting, marketing, offering for sale, selling, having sold, importing or exporting of any Licensed Products results in an assertion or a claim against a Party of infringement or misappropriation of any Third Party's intellectual property right due to the use of SGI Technology ("Third Party Claim"), the Party first having notice of a Third Party Claim shall promptly notify the other Party in writing specifying in reasonable detail the alleged grounds or basis for the Third Party Claim.

(b) **Response to Third Party Claims.** In the event of a Third Party Claim, the Parties agree to respond to and/or defend against the Third Party Claim as follows:

(i) Each Party shall use Commercially Reasonable Efforts in responding to and defending against such Third Party Claim, and will render such reasonable assistance as the other Party may request, at the requesting Party's expense, in defending such Third Party Claim.

(ii) Neither Party shall settle any Third Party Claim in a manner that is prejudicial to the other Party without the other Party's prior written consent.

(iii) Each Party shall be responsible for its own fees and costs of attorneys and consultants, together with court costs, incurred in defending against the Third Party Claim.

(iv) Each party shall keep the other Party reasonably informed of the status of the suit under this Article 12.

(c) **Third Party Royalties.** If Celltech, its respective Affiliates or Sublicensees, by court order, settlement or other agreement entered into in good faith, is required to pay royalties and/or damages to any Third Parties in connection with the disposition of a Third Party Claim, Celltech, its Affiliates or Sublicensees, shall be entitled to reduce the royalties payable to SGI hereunder by **[***]**; provided that: (1) such Third Party Claim is directly related to SGI Technology and (2) such reductions reduce by no more than **[***]** the royalties otherwise due to SGI hereunder after taking account of Third Party royalties under Section 7.3.

ARTICLE 13 - REGULATORY ASSISTANCE

Should Celltech develop an ADC for clinical development, SGI will provide at Celltech's request, technical information required for Celltech to file for and obtain permission to commence human clinical trials. This information will include, as available, Chemistry Manufacturing and Controls documentation, other toxicity and safety data, access to any drug master files on record with the FDA and any other relevant materials. Celltech shall reimburse SGI for any out-of-pocket and FTE costs incurred by SGI in providing such information, as set forth in Section 3.4(c).

ARTICLE 14 - REPRESENTATIONS AND WARRANTIES

14.1. **Representations and Warranties.**

(a) This Agreement has been duly executed and delivered by each Party and constitutes the valid and binding obligation of each Party, enforceable against such Party in accordance with its terms, except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium or other laws relating to or affecting creditors' rights generally and by general equitable principals. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action on the part of each Party, its officers and directors.

(b) The execution, delivery and performance of the Agreement by each Party does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it is bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

(c) SGI has not, and during the term of the Agreement will not, grant any right to any Third-Party relating to any SGI Technology which would conflict with the rights granted to Celltech hereunder.

(d) SGI represents and warrants that it has the right to grant the licenses granted herein and that it has no knowledge of any rights of any Third-Parties that would interfere with the practice of the SGI Technology.

(e) SGI represents and warrants that as of the Effective Date, Schedules A, B, C and D are accurate and complete in all material respects.

(f) SGI represents and warrants that as of the Effective Date it has complied with all requirements under **[***]**.

(g) SGI represents and warrants that as of the Effective Date it is not in breach of any of the Third Party License Agreements and shall use Commercially Reasonable Efforts to continue to comply with the terms of said Third Party License Agreements and any New Third Party License Agreements.

14.2 **Performance by Affiliates.**

The Parties recognize that each may perform some or all of its obligations under this Agreement through Affiliates, provided, however, that each Party shall remain responsible and be guarantor of the performance by its Affiliates and shall cause its Affiliates to comply with the provisions of this Agreement in connection with such performance.

ARTICLE 15 - TERM AND TERMINATION

15.1. **Term.**

15.1.1 Unless earlier terminated pursuant to this Article 15, the term of this Agreement shall commence on the Effective Date and shall remain in full force and effect until the expiration of the Royalty Term ("Term").

15.1.2 Notwithstanding Section 15.1, this Agreement shall terminate upon the conclusion of the Research Program Term if Celltech has not exercised an Option as set forth in Section 4.1.2.

15.2. **Termination by Celltech.**

Celltech shall have the right, at its sole discretion at any time after **[***]**, to terminate this Agreement by providing **[***]** prior written notice to SGI of such termination.

15.3. **Discontinuance of Development Efforts by Celltech.**

Celltech shall promptly give SGI notice if Celltech intends to abandon the commercial development of any Exclusive Antigen or Antibody thereto whereupon any Exclusive License with respect to such Exclusive Antigen shall automatically terminate and all rights related to the use of SGI Technology in connection with the Exclusive Antigen shall revert back to SGI, provided, however, that Celltech shall retain any and all rights in and to **[***]** and any and all rights granted pursuant to **[***]**.

15.4. **Termination for Cause.**

Either Party may terminate this Agreement for material breach by the other Party (the "Breaching Party") of any material provision of the Agreement, if the Breaching Party has not cured such breach within **[***]** after notice thereof; provided, however, that termination under this Section 15.4 shall be automatically stayed for the duration of any dispute resolution proceeding initiated under Section 21.3; and provided further, however, that in the event Celltech fails to timely pay SGI any undisputed annual exclusive license fees, royalty payments and milestone payments set forth in Article 7, Research Program Fee(s) set forth in Section 3.4 or Option Exercise Fee(s) set forth in Section 7.1.1, Celltech shall have only **[***]** from said notice to cure such breach.

15.5. **Termination Upon Insolvency.**

Either Party may terminate this Agreement if, at any time, the other Party shall file in any court or agency pursuant to any statute or regulation of any state, country or jurisdiction, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of that Party or of its assets, or if such other Party proposes a written agreement of composition or extension of its debts, or if such other Party shall be served

with an involuntary petition against it, filed in any insolvency proceeding, and such petition shall not be dismissed within **[***]** after the filing thereof, or if such other Party shall propose or be a party to any dissolution or liquidation, or if such other Party shall make an assignment for the benefit of its creditors.

15.6. **Termination of Third Party License Agreements.** All rights and obligations under any Third Party License Agreements sublicensed to Celltech under this Agreement shall terminate upon **[***]** prior written notice by SGI if Celltech breaches any material provision of such Third Party License Agreement and fails to cure such breach within such **[***]** period; provided, however such cure period may be extended by consent of the Parties; All rights and obligations under the **[***]** shall automatically terminate if Celltech is utilizing any **[***]** and fails to maintain the insurance required under the Third Party License Agreement with **[***]** or as otherwise agreed with **[***]**. All rights and obligations under any Third Party License Agreement sublicensed to Celltech under this Agreement shall terminate upon termination of such Third Party License Agreements.

15.7. **Effect of Expiration and Termination.**

15.7.1. Except where explicitly provided within this Agreement, termination of this Agreement for any reason, or expiration of this Agreement, will not affect any: (i) obligations, including payment of any royalties or other sums which have accrued as of the date of termination or expiration, and (ii) rights and obligations which, from the context thereof, are intended to survive termination or expiration of this Agreement, including provisions of Articles 10, 11, 12, 16 and 21, and Sections 8.2, 8.3 and 15.7, which shall survive the expiration or termination of the Agreement. Notwithstanding the foregoing, all licenses granted by SGI to Celltech hereunder, including all Exclusive Licenses, and all sublicenses granted by Celltech hereunder, will immediately terminate upon termination of this Agreement pursuant to Sections 15.2, 15.4 or 15.5.

15.7.2. Upon the expiration of the Royalty Term for each Exclusive Antigen pursuant to Section 15.1, SGI hereby grants Celltech a royalty-free, perpetual, worldwide, license to use the SGI Technology for that Exclusive Antigen.

15.8 **[***] Notification.** SGI shall provide Celltech with written notice of any termination of the **[***]** at least **[***]** prior to the effective date of such termination.

ARTICLE 16 - INDEMNITY.

16.1. **Direct Indemnity.**

16.1.1. Each Party shall indemnify and hold harmless, and hereby forever releases and discharges the other Party from and against all Third Party claims, demands, liabilities, damages and expenses, including attorneys' fees and costs (collectively, the "Liabilities") arising out of (i) the breach of any material provision of this Agreement by the indemnifying Party (or the inaccuracy of any representation or warranty made by such Party in this Agreement), except

to the extent such Liabilities resulted from the gross negligence, recklessness or willful misconduct of the other Party; or (ii) the gross negligence, recklessness or willful misconduct of the indemnifying Party.

16.1.2. Celltech shall indemnify and hold harmless, and hereby forever releases and discharges SGI from and against all Liabilities suffered or incurred arising out of any Third-Party claims for personal injury, death or disability or any Licensed Product recall to the extent caused by (a) any failure to test for or provide adequate warnings of adverse side effects to the extent such failure arises out of acts or omissions in connection with the preclinical or clinical testing of any Licensed Product, (b) any manufacturing defect in any Licensed Product or (c) any other act or omission of Celltech in connection with its obligations under this Agreement; except in each case to the extent such Liabilities resulted from the gross negligence, recklessness or willful misconduct by SGI or the inaccuracy of any representation or warranty made by SGI in this Agreement.

16.1.3. SGI shall indemnify and hold harmless, and hereby forever releases and discharges Celltech from and against all Liabilities suffered or incurred arising out of any Third-Party claims for personal injury, death or disability or any Licensed Product recall to the extent caused by (a) any SGI Technology incorporated in a Licensed Product other than any Celltech Technology**,** (b) any manufacturing defect in any SGI Technology, or (c) any other act or omission of SGI in connection with its obligations under this Agreement; except in each case to the extent such Liabilities resulted from the gross negligence, recklessness or willful misconduct by Celltech or the inaccuracy of any representation or warranty made by Celltech in this Agreement.

16.2. **Procedure.**

A Party (the "Indemnitee") that intends to claim indemnification under this Article 16 shall promptly provide written notice to the other Party (the "Indemnitor") of any Liability or action in respect of which the Indemnitee intends to claim such indemnification, which notice shall include a reasonable identification of the alleged facts giving rise to such Liability, and the Indemnitor shall have the right to participate in, and, to the extent the Indemnitor so desires, jointly with any other Indemnitor similarly noticed, to assume the defense thereof with counsel selected by the Indemnitor; provided, however, that the Indemnitee shall have the right to retain its own counsel, with the fees and expenses to be paid by the Indemnitor, if representation of such Indemnitee by the counsel retained by the Indemnitor would be inappropriate due to actual or potential differing interests between such Indemnitee and any other Party represented by such counsel in such proceedings. Any settlement of a Liability for which any Indemnitee seeks to be reimbursed, indemnified, defended or held harmless under this Article 16 shall be subject to prior consent of such Indemnitee, which consent shall not be withheld unreasonably.

ARTICLE 17- FORCE MAJEURE

No Party (or any of its Affiliates) shall be held liable or responsible to the other Party (or any of its Affiliates) nor be deemed to have defaulted under or breached the Agreement for failure or delay in fulfilling or performing any term of the Agreement when such failure or delay

is caused by or results from causes beyond the reasonable control of the affected Party (or any of its Affiliates) including fire, floods, embargoes, war, acts of war (whether war be declared or not), insurrections, riots, civil commotions, acts of God or acts, or omissions or delays in acting by any governmental authority (collectively, "Events of Force Majeure"); provided, however, that the affected Party shall exert all reasonable efforts to eliminate, cure or overcome any such Event of Force Majeure and to resume performance of its covenants with all possible speed. Notwithstanding the foregoing, to the extent that an Event of Force Majeure continues for a period in excess of **[***]**, the affected Party shall promptly notify in writing the other Party of such Event of Force Majeure and within **[***]** of the other Party's receipt of such notice, the Parties agree to negotiate in good faith either (i) to resolve the Event of Force Majeure, if possible, (ii) to extend by mutual agreement the time period to resolve, eliminate, cure or overcome such Event of Force Majeure, (iii) to amend this Agreement to the extent reasonably possible, or (iv) to terminate this Agreement.

ARTICLE 18 - ASSIGNMENT

This Agreement may not be assigned or otherwise transferred, nor, except as expressly provided hereunder, may any right or obligations hereunder be assigned or transferred to any Third-Party by either Party without the consent of the other Party, such consent not to be unreasonably withheld; provided, however, that either Party may, without such consent but with notification, assign this Agreement and its rights and obligations hereunder to any of its Affiliates or in connection with the transfer or sale of all or substantially all of its business, or in the event of its merger or consolidation (such merger or consolidation shall be hereinafter referred to as a "Change in Control"). Any permitted assignee shall assume all rights and obligations of its assignor under this Agreement**[***]**.

ARTICLE 19 - SEVERABILITY

Each Party hereby agrees that it does not intend to violate any public policy, statutory or common laws, rules, regulations, treaty or decision of any government agency or executive body thereof of any country or community or association of countries. Should one or more provisions of this Agreement be or become invalid, the Parties hereto shall substitute, by mutual consent, valid provisions for such invalid provisions which valid provisions in their economic effect are sufficiently similar to the invalid provisions that it can be reasonably assumed that the Parties would have entered into this Agreement with such provisions.

In case such provisions cannot be agreed upon, the invalidity of one or several provisions of this Agreement shall not affect the validity of this Agreement as a whole, unless the invalid provisions are of such essential importance to this Agreement that it is to be reasonably assumed that the Parties would not have entered into this Agreement without the invalid provisions.

ARTICLE 20 - INSURANCE

20.1 During the term of this Agreement and thereafter for the period of time required below, each Party shall maintain [***] and [***].

20.2 Prior to [***], Celltech shall either: (i) obtain and maintain on an ongoing basis [***] (which amount shall be increased to [***] if [***] or (ii) [***], and, at SGI's request (but not more than annually), Celltech provides [***] or (iii) obtain and maintain such other insurance as may be agreed by the Parties.

ARTICLE 21 - MISCELLANEOUS

21.1. **Notices.**

Any consent, notice or report required or permitted to be given or made under this Agreement by one of the Parties hereto to the other shall be in writing, delivered personally or by facsimile (and promptly confirmed by personal delivery, first class air mail or courier), first class air mail or courier, postage prepaid (where applicable), addressed to such other Party at its address indicated below, or to such other address as the addressee shall have last furnished in writing to the address or in accordance with this Section 21.1 and (except as otherwise provided in this Agreement) shall be effective upon receipt by the addressee.

If to SGI:
Seattle Genetics, Inc.
21823 30th Drive S.E.
Bothell, WA 98021
Attention: Chief Executive Officer

With copy to:
Venture Law Group
4750 Carillon Point
Kirkland, WA 98033
Attention: Sonya F. Erickson

If to Celltech:
Celltech R&D Limited
208 Bath Road
Slough, Berkshire SL1 3WE
United Kingdom
Attention: Company Secretary

21.2. **Applicable Law.**

The Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of law principles thereof.

21.3. **Dispute Resolution.**

The Parties agree that if any dispute or disagreement arises between Celltech on the one hand and SGI on the other in respect of this Agreement, they shall follow the following procedure in an attempt to resolve the dispute or disagreement.

(a) The Party claiming that such a dispute exists shall give notice in writing ("Notice of Dispute") to the other Party of the nature of the dispute;

(b) Within **[***]** of receipt of a Notice of Dispute, a nominee or nominees of Celltech and a nominee or nominees of SGI shall meet in person and exchange written summaries reflecting, in reasonable detail, the nature and extent of the dispute, and at this meeting they shall use their reasonable endeavors to resolve the dispute;

(c) If, within a further period of **[***]**, the dispute has not been resolved, the President of SGI and the President of Celltech shall meet at a mutually agreed upon time and location for the purpose of resolving such dispute;

(d) If, within a further period of **[***]**, the dispute has not been resolved or if, for any reason, the required meeting has not been held, then the same shall be submitted by the Parties to arbitration in Seattle, Washington in accordance with the then-current commercial arbitration rules of the American Arbitration Association ("AAA") except as otherwise provided herein. The Parties shall choose, by mutual agreement, one (1) arbitrator within **[***]** of receipt of notice of the intent to arbitrate. If no arbitrator is appointed within the times herein provided or any extension of time that is mutually agreed upon, the AAA shall make such appointment within **[***]** of such failure. The judgment rendered by the arbitrator shall include costs of arbitration, reasonable attorneys' fees and reasonable costs for expert and other witnesses. Nothing in this Agreement shall be deemed as preventing either Party from seeking injunctive relief (or any other provisional remedy). If the issues in dispute involve scientific, technical or commercial matters, any arbitrator chosen hereunder shall have educational training and/or industry experience sufficient to demonstrate a reasonable level of relevant scientific, medical and industry knowledge and have at least ten (10) years relevant experience.

(e) In the event of a dispute regarding any payments owing under this Agreement, all undisputed amounts shall be paid promptly when due and the balance, if any, promptly after resolution of the dispute.

21.4. **Entire Agreement.**

This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof. All express or implied agreements and understandings, either oral or written, heretofore made are expressly superseded by this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by both Parties hereto.

21.5. **Independent Contractors.**

SGI and Celltech each acknowledge that they shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither SGI nor Celltech shall have the authority to make any statements,

representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior consent of the other Party to do so.

21.6. **Affiliates**

Each Party shall cause its respective Affiliates to comply fully with the provisions of this Agreement to the extent such provisions specifically relate to, or are intended to specifically relate to, such Affiliates, as though such Affiliates were expressly named as joint obligors hereunder.

21.7. **Waiver.**

The waiver by either Party hereto of any right hereunder or the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by said other Party whether of a similar nature or otherwise.

21.8. **Counterparts.**

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

21.9 **Section Headings.** The captions or headings of the sections or other subdivisions hereof are inserted only as a matter of convenience or for reference and shall have no effect on the meaning of the provisions hereof.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

SEATTLE GENETICS, INC.

By: _____

Name: _____

Title: _____

CELLTECH R&D LIMITED

By: _____

Name: _____

Title: _____