UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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 July 31, 2002, there were 30,680,687 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
(Unaudited)

	June 30, 2002	December 31, 2001
Assets		
Current assets		
Cash and cash equivalents	$ 4,124,998	$ 8,293,504
Short-term investments	31,520,452	33,624,723
Interest receivable	680,349	724,953
Accounts receivable	140,806	81,603
Prepaid expenses and other current assets	700,870	477,782
Total current assets	37,167,475	43,202,565
Property and equipment, net	6,205,248	6,350,450
Restricted investments	994,767	982,002
Long-term investments	17,372,995	12,456,820
Other assets	36,406	36,406
Total assets	$ 61,776,891	$ 63,028,243
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 604,362	$ 895,536
Accrued liabilities	1,376,760	1,012,181
Deferred revenue	766,667	141,667
Total current liabilities	2,747,789	2,049,384
Deferred rent	195,591	107,052
Deferred revenue, net of current portion	2,373,611	200,694
Total long-term liabilities	2,569,202	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, 30,659,817 and 29,322,741 shares issued and outstanding, respectively	30,660	29,323
Additional paid-in capital	105,414,987	98,484,346
Notes receivable from stockholders	(271,533)	(271,533)
Deferred stock compensation	(3,336,274)	(4,688,507)
Accumulated other comprehensive income	335,577	572,980
Accumulated deficit	(45,713,517)	(33,455,496)
Total stockholders' equity	56,459,900	60,671,113
Total liabilities and stockholders' equity	$ 61,776,891	$ 63,028,243

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

Seattle Genetics, Inc.
Statements of Operations
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Revenues				
Collaboration and license agreements	$ 332,357	$ 34,584	$ 552,176	$ 34,584
Government grants	43,048	—	92,501	—
Total revenues	375,405	34,584	644,677	34,584
Operating expenses				
Research and development (excludes non-cash stock-based compensation expense of $269,796 $517,788, $585,375 and $1,030,031, respectively)	5,314,607	3,519,105	10,167,503	6,375,104
General and administrative (excludes non-cash stock-based compensation expense of $557,973 $1,161,923, $1,121,921 and $1,892,051, respectively)	1,054,793	832,179	2,160,205	1,557,501
Non-cash stock-based compensation expense	827,769	1,679,711	1,707,296	2,922,082
Total operating expenses	7,197,169	6,030,995	14,035,004	10,854,687
Loss from operations	(6,821,764)	(5,996,411)	(13,390,327)	(10,820,103)
Investment income, net	555,679	886,068	1,132,306	1,463,829
Net loss	(6,266,085)	(5,110,343)	(12,258,021)	(9,356,274)
Accretion on mandatorily redeemable preferred stock	—	—	—	(3,295)
Net loss attributable to common stockholders	$ (6,266,085)	$ (5,110,343)	$ (12,258,021)	$ (9,359,569)
Basic and diluted net loss per share	$ (0.21)	$ (0.18)	$ (0.41)	$ (0.49)
Weighted-average shares used in computing basic and diluted net loss per share	30,184,006	28,625,420	29,848,057	19,005,967

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

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

	Six months ended June 30,	
	2002	**2001**
Operating activities		
Net loss	$ (12,258,021)	$ (9,356,274)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock-based compensation expense	1,707,296	2,922,082
Depreciation and amortization	578,407	160,590
Realized (gain) loss on sale of investments	(3,100)	15,872
Amortization on investments	378,009	120,862
Deferred rent	88,539	15,293
Changes in operating assets and liabilities		
Accounts receivable	(59,203)	—
Interest receivable	44,604	(707,026)
Prepaid expenses and other current assets	(222,853)	(2,007,562)
Accounts payable	295,869	1,705,354
Accrued liabilities	364,579	1,320,749
Deferred revenue	2,797,917	413,195
Net cash used in operating activities	(6,287,957)	(5,396,865)
Investing activities		
Purchases of investments	(16,552,934)	(50,150,679)
Proceeds from sale and maturities of investments	13,115,954	11,343,500
Purchases of property and equipment	(1,020,484)	(1,069,863)
Net cash used in investing activities	(4,457,464)	(39,877,042)
Financing activities		
Net proceeds from issuance of common stock	6,576,915	46,982,461
Proceeds from subscription receivable	—	3,096
Net cash provided by financing activities	6,576,915	46,985,557
Net increase (decrease) in cash and cash equivalents	(4,168,506)	1,711,650
Cash and cash equivalents, at beginning of period	8,293,504	2,618,986
Cash and cash equivalents, at end of period	$ 4,124,998	$ 4,330,636
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	$ 355,063	$ (255,309)

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 affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Collaboration and license agreements

In April 2002, the Company entered into an agreement with Genentech, Inc. to license Seattle Genetics' antibody-drug conjugate technology for use with Genentech's antibodies targeted to certain diseases. Under the terms of the multi-year agreement, Genentech paid a $2.5 million upfront fee and will 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, on April 19, 2002 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 increased 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.

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 (Unaudited):

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Net loss attributable to common stockholders	$ (6,266,085)	$ (5,110,343)	$ (12,258,021)	$ (9,359,569)
Weighted-average shares used in computing basic and diluted net loss per share	30,184,006	28,625,420	29,848,057	19,005,967
Basic and diluted net loss per share	$ (0.21)	$ (0.18)	$ (0.41)	$ (0.49)
Antidilutive securities not included in net loss per share calculation				
Options to purchase common stock	3,607,185	2,375,130	3,607,185	2,375,130
Restricted shares of common stock subject to repurchase	305,003	617,189	305,003	617,189
Total	3,912,188	2,992,319	3,912,188	2,992,319

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 (Unaudited):

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Net loss	$ (6,266,085)	$ (5,110,343)	$ (12,258,021)	$ (9,356,274)
Unrealized (loss) gain on securities available for sale	(21,192)	69,717	(237,403)	122,699
Comprehensive loss	$ (6,287,277)	$ (5,040,626)	$ (12,495,424)	$ (9,233,575)

5. Investments

Investments consist of the following (Unaudited):

	Fair Value June 30, 2002	Fair Value December 31, 2001
U.S. corporate obligations	$ 25,331,072	$ 27,923,286
Mortgage-backed securities	17,372,995	11,288,709
U.S. government and agencies	7,084,147	7,286,394
Taxable municipal bonds	100,000	565,156
Total	$ 49,888,214	$ 47,063,545
Reported as:		
Short-term investments	$ 31,520,452	$ 33,624,723
Long-term investments	17,372,995	12,456,820
Restricted investments	994,767	982,002
Total	$ 49,888,214	$ 47,063,545

6. Property and equipment

Property and equipment consists of the following (Unaudited):

	June 30, 2002	December 31, 2001
Leasehold improvements	$ 3,786,934	$ 3,731,182
Laboratory equipment	2,383,735	2,135,986
Furniture and fixtures	818,923	761,683
Computers and office equipment	686,545	618,246
	7,676,137	7,247,097
Less: accumulated depreciation and amortization	(1,470,889)	(896,647)
Total	$ 6,205,248	$ 6,350,450

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 through a license agreement with Genentech, and SGN-17/19, which is being developed in collaboration with Genencor International, Inc. Two of our preclinical product candidates, SGN-25 and SGN-35, utilize our high-potency ADC technology. This technology utilizes proprietary stable linker systems that may reduce the toxic side effects caused by the systemic release of drugs associated with less stable linker technology.

Since our inception, we have incurred substantial losses and, as of June 30, 2002, we had an accumulated deficit of $45.7 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 June 30, 2002 and 2001

Revenues. Revenues increased to $375,000 for the three months ended June 30, 2002 from $35,000 for the three months ended June 30, 2001. Revenues for the three months ended June 30, 2002 were derived from the earned portion of technology-access fees of approximately $167,000, from service and reagent fees of approximately $165,000 and from a Small Business Innovative Research grant of approximately $43,000. Revenues for the three months ended June 30, 2001 were derived from the earned portion of a technology licensing fee of approximately $12,000 and service and reagent fees of approximately $25,000.

Research and development expenses. Research and development expenses, excluding non-cash stock-based compensation expenses, increased 51% to $5.3 million for the three months ended June 30, 2002 from $3.5 million for the three months ended June 30, 2001. This increase was principally due to an increase in personnel expenses of approximately $542,000, an increase in rent and occupancy costs related to our headquarters and operations facility of approximately $525,000 and the proportionate increased usage of laboratory materials and supplies. The number of research and development personnel increased to 69 at June 30, 2002 from 42 at June 30, 2001. Research and development expenses for the three months ended June 30, 2002 were reduced by shared development funding under our collaboration agreement with Genencor. These shared development funds may fluctuate from quarter to quarter and may produce additional funding or expenses as the development activities progress. 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 27% to $1.1 million for the three months ended June 30, 2002 from $832,000 for the three months ended June 30, 2001. This increase was primarily due to additional administrative personnel. The number of general and administrative personnel increased to 19 at June 30, 2002 from 13 at June 30, 2001. We anticipate that general and administrative expenses will continue to 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 51% to $828,000 for the three months ended June 30, 2002 from $1.7 million for the three months ended June 30, 2001. This decrease is attributable to the 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 market value of the Company's common stock.

Investment income, net. Investment income decreased 37% to $556,000 for the three months ended June 30, 2002 compared to $886,000 for the three months ended June 30, 2001. Lower 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 June 30, 2002, compared to higher average balances and higher average interest yields for the three months ended June 30, 2001, produced the lower amount of investment income, net

Six months ended June 30, 2002 and 2001

Revenues. Revenues increased to $645,000 for the six months ended June 30, 2002 from $35,000 for the six months ended June 30, 2001. Revenues for the six months ended June 30, 2002 were derived from the earned portion of technology-access fees of approximately $202,000, from service and reagent fees of approximately $350,000 and from a Small Business Innovative Research grant of approximately $93,000. Revenues for the six months ended June 30, 2001 were derived from the earned portion of a technology licensing fee of approximately $12,000 and service and reagent fees of approximately $25,000.

Research and development expenses. Research and development expenses, excluding non-cash stock-based compensation expenses, increased 60% to $10.2 million for the six months ended June 30, 2002 from $6.4 million for the six months ended June 30, 2001. This increase was principally due to an increase in rent and occupancy costs related to our headquarters and operations facility of approximately $1.2 million, an increase in personnel expenses of approximately $938,000, an increase in contract manufacturing expenses of approximately $583,000 and the proportionate increased usage of laboratory materials and supplies. The number of research and development personnel increased to 69 at June 30, 2002 from 42 at June 30, 2001. Research and development expenses for the six months ended June 30, 2002 were reduced by shared development funding under our collaboration agreement with Genencor. These shared development funds may fluctuate from quarter to quarter and may produce additional funding or expenses as the development activities progress. 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 39% to $2.2 million for the six months ended June 30, 2002 from $1.6 million for the six months ended June 30, 2001. This increase was primarily due to additional administrative personnel and other increases attributable to being a public company, including directors' and officers' insurance. The number of general and administrative personnel increased to 19 at June 30, 2002 from 13 at June 30, 2001. We anticipate that general and administrative expenses will continue to 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 42% to $1.7 million for the six months ended June 30, 2002 from $2.9 million for the six months ended June 30, 2001. This decrease is attributable to the 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 market value of the Company's common stock.

Investment income, net. Investment income decreased 23% to $1.1 million for the six months ended June 30, 2002 compared to $1.5 million for the six months ended June 30, 2001. Lower average balances of cash and cash equivalents, short-term and long-term investments and restricted investments at lower average interest yields for the six months ended June 30, 2002, compared to higher average balances and higher average interest yields for the six months ended June 30, 2001, produced the lower amount of investment income, net

Liquidity and Capital Resources

At June 30, 2002, cash, cash equivalents, short-term and long-term investments totaled $53.0 million and restricted investments amounted to $995,000. 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 six months ended June 30, 2002 was $6.3 million compared to $5.4 million for the six months ended June 30, 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. For both periods, we have financed a portion of the net cash used to support operating activities from various collaborative sources. These sources include technology access and license fees, and shared development funding received under our collaboration agreements with Eos Biotechnology, Celltech Group , Genentech and Genencor. 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 six months ended June 30, 2002 was $4.5 million compared to $39.9 million for the six months ended June 30, 2001. Cash used in investing activities for the six months ended June 30, 2002 included $3.4 million from the purchase of investments, net of sales and maturities of investments compared to $38.8 million for the six months ended June 20, 2001. Purchases of property and equipment were $1.0 million for the six months ended June 30, 2002 compared to $1.1 million for the six months ended June 30, 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, which occurred during the second half of 2001.

Net cash provided by financing activities was $6.6 million for the six months ended June 30, 2002 compared to $47.0 million for the six months ended June 30, 2001. Financing activities during the six months ended June 30, 2002 consisted primarily of the receipt of $3.0 million from the private placement of common stock with Genencor and $3.5 million from the private placement of common stock with Genentech. Financing activities during the six months ended June 30, 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.

Summary of Critical Accounting Policies

The preparation of financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our financial statements.

Collaboration and license agreements. Revenues from the sale of products and services are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fees are fixed and determinable and collectibility is reasonably assured. Revenues from up front payments, technology license fees and milestone payments received for the delivery of products and services representing the culmination of a separate earnings process are recognized when due and the amounts are judged to be collectible. Revenues from up front payments, technology license fees and milestone payments received in connection with other rights and services, which represent continuing obligations to us, are deferred and recognized ratably over the period term of the agreement.

Stock-based compensation. We grant stock options to employees for a fixed number of shares with an exercise price equal to the fair market value of our common stock on the date of grant. We recognize no compensation expense on these employee stock option grants. We also have, in the past, granted stock options for a fixed number of shares to employees with an exercise price less than the fair market value of our common stock on the date of grant. We recognize the difference between the exercise price and fair market value as compensation expense, which is recognized on an accelerated basis over the vesting period of the stock options. For certain stock options granted to nonemployees, we recognize as expense the estimated fair value of such options as calculated by the Black–Scholes option pricing model, which is re-measured during the service period. Fair value is determined using allowable methodologies and the expense is amortized over the vesting period of each option or the recipient's contractual arrangement, if shorter.

Investments. Our investments are diversified among high-credit quality debt securities in accordance with our investment policy. We classify our investments as available-for-sale, which are reported at fair market value with the related unrealized gains and losses included as a component of stockholders' equity (deficit). Realized gains and losses and declines in value of investments judged to be other than temporary are included in other income (expense). The fair market value of our investments is subject to volatility. To date, the carrying values of our investments have not been written down due to declines in value judged to be other than temporary. Declines in the fair market value of our investments judged to be other than temporary could adversely affect our future operating results.

Income Taxes. We have net deferred tax assets, which are fully offset by a valuation allowance due to our determination that the criteria for recognition have not been met. We believe that a full valuation allowance will be required on losses reported in future periods. In the event we were to determine that we would be able to realize our net deferred tax assets in the future, an adjustment to the deferred tax asset would be made, increasing income (or decreasing losses) in the period in which such a determination was made.

On an ongoing basis, we evaluate our estimates, including those related to collaboration and license agreements, stock-based compensation, investments and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions and conditions.

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, if at all. 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 in each of our years of operation and, as of June 30, 2002, we had an accumulated deficit of approximately $45.7 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 SGN-35. 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.

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 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. We also recently completed and closed accrual on our clinical trial of SGN-15 in combination with Taxotere® for the treatment of colon cancer. Based on the data generated in that trial, we do not intend to pursue SGN-15 in combination with Taxotere for the treatment of colon cancer. Future clinical trials of our product candidates may not show sufficient safety or efficacy to obtain the requisite regulatory approval. Because SGN-15, SGN-10, SGN-30, PRO64553 (formerly SGN-14), SGN-17/19, SGN-25 and SGN-35, are our only product candidates in preclinical development or clinical trials at the present time, any delays or difficulties we encounter with these product candidates 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; we may have 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 have entered into, and intend to continue 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 expect to 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 some of our current and future product candidates and to license our antibody-drug conjugate technology. These collaborations provide us cash and revenues through technology access and license fees, sponsored research fees, equity sales and potential milestone and royalty payments. We use these funds to partially fund the development costs of our internal pipeline of product candidates. Collaborations can also create and strengthen our relationships with leading biotechnology and pharmaceutical companies and may provide synergistic benefits by combining our technologies with the technologies of our collaborators.

We currently 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 responsible for gaining final approval through the required U.S. and international regulatory authorities to ultimately market the product. We also have a collaboration with Genencor regarding our ADEPT technology and co-development of our SGN-17/19 product candidate for the treatment of metastatic melanoma. In addition we have licensed our antibody-drug conjugate technology to Eos Biotechnology, Celltech Group and Genentech for the development of antibody-drug conjugate therapies. Under certain conditions, these collaborators may terminate their agreements with us and discontinue use of our technologies.

We cannot control the amount and timing of resources our collaborators may devote to products incorporating our technology. Additionally, our relationships with our collaborators divert significant time and effort of our scientific staff and management team and require effective allocation of our resources to multiple internal and collaborative projects. Our collaborators may separately pursue competing products, therapeutic approaches or technologies to develop treatments for the diseases targeted by us or our collaborators. Even if our collaborators continue their contributions to the collaborative arrangements, they may nevertheless determine not to actively pursue the development or commercialization of any resulting products. Our collaborators may fail to perform their obligations under the collaboration agreements or may be slow in performing their obligations. If any of our collaborators terminate or breach our agreements with them, or otherwise fail to complete their obligations in a timely manner, it may have a detrimental effect on our financial position by reducing or eliminating the potential for us to receive technology access and license fees, milestones and royalties. Furthermore, 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. In the future, 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.

We depend on a small number of collaborators for most of our current revenue. The loss of any one of these collaborators could result in a substantial decline in our revenue.

We have collaborations with a limited number of companies. To date, almost all of our revenue has resulted from payments made under agreements with our corporate collaborators, and we expect that most of our future revenue will continue to come from corporate collaborations until the approval and commercialization of one or more of our product candidates. The failure of our collaborators to perform their obligations under their agreements with us, including paying license or technology fees, milestone payments or royalties, could have a material adverse effect on our financial performance. Payments under our existing and future collaboration agreements are also subject to significant fluctuations in both timing and amount, which could cause our revenue to fall below the expectations of securities analysts and investors and cause a decrease in our stock price.

We rely on license agreements for certain aspects of our product candidates and technology. Failure to maintain these license agreements could prevent us from developing or commercializing our product candidates and technology.

We have entered into agreements with third-party commercial and academic institutions to license technology for use in our ADC technology and product candidates. Currently, we have license agreements with Bristol-Myers Squibb, Arizona State University, Proacta Therapeutics, the National Institutes of Health, Mabtech AB and the University of Miami, among others. Some of these license agreements contain diligence and milestone-based termination provisions, in which case our failure to meet any agreed upon diligence requirements or milestones may allow the licensor to terminate the agreement. Many of our license agreements grant us exclusive licenses to the underlying technologies. If our licensors terminate our license agreements or if we are unable to maintain the exclusivity of our exclusive license agreements, we may be unable to continue to develop and commercialize our product candidates.

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, 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, Medarex and Wyeth are developing and/or marketing 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. For example, during the three months ended June 30, 2002, our common stock price fluctuated between $3.53 per share and $6.69 per share. 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 have been approved for commercial sale. However, the current and future use of our product candidates by us and our corporate collaborators 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 or 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 general commercial 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 62% 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 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 April 2002, we entered into an agreement with Genentech to license our proprietary antibody-drug conjugate technology for use with Genentech's antibodies targeted to certain diseases. As part of the collaboration, on April 19, 2002 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 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"). 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 June 30, 2002, we had used $25.2 million of the offering proceeds, including $9.1 million for preclinical research and development activities and general corporate purposes, $8.3 million for contract manufacturing costs, $6.4 million for purchase of property and equipment and $1.4 million for clinical trial expenses.

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

At our annual meeting of stockholders held on May 15, 2002, stockholders representing a total of 28,355,680 shares of common stock entitled to vote at the meeting, constituting a quorum, voted to approve the following proposals by the margins indicated:

1. To elect two directors to our board of directors to hold office until the 2005 annual meeting of stockholders.

Name	Number of Shares	
	For	Withheld
Karl Erik Hellström. M.D., Ph.D.	28,343,810	11,870
Michael Powell, Ph.D.	28,344,460	11,220

2. To approve the amendment of the Company's 2000 Directors' Stock Option Plan to increase the number of options granted annually to each nonemployee director.

For	27,615,312
Against	171,351
Abstain	569,017
Broker Non-Votes	0

3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent accountants for the fiscal year ending December 31, 2002.

For	28,299,357
Against	52,333
Abstain	3,990
Broker Non-Votes	0

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 April 19, 2002 between Seattle Genetics, Inc. and Genentech, Inc.
10.2†	2002 Common Stock Purchase Agreement dated April 19, 2002 between Seattle Genetics and Genentech, Inc.
99.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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:

On April 26, 2002, we filed a Form 8-K announcing our antibody-drug conjugate collaboration with Genentech.

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: August 13, 2002

INDEX TO EXHIBITS

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†	Confidential treatment requested.

Exhibit 10.1

COLLABORATION AGREEMENT

This Agreement is entered into as of April 19, 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:

- **GENENTECH INC.**, a Delaware corporation, having its principal place of business at 1 DNA Way, South San Francisco, California.

(hereinafter referred to as "GNE").

WITNESSETH

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

WHEREAS, GNE is currently conducting research and development programs aimed at the discovery of antigens and the development of antibodies targeting those antigens;

WHEREAS, GNE 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 wishes to grant to GNE such exclusive options to such exclusive licenses in order to allow GNE to evaluate SGI's drug conjugation and linker technology for use with certain of GNE's antigens and antibodies, and

WHEREAS, SGI wishes to grant to GNE 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:

"**AAA**" has the meaning set forth in Section 20.3.4.

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

"**ADC Access Fee**" has the meaning set forth in Section 7.1.1 hereof.

"**Additional ADC Access Fee**" has the meaning set forth in Section 7.1.2 hereof.

"**Additional Research Program Renewal Term**" has the meaning set forth in Section 3.3.

"**Affiliate**" of a Party, means any corporation or other business entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with a Party. As used herein, the term "control" will mean the direct or indirect ownership of [***] or more of the stock having the right to vote for directors thereof or the ability to otherwise control the management thereof.

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

Schedule A - Research Plan and Budget;
Schedule B - Licensed Patents;
Schedule C - Research Antigens; and
Schedule D - SGI In-Licenses

"**Antibody**" or "**Antibodies**" means any antibody, [***], with a unique amino acid sequence that binds to a Research Antigen or Exclusive Antigen.

"**Antigen**" means any [***] binds.

"**[***]**" means any molecule, including without limitation, any [***], that [***].

"[***]" means the SGI Technology licensed to SGI under the [***] (as defined in the definition of "SGI In-Licenses").

"**Breaching Party**" has the meaning set forth in Section 14.4.

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

"**Change in Control**" has the meaning set forth in Article 17.

"**Confidential Information**" has the meaning set forth in Section 9.1.

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

"**Designation Renewal Fees**" has the meaning set forth in Section 7.1.2.

"**Drug Conjugate Materials**" means research grade cytotoxic compounds, including [***], and linkers for attaching such cytotoxic compounds to [***].

"**Drug Conjugation Technology**" means drug conjugation chemistry owned or controlled by SGI, including [***] and derivatives thereof, [***] analogues developed by SGI, [***] and linker technology for attaching Drug Conjugate Materials to [***] that is the subject matter of the Licensed Patents and SGI Know-How.

"**Effective Date**" means the date of this Agreement.

"**Events of Force Majeure**" has the meaning set forth in Article 16.

"**Exclusive Antigen**" has the meaning set forth in Section 4.3.1.

"**Exclusive License**" has the meaning set forth in Section 4.3.1.

"**Existing Third Party Royalties**" has the meaning set forth in Section 7.4.1.

"**Field**" means [***]; provided that with respect to use of the [***], the [***]; and provided, further, that [***].

"**First Commercial Sale**" means, in each country of the Territory, the first commercial sale of a Licensed Product by GNE, 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.

"**First Research Program Renewal Term**" has the meaning set forth in Section 3.3

"**GNE Patents**" has the meaning set forth in Section 10.3.2.

"**Improvements**" means all patentable or non-patentable inventions, discoveries, or other know-how developed solely or jointly by employees of, or others acting on behalf of, SGI or GNE (including any SGI FTEs funded by GNE pursuant to this Agreement) which (i) utilize, incorporate, derive from or are based on the Drug Conjugation Technology, (ii) add to the knowledge of the Drug Conjugation Technology and (iii) help mastering or enhancing processes for formulating or using the Drug Conjugation Technology in combination with [***]. By way of clarification, the Parties agree that discoveries, inventions, developments and know-how made or developed solely by GNE that are not specifically related to Drug Conjugation Technology shall not be deemed "Improvements" hereunder.

"**IND**" means an Investigational New Drug Application filed or to be filed with the United States Food and Drug Administration and any successor agency or authority thereto ("FDA").

"**Indemnitee**" has the meaning set forth in Section 15.2.

"**Indemnitor**" has the meaning set forth in Section 15.2

"**Initial Research Program Term**" has the meaning set forth in Section 3.3.

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

"**Joint Patents**" has the meaning set forth in Section 10.2.2.

"**Liabilities**" has the meaning set forth in Section 15.1.1.

"**Licensed Patents**" means:

(i) any [***] patents and patent applications listed in Schedule B to this Agreement, which shall be amended from time to time to reflect any additions to the Licensed Patents;

(ii) any patents and patent applications covering Improvements**,** and covering [***] to the extent [***];

(iii) any [***] patents issued from any patent applications referred to above and any [***] patents issued from a patent application filed in any country in the Territory which corresponds to a patent or patent application identified above;

(iv) any reissues, reexaminations, confirmations, renewals, registrations, substitutions, extensions, counterparts, divisions or continuations issued, assigned or licensed to SGI of or relating to the patents or patent applications identified above; and

(v) [***].

"**Licensed Product**" means any and all products where the manufacture, use, sale, offer for sale or import of such products 1) would have infringed a Valid Patent Claim if not for the licenses granted in this Agreement and/or 2) otherwise relies on or incorporates Drug Conjugation Technology, SGI Know-How, Improvements or [***] provided to GNE by SGI hereunder.

"**Net Sales**" means, as to each calendar quarter, the gross invoiced sales prices charged for all Licensed Products sold by or for GNE, its Affiliates and sublicensees to independent Third Parties during such quarter, after deduction (if not already deducted in the amount invoiced) of the following items paid by GNE, its Affiliates and sublicensees during such calendar quarter with respect to sales of Licensed Products regardless of the calendar quarter in which such sales were made, provided and to the extent that such items are incurred or allowed and do not exceed reasonable and customary amounts in the market in which such sales occurred:

(a) trade, quantity and/or cash discounts, allowances or rebates actually taken and allowed, including without limitation promotional or similar discounts or rebates and discounts or rebates to governmental or managed care organizations;

(b) credits or allowances given or made for rejection, defects, recall or return, rebates, retroactive price reductions of or uncollectable amounts on previously sold Licensed Products;

(c) any tax, tariff, duty or government charge (including any tax such as a sales, value added, excise or similar tax or government charge other than an income tax) levied on the sale, transportation or delivery of a Licensed Product and borne by the seller thereof without reimbursement from any third party; and

(d) any charges for freight, postage, shipping or transportation or similar charges from the seller, or for insurance borne by the seller.

All of the foregoing deductions from the gross invoiced sales prices of Licensed Product shall be determined in accordance with GAAP. In the event that GNE, its Affiliates or sublicensees make any adjustments to such deductions after the associated Net Sales have been reported pursuant to this Agreement, the adjustments shall be reported and reconciled with the next report and payment of any royalties due.

"**[***]**" means any [***], or other [***] pursuant to [***] and before expiration or termination of the Research Program Term which (i) [***], (ii) [***] and (iii) [***].

"**Notice of Dispute**" has the meaning set forth in Section 20.3.1.

"**Option**" means, with respect to each Research Antigen, the exclusive option granted by SGI to GNE pursuant to the provisions of Section 4.2 hereof to obtain an Exclusive License under Section 4.3 hereof.

"**Option Exercise Fee**" has the meaning set forth in Section 7.2.1.

"**Option Period**" means, with respect to each Research Antigen, the period commencing on the date [***] and continuing until [***], subject to Section 7.1.3, unless terminated earlier pursuant to the provisions of Article 14 herein.

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

"**Phase II Clinical Trial**" means a controlled dose clinical trial prospectively designed 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, and usually 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.

"**PPC Approval**" means GNE's internal approval of a drug candidate to enter Genentech's product pipeline or an equivalent approval by an Affiliate or Sublicensee, which in any event shall occur prior to filing an IND.

"**Program Inventions**" has the meaning set forth in Section 10.1.1.

"**Publication**" has the meaning set forth in Section 9.5.

"**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 FDA.

"**Reports**" has the meaning set forth in Section 8.1.1.

"**Research Antigen**" means any Antigen that is designated a "Research Antigen" under this Agreement pursuant to Section 2.1.

"**Research Fees**" has the meaning set forth in Section 7.1.3.

"[***]" has the meaning set forth in Section 7.1.4.

"[***]" has the meaning set forth in Section 7.1.4.

"**Research Plan and Budget**" means the plan and budget for the Research Program agreed upon by the Parties and attached hereto as Schedule A.

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

"**Research Program Fees**" has the meaning set forth in Section 7.1.4.

"**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 the Licensed Product in such country; or (b) the term for which a Valid Patent Claim would be infringed by the sale of the Licensed Product in such country if not for the licenses granted hereunder.

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

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

"**SGI In-Licenses**" means the following agreements between SGI and the indicated Third Parties: (a) the [***] Agreement between [***] and SGI dated [***], as amended (the "[***]"); (b) the License Agreement between [***] and SGI dated [***], as amended (the "[***]"); (c) the [***] Agreement between [***] and SGI dated [***] (the "[***]"); and (d) any other license agreement provided to GNE by SGI between SGI and a Third-Party covering [***] to the extent such [***] are [***].

"**SGI Know-How**" means any and all technical information, processes, formulae, data, engineering, inventions, chemical compounds, know-how and trade secrets, in each case that is Confidential Information according to Article 9, that relate to the Drug Conjugation Technology and which have been, or hereafter are during the term of this Agreement, either developed by SGI or its Affiliates, or have been acquired by SGI or its Affiliates from a Third Party with the right to grant licenses, immunities or other rights thereon.

"**SGI Technology**" means the Licensed Patents, the SGI Know-How, Improvements to the extent included in this Agreement pursuant to Section 4.4.1. and [***] to the extent [***].

"**Sublicensees**" means any person or entity acting pursuant to a sublicense granted to it by GNE or its Affiliates under the terms of this Agreement.

"**Term**" has the meaning set forth in Article 14.

"**Territory**" means [***].

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

"**Valid Patent Claim**" means a claim of an issued and unexpired patent included in Licensed Patents (a) 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 (b) which has not been admitted to be invalid or unenforceable through reissue or disclaimer or otherwise. Notwithstanding the foregoing, for the purposes of royalty calculations due SGI under this Agreement, Valid Patent Claim shall not include any claim of a Licensed Patent that lists an inventor who was an employee or consultant of GNE at the time of the invention.

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

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

1.2.2 The preamble to this Agreement and 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 this Agreement or of such Articles or Sections;

1.2.3 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;

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

1.2.5 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

1.2.6 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. **Designation of Research Antigens.**

Subject to the provisions of this Agreement, including the availability of the Antigen pursuant to Section 2.2., GNE may acquire Options pursuant to Section 4.2 for Research Antigens during the Research Program Term as follows:

2.1.1 **Initial Research Antigens.** Upon payment of the ADC Access Fee set forth in Section 7.1.1., GNE will receive credits for [***] Options for Research Antigens for evaluation in the Research Program. GNE may acquire such Options in accordance with Section 2.1.3 all at once, or one by one, at any time during the Research Program Term, subject to Section 2.1.4.

2.1.2 **Additional Research Antigens.** GNE may obtain more than [***] Options for Research Antigens for evaluation in the Research Program in accordance with Sections 2.1.3 and 2.1.4, and by subsequently paying the Additional ADC Access Fee for [***] as set forth in Section 7.1.2.

2.1.3 **Procedure for Acquiring an Option for a Research Antigen.** GNE may acquire an Option for an Antigen by notifying SGI of the identity of, and to the extent available the [***] for, the Antigen for which GNE wishes to acquire an Option and the [***] that primarily binds to such Antigen. Within [***] following receipt of such GNE notice, SGI shall notify GNE whether the Option requested by GNE is available pursuant to Section 2.2. Upon notice by SGI to GNE that an Option is available for such Antigen pursuant to Section 2.2, such Antigen shall be deemed to be a "Research Antigen" under this Agreement for the duration of the Option Period. Schedule C to this Agreement will be amended from time to time to list the Research Antigens (including a description thereof) under this Agreement. In the event SGI

notifies GNE that an Option is not available for a particular Antigen, SGI shall include with such notification the reason why such Antigen is not available and 1) if the request was for an Initial Research Antigen, GNE shall not be deemed to have used a credit for such Option or 2) if the request was for an Additional Research Antigen, no payment shall be due for such Antigen.

2.1.4 GNE may not acquire any Options under this Agreement for Research Antigens following expiration of the Initial Research Program Term or, if GNE pays the Designation Renewal Fees set forth in Section 7.1.2, upon expiration of the First Research Program Renewal Term.

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

It is understood and agreed that SGI is not required to grant an Option to an Antigen if, prior to GNE's request for an Option for such Antigen pursuant to Section 2.1: (i) [***]. Additionally, SGI shall not be required to [***] any [***] pursuant to Section 3.4 if the target antigens for such [***] are unavailable pursuant to Sections 2.2(i), (ii) or (iii). [***].

ARTICLE 3 - RESEARCH PROGRAM

3.1. **Objective.** GNE intends to conduct a Research Program to evaluate ADCs for commercial development under this Agreement.

3.2. **Conduct of Research Program.** SGI shall use all reasonable efforts to complete research works in accordance with the Research Plan and Budget. In support of the Research Program, upon receipt of [***] from GNE, SGI will prepare ADCs for GNE pursuant to Section 3.4. Any research work performed by GNE 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 initially be for a period of [***] from the Effective Date (the "Initial Research Program Term"), unless terminated earlier upon termination of this Agreement in accordance with Article 14 hereof. Subject to payment of the Research Program Fees by GNE as set forth in Section 7.1.3 below, the Research Program will be renewable for [***] period (the "First Research Program Renewal Term") upon GNE's request by giving written notice to SGI not less than [***] prior to the expiration of the Initial Research Program Term. Furthermore, subject to payment of the Research Program Fees by GNE as set forth in Section 7.1.3 below, the Research Program will be renewable for up to [***] additional successive [***] periods after the expiration of the First Renewal Research Program Term (each an "Additional Research Program Renewal Term", and collectively with the Initial Research Program Term and the First Research Program Renewal Term, the "Research Program Term") upon GNE's request by giving written notice to SGI not less than [***] prior to the expiration of the First Renewal Research Program Term or any Additional Research Program Renewal Term; provided that [***].

3.4. **SGI Preparation of ADCs.**

At the request of GNE during the Research Program Term, SGI will prepare ADCs in accordance with the Research Plan and Budget. The Parties agree that any [***] provided to SGI by GNE and any ADCs created by SGI using such [***] are Genentech Confidential Information in accordance with Article 9. As such, without limiting the generality of the restrictions set forth in Article 9, SGI shall not use, or disclose or transfer to any Third Party, such [***] or ADCs for any purpose other than as specifically contemplated by this Agreement. [***].

EXCEPT AS MAY BE OTHERWISE PROVIDED IN ARTICLE 13, 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.

3.5 **SGI Support for Research Program.** At the request of GNE and for the consideration set forth in Section 7.1.4, during the Research Program Term, SGI will provide [***] (or more subject to mutual agreement of the Parties) to [***] for Genentech pursuant to Section 3.4. GNE will give SGI at least [***] written notice prior to the end of each [***] during the Research Program notifying SGI of the number of [***] GNE requests and commits to pay [***] for the forthcoming [***]. In addition, GNE may send its own personnel to SGI facilities to assist in the Research Program, at GNE's expense, and subject to reasonable and appropriate confidentiality restrictions.

3.6 **[***].** At the request of GNE and for the consideration set forth in Section 7.1.4, during the Research Program Term, SGI will [***] that GNE has [***] pursuant to [***], subject to [***] upon mutual agreement of SGI and GNE. SGI will [***] approximately [***] for each [***] and [***] such [***]. SGI will not [***] to [***] their [***] or otherwise [***] any [***] to[***] of any [***] what is [***]. Upon [***]to [***] of an [***] for [***], SGI will [***] a [***] of such [***] to[***] in[***] with [***]. Each [***]for an [***] under this Section 3.6 shall [***] after [***] of such [***], and, except as expressly set forth in this Section 3.6, shall not [***]: (i) any [***], (ii) any [***] or (iii) any [***].

ARTICLE 4 – OPTIONS AND LICENSES

4.1. **Research License to GNE.**

Subject to the provisions of this Agreement, SGI hereby grants to GNE and its Affiliates, for the term of the Research Program, an exclusive license in the Territory under the SGI Technology solely for the purpose of conducting research and development activities on the Research Antigens and evaluating GNE's interest to exercise the Options. The research license granted to GNE under this Section 4.1 shall include, without limitation, the right to conjugate Drug Conjugate Materials to [***] using SGI Technology solely for the purpose of conducting the foregoing evaluation, but shall not include (i) the right to grant sublicenses thereto to any Third-Party, (ii) the right to initiate any human clinical trial utilizing a Licensed Product in any

country, or (iii) the right to make, have made, use or sell a Licensed Product or the Drug Conjugation Technology. Notwithstanding the foregoing, the research license granted to GNE under this Section 4.1 shall allow GNE to send ADCs and/or, subject to SGI's consent (which shall not be unreasonably withheld), Drug Conjugate Materials under a material transfer or similar collaborative agreement to a bona fide Third Party research collaborator for pre-clinical research, provided such Third Party collaborator is bound to obligations of confidentiality and non-use effectively identical to those contained herein.

4.2. **Option Grant.**

4.2.1. Grant of the Options. Subject to the provisions of this Agreement, SGI hereby grants to GNE an exclusive Option for each Research Antigen designated pursuant to Section 2.1 to obtain the Exclusive Licenses set forth in Section 4.3.1 during the Option Period.

4.2.2. Exercise of the Options. For each Option granted pursuant to Section 4.2.1, at any time during the Option Period and prior to filing of an IND for any ADC binding to the particular Research Antigen, GNE may provide notice to SGI that it wishes to obtain the Exclusive Licenses as set forth in Section 4.3.

4.3. **Exclusive License Grant to GNE.**

4.3.1. Grant. At anytime during the Research Program Term, (i) if GNE elects to exercise its option to acquire an Exclusive License with respect to a particular Research Antigen pursuant to Section 4.2.2. and (ii) if GNE pays the Option Exercise Fee pursuant to Section 7.2.1, then subject to the terms and conditions of this Agreement, and commencing as of the date that SGI has received the Option Exercise Fee from GNE, SGI is automatically deemed to grant, and in such event hereby grants, to GNE, on a Research Antigen-by-Research Antigen basis, a worldwide, exclusive (even as to SGI), royalty-bearing license under the SGI Technology, with the right to sublicense as permitted in Section 4.3.2., to discover, have discovered, develop, have developed, make, have made, import, have imported, export, have exported, use, 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". GNE may obtain an Exclusive License for each Research Antigen pursuant to this Section 4.3.1 until the expiration of the Research Program Term. Upon expiration of the Research Program Term, no further Exclusive Licenses shall be granted under the terms of this Agreement, although any existing Exclusive Licenses already granted shall continue as set forth herein provided [***] has been [***] which is the [***] of the [***].

4.3.2. Rights to Sublicense.

(a) If GNE has exercised its Option for an Exclusive License for an Exclusive Antigen, GNE shall have the right to sublicense the rights granted to GNE pursuant to this Agreement with respect to such Exclusive Antigen to any Affiliate or any Third-Party subject to the terms and conditions of the SGI In-Licenses attached hereto as Schedule D; provided that GNE shall not have the right to sublicense SGI Technology on a stand-alone basis

or for conjugation with any Antibodies that bind to an antigen other than an Exclusive Antigen, subject to the terms and conditions of this Article 4.

(b) GNE agrees to contractually obligate any Sublicensee as to the making of all payments due to SGI by reason of completion of any milestones or Net Sales of any Licensed Products by any such Sublicensee and its compliance with all terms of this Agreement applicable to GNE (including all terms of this Agreement identified as applicable to Sublicensee); and any such Sublicensee shall additionally agree in writing (i) to keep books and records and permit SGI to review the information concerning such books and records that GNE has in its possession in accordance with the terms of this Agreement and (ii) to comply with all other terms of this Agreement applicable to GNE (including all terms of this Agreement identified as applicable to a Sublicensee).

(c) GNE 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 each Sublicensee.

4.4. **Improvements and [***].**

4.4.1. Improvements. In the event that, during the Research Program Term, SGI conceives, develops or reduces to practice an Improvement that relates to the Drug Conjugation Technology, SGI shall promptly notify GNE of the discovery of such Improvement. GNE may, at any time during the Research Program Term, elect to use the Improvements in the Research Program pursuant to the research license granted under Section 4.1 and in the development and commercialization of Licensed Products as permitted in this Agreement.

4.4.2. **[***].** Subject to the [***], SGI hereby [***] the [***] and in the [***] any [***]. SGI shall [***] of any [***] by providing a [***] of the [***], including all [***] applicable to [***] of the [***]. In SGI's discretion, and subject to confidentiality restrictions, prior to [***] from [***], SGI will [***] to [***] on the [***] and will [***] in [***]. Upon SGI [***] of the [***] of such [***], GNE may, by giving written notice to SGI at any time during the Research Program Term, [***] such [***] under this Agreement; provided that GNE will, to the extent [***] hereunder, [***] for such [***] under any [***]. In the event GNE is required by the foregoing sentence to [***] for a [***], GNE shall be permitted to [***] from [***]. For the purposes of the foregoing sentence, a [***] is a [***] to a [***] in an [***] covering [***] that is [***], and is not a [***] that would be [***] a certain [***] were to [***]. [***] shall be amended from time to time to [***], and the specific terms of the [***] covering such [***] related thereto with which GNE shall [***].

4.5. **Compliance with the SGI In-Licenses.**

4.5.1. GNE, its Affiliates and Sublicensees agree to comply with those covenants and conditions of the SGI In-Licenses disclosed to GNE by SGI in advance and attached hereto in Schedule D, and any amendments thereto upon written disclosure thereof to GNE, as if GNE were a party to the SGI In-Licenses. The Parties agree that BMS is a Third-Party beneficiary to

this Agreement to the extent SGI Technology includes technology sublicensed under the BMS Agreement.

4.5.2. SGI will not [***] any [***] to an [***] that [***] or[***] of the [***] hereunder [***].

ARTICLE 5 – TECHNOLOGY DISCLOSURE

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

SGI shall disclose to GNE such Drug Conjugation Technology, SGI Know-How, [***] and Improvements as is reasonably useful to enable GNE to use the Drug Conjugation Technology, SGI Know-How, [***] and Improvements at GNE's facilities on the terms and subject to the conditions of this Agreement. In addition, during the term of this Agreement, SGI shall, upon GNE's reasonable request and with adequate notice to SGI, make available to GNE at SGI's facilities, SGI's personnel to provide a reasonable amount of technical assistance and training to GNE's personnel. GNE shall pay [***] costs and reasonable travel expenses (at cost) incurred by SGI in providing such technical assistance and training in accordance with Section 7.1.4.

5.2. **Identification of Technology.**

The Parties agree that all Drug Conjugation Technology, SGI Know-How and Drug Conjugate Materials transferred to GNE pursuant to this Agreement shall be so transferred in the form of written memoranda marked confidential in the case of Drug Conjugation Technology and SGI Know-How and, in the case of Materials, by clearly marked containers. When presented in this manner, these shall be deemed to be "Confidential Information" in accordance with Section 9.1. GNE will take reasonable and appropriate measures to ensure that the confidentiality of all Drug Conjugation Technology, SGI Know-How and Materials is preserved and that the Drug Conjugation Technology, SGI Know-How and Materials are only used for the purposes authorized under the Agreement and in compliance with this Agreement.

ARTICLE 6 - DEVELOPMENT AND COMMERCIALIZATION; MANUFACTURING

6.1 **Development and Commercialization.** GNE shall use commercially reasonable efforts to develop, commercialize and market Licensed Products, such efforts to be consistent with the exercise of prudent scientific and business judgment and comparable to the efforts GNE applies to its other projects of similar potential and market size. Without limiting the foregoing, GNE shall, as commercially prudent, (i) conduct such preclinical and clinical trials as are necessary or desirable to obtain any needed regulatory approvals to develop and commercialize Licensed Products , (ii) diligently develop and obtain other necessary approvals to market such Licensed Products (including, as the case may be, pricing approval), and (iii) market such Licensed Products in each country in which GNE has received all applicable regulatory approvals therefor. GNE shall comply with all applicable good laboratory, clinical and manufacturing

practices in the development and commercialization of such Licensed Products, and shall cause its Affiliates and subcontractors to do the same.

Except as set forth herein, as between SGI and GNE, GNE shall be solely responsible for funding all costs of the development and commercialization of each such Licensed Product. GNE shall keep SGI informed in a timely manner as to the progress of the development of Licensed Products. Beginning on [***] and thereafter within [***] following the end of each [***], GNE shall provide SGI with a written report summarizing GNE's significant activities related to research and development of Licensed Products and status of clinical trials and government approvals necessary for marketing Licensed Products. Such report shall be deemed GNE Confidential Information pursuant to Article 9.

6.2 Manufacturing. Except as otherwise set forth in this Agreement, GNE shall be responsible for the manufacture and supply of the Licensed Products. Notwithstanding the foregoing, SGI shall consider in good faith any request by GNE for supply of GMP drug conjugate materials and shall work together with and help GNE establish and/or procure anticipated manufacturing supplies, materials and capacity needed for clinical and/or commercial Licensed Products. In the event SGI agrees to supply materials, the Parties shall negotiate in good faith a supply agreement incorporating the agreed upon prices, the agreed upon notification requirements and such other customary terms as may be appropriate.

ARTICLE 7 – FEES, ROYALTIES AND PAYMENTS.

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

7.1.1 Within thirty (30) days of the Effective Date, GNE shall pay to SGI the sum of Two Million Five Hundred Thousand Dollars ($2,500,000.00) by wire transfer of immediately available funds (the "ADC Access Fee").

7.1.2 If GNE elects to acquire more than [***] Options pursuant to Section 2.1.2, GNE shall make an additional payment in the sum of [***] for [***] by wire transfer of immediately available funds, which payment shall be due within [***] following notice by SGI to GNE that [***], as set forth in Section 2.1.3 (the "Additional ADC Access Fee"). In addition, if GNE wishes to [***] to [***] during the [***], GNE shall pay to SGI [***] of the [***] GNE wishes to [***] to have the [***] to [***] ("Designation Renewal Fees"). Furthermore, for Research Antigens requested and granted during the First Research Program Renewal Term, the Additional ADC Access shall increase by [***] per Research Antigen.

7.1.3 If GNE [***], then GNE shall pay to SGI on the first day of [***] GNE wishes to [***] (the "Research Fees"); provided, however, that GNE shall not [***] a [***] for a [***] if either: (a) [***] such [***] has been [***] (i.e., an [***]); or (b) GNE [***] for such [***] during the [***], as the case may be, that is being [***].

7.1.4 GNE shall pay SGI at an annual rate of [***] per [***] who [***] as requested by GNE for the [***] of the Research Program plus the costs of materials used by SGI in performing the Research Program (collectively the "[***]"), payable quarterly. Commencing the [***] and every [***] thereafter, the [***] will increase by [***] per [***] per year. Within [***] after the end of each [***], SGI shall submit a report to GNE supporting the calculation of [***] due for such Calendar Quarter (a "[***]"). GNE shall pay all [***] to SGI within [***] of receipt of each [***]. The Research Fees and [***] shall be collectively referred to as the "Research Program Fees".

7.2. **Option Exercise Fee.**

7.2.1. Upon the exercise of each Option pursuant to Section 4.2.2., GNE shall make a payment to SGI in the sum of [***] by wire transfer of immediately available funds (the "Option Exercise Fee").

7.2.2. GNE may terminate the Exclusive License for any Exclusive Antigen for any reason and at any time immediately upon written notice to SGI; provided that SGI will retain the Option Exercise Fee. The Exclusive License for such Exclusive Antigen shall terminate effective as of such termination date.

7.3. **Royalties Payable by GNE.**

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

7.3.1 For [***] for which the [***] would [***] of [***]:

7.3.1.1 [***] of the first [***] in aggregate [***] of the [***] in each [***];

7.3.1.2 [***] of incremental aggregate [***] of the [***] in excess of [***] up to [***] in each [***]; and

7.3.1.3 [***] of incremental aggregate [***] of the [***] in excess of [***] in each [***].

7.3.2 For [***] for which the [***] would [***] any [***] of [***]:

7.3.2.1 [***] of the first [***] in aggregate [***] of the [***] in each [***];

7.3.2.2 [***] of incremental aggregate Net Sales of the [***] in excess of [***] up to [***] in each [***]; and

7.3.2.3 [***] of incremental aggregate Net Sales of the [***] in excess of [***] in each [***].

7.3.3 Notwithstanding the foregoing Sections 7.3.1 and 7.3.2, in the event the [***] of a [***] would [***] any [***] of [***], but a [***] containing one or more [***] which would [***] is [***], GNE shall as of the date such [***] is [***] and [***] in the [***] herein [***].

7.4. **Third-Party Royalties.**

7.4.1. GNE shall pay any Third-Party royalties owed on account of its sales of Licensed Product in the Licensed Territory, including royalties owed due to use of the SGI Technology; [***]. SGI represents and warrants that [***]

7.4.2. If the [***] to [***] under [***] and to [***] for the [***] the following [***]: [***] for [***], [***] for [***] in the [***] and [***] for [***] in the [***], then the [***] hereunder shall be [***] to [***] of the [***]; provided, however, that in no event shall the [***] under this Agreement be [***] of the [***] under this Agreement. The [***] under [***] shall be [***] to [***] of the [***] to [***] for the [***]; provided, however, that in no event shall the [***] under this Agreement [***] of the [***] that would [***] under this Agreement.

7.4.3 An appropriate [***] with one or more [***] shall be mutually agreed upon, in good faith, by the Parties [***].

7.5. **Milestone Payments.**

As additional consideration for the licenses, rights and privileges granted to it hereunder, GNE shall pay to SGI the following milestone payments to SGI within [***] of the first occurrence of each event set forth below with respect to the first Licensed Product for each Exclusive Antigen, whether such events are achieved by GNE, its Affiliates or Sublicensees:

7.5.1 Upon [***];

7.5.2 Upon [***];

7.5.3 Upon [***];

7.5.4 Upon [***];

7.5.5 Upon [***]; and

7.5.6 Upon [***].

GNE will only be required to pay each of the above milestones to SGI for the first Licensed Product for each Exclusive Antigen to complete the milestone event and each milestone will only be paid once for any Exclusive Antigen.

7.6. **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.

7.7. **Payment Method.**

All payments by GNE 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.

7.8. **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.

7.9. **Withholding Taxes.**

Except as otherwise provided below, all amounts owing from GNE to SGI under this Agreement are gross amounts. GNE shall be entitled to deduct the amount of any withholding taxes payable or required to be withheld by GNE, its Affiliates or Sublicensees, to the extent GNE, its Affiliates or Sublicensees pay to the appropriate governmental authority on behalf of SGI such taxes. GNE shall use commercially reasonable efforts to minimize any such taxes, levies or charges required to be withheld on behalf of SGI by GNE, its Affiliates or Sublicensees. GNE promptly shall 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 8 - ROYALTY REPORTS AND ACCOUNTING

8.1. **Reports, Exchange Rates.**

8.1.1. During the Royalty Term, GNE shall furnish to SGI, with respect to each Calendar Quarter, 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 GNE, 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 8.1.4 herein) used in determining the royalty amount expressed in U.S. dollars (collectively, "Reports").

8.1.2. GNE shall include in each permitted sublicense granted by it pursuant to this Agreement a provision requiring its Affiliates and Sublicensees to make Reports to GNE within [***] of the close of each Calendar Quarter and to keep and maintain records of sales made pursuant to such sublicense.

8.1.3. Reports shall be due on the [***] following the close of each Calendar Quarter. GNE 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.

8.1.4. 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 the [***].

8.2. **Audits.**

8.2.1. Upon the written request of SGI and with at least [***] prior written notice, but not more than once in each [***], GNE shall permit an independent certified public accounting firm of internationally recognized standing, selected by SGI and reasonably acceptable to GNE, at SGI's expense, to have access during normal business hours to such of the records of GNE as required to be maintained under this Agreement 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, GNE shall pay the additional royalties within [***] of the date SGI delivers to GNE 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 GNE for the audited period are more than [***] of the royalties actually paid for such period, then GNE shall pay the reasonable fees and expenses charged by such accounting firm. If such accounting firm concludes that the royalties paid were more than what was owed during such period, SGI shall refund the overpayments within [***] of the date SGI receives such accounting firm's written report so concluding.

8.2.3. GNE shall include in each permitted sublicense granted by it pursuant to the Agreement a provision requiring its Affiliates and Sublicensees to make reports to GNE and to keep and maintain records of sales made pursuant to such sublicense.

8.2.4 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 GNE, 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 GNE as set forth in Article 9, and shall cause its accounting firm to retain all such financial information in confidence under terms substantially similar to those set forth in Article 9.

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 SGI Know-How, Drug Conjugation Technology, Improvements and [***] and information relating to SGI's and GNE's respective research programs, development, marketing and other business practices and finances. 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 the other Party's 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 the receiving Party can conclusively establish:

(a) have become published or otherwise entered the public domain other than by wrongful acts of the receiving 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 receiving 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 receiving 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 receiving 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.

In addition, GNE shall be permitted to disclose SGI's Confidential Information:

(g) to the extent reasonably needed in a patent application claiming Program Inventions made hereunder to be filed with the United States Patent and Trademark Office and/or any similar foreign agency, provided that GNE shall provide prior notice of such disclosure to SGI and take reasonable and lawful actions to avoid or minimize the degree of disclosure;

(h) to a sublicensee as permitted hereunder, provided that such sublicensee be subject to obligations of confidentiality substantially similar to those contained herein; and

(i) to a bona fide collaborator or manufacturing, development or sales partner, but only to the extent directly relevant to the collaboration or partnership and provided that such collaborator or partner be subject to obligations of confidentiality substantially similar to those contained herein.

9.3. **Terms of the Agreement.**

GNE 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, regulations or a court order (and in any such case the disclosing Party shall provide notice to the other Party and takes reasonable and lawful actions to avoid or minimize the degree of such disclosures).

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

Neither SGI nor GNE will, without the prior consent of the other, issue any press release or make any other public announcement or furnish any statement to any Person (other than either Parties' respective Affiliates) concerning the existence of this Agreement, its terms and the transactions contemplated thereby, except for (i) an initial press release mutually agreed upon by the Parties, (ii) disclosures made in compliance with Sections 9.2 and 9.3 hereof, (iii) attorneys,

consultants, and accountants retained to represent them in connection with the transactions contemplated hereby.

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

Neither Party may publish, present or announce results of the Research Program either orally or in writing (a "Publication") without complying with the provisions of this Section 9.5. The other Party shall have [***] (or such lesser amount of time as a specific situation may allow) from receipt of a proposed Publication to provide comments and/or proposed changes to the publishing Party. The publishing 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 appropriate 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 such period as may appear reasonably necessary for appropriately deleting Confidential Information from the proposed Publication and/or drafting and filing a patent application covering such invention provided such period does not exceed [***] from the date the publishing Party first provided the proposed Publication to the other Party.

ARTICLE 10 - INVENTIONS AND PATENTS

10.1. **Ownership of Inventions.**

10.1.1. **Disclosure of Inventions.** Each Party shall promptly disclose to the other Party the making, conception or reduction to practice of any inventions directly arising out of the Research Program ("Program Inventions").

10.1.2 **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 (i) are invented solely by one or more employees, agents or consultants of [***] and/or any [***] pursuant to this Agreement and do not [***]; or (ii) [***], and to the extent that any such [***] within Program Inventions shall have been invented by [***] and are owned by [***], [***] hereby assigns all of its rights, title and interest therein to [***];

(b) [***] shall own all Program Inventions that (i) are invented solely by one or more employees, agents or consultants of [***], excluding any [***] pursuant to this Agreement and do not [***]; or (ii) [***], and to the extent that any such [***] within Program Inventions shall have been invented by [***] and is owned by [***], [***] hereby assigns all of its rights, title and interest therein to [***]; and

(c) Except as set forth in Sections 10.1.2(a) and 10.1.2(b), [***] and [***] shall [***] own all other Program Inventions.

Inventorship shall be determined under U.S. patent law. In the event of a dispute regarding inventorship, the Parties shall engage a Third Party patent attorney jointly selected by the Parties to resolve such dispute.

10.2. **Patent Prosecution and Maintenance.**

10.2.1. SGI shall be responsible for and shall control the preparation, filing, prosecution, grant and maintenance of all Licensed Patents. SGI shall, at its sole expense, prepare, file, prosecute and maintain such Licensed Patents in good faith consistent with its customary patent policy and its reasonable business judgment, and shall consider in good faith the interests of GNE in so doing.

10.2.2. Each Party shall be responsible for and shall control the preparation, filing, prosecution, grant and maintenance, of any patents and patent applications claiming Program Inventions owned solely by it in accordance with Section 10.1 and 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. Patents and patent applications claiming Program Inventions owned jointly by both Parties in accordance with Section 10.1 ("Joint Patents") shall be controlled, prepared, filed, prosecuted and maintained by an outside legal firm mutually agreed to between the Parties, under the equal direction and control of both Parties. The cost of such outside legal expenses shall be evenly borne by the Parties.

10.2.3. The Parties shall at all times fully cooperate in order to reasonably implement the foregoing provisions, such cooperation may include without limitation the execution of necessary legal documents.

10.3. **Enforcement of Licensed Patents.**

10.3.1. SGI shall have the right, at its sole expense, to determine the appropriate course of action to enforce the Licensed Patents or otherwise abate the infringement thereof, to take (or refrain from taking) appropriate action to enforce the Licensed 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 Licensed Patents, and in good faith shall consider the interests of GNE in so doing. All monies recovered upon the final judgment or settlement of any such suit to enforce any Licensed Patents shall be allocated first to SGI to the extent necessary to compensate it for its expenses in its enforcement, second to GNE to the extent necessary to compensate it for its expenses in cooperating with SGI in its enforcement, and finally prorated in accordance with the damages for which such judgment or settlement is reasonably intended to compensate. GNE and SGI shall fully cooperate with each other in any action to enforce the Licensed Patents. If SGI fails to take any action to enforce the Licensed Patents or control any litigation with respect to the Licensed Patents within a period of [***] 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 Licensed Patents shall be retained by GNE allocated first to GNE to the extent necessary to compensate it for its expenses in its enforcement, second to SGI to the extent necessary to compensate it for its expenses in cooperating with GNE in its enforcement, and finally prorated in accordance with the damages for which such judgment or settlement is reasonably intended to compensate. In such a case, SGI shall cooperate fully with GNE, at GNE's expense, in its efforts to enforce the Licensed Patents, including being joined as a party to such action if necessary.

10.3.2. GNE shall have the right, at its sole expense, to determine the appropriate course of action to enforce the patents claiming Program Inventions owned solely by GNE in accordance with Section 10.1 ("GNE Patents") or otherwise abate the infringement thereof, to take (or refrain from taking) appropriate action to enforce the GNE 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 GNE Patents. All monies recovered upon the final judgment or settlement of any such suit to enforce any GNE Patents shall be retained by GNE. SGI and GNE shall fully cooperate with each other in any action to enforce the GNE Patents.

10.3.3 In the event either Party becomes aware of an Infringement by a Third Party of a Joint Patent, it shall promptly notify the other Party and the Parties shall determine a mutually agreeable course of action.

10.4. **Prior Patent Rights.** Notwithstanding anything to the contrary in this Agreement, with respect to any Licensed Patents that are subject to the SGI In-Licenses, the rights and obligations of the Parties under Section 10.2 and 10.3 shall be subject to SGI's licensors' rights to participate in and control prosecution, maintenance and enforcement of such Licensed Patents in accordance with the terms and conditions of the applicable SGI In-License.

ARTICLE 11 - INFRINGEMENT ACTIONS BROUGHT BY THIRD-PARTIES

If GNE, SGI or their respective Affiliates, or GNE's Sublicensees, is sued by a Third-Party for infringement of a Third-Party's patent because of the use of the Drug Conjugation Technology, the Party which has been sued shall promptly notify the other Party, in no event later than [***] of the institution of such suit. The notice shall set forth the facts of such infringement and provide evidence of such infringement that is within the notifying Party's control. The Parties shall then meet to discuss each Party's commercial interests in the defense of the suit, a plan for the defense of the suit, how the costs of the suit should be allocated, and who should have primary control of the suit. In no event may the Party controlling the suit settle or otherwise consent to an adverse judgment in such suit that diminishes the rights or interests of the non-controlling Party without the express written consent of the non-controlling Party.

ARTICLE 12 - REGULATORY ASSISTANCE

Should GNE develop an ADC for clinical development, SGI will provide at GNE's request, technical information reasonably required for GNE to file for and obtain permission to commence human clinical trials including, without limitation, information relating to the ADC, the toxin used, the linker used and the linker conjugated to the toxin. 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/or other similar foreign authorities) and any other relevant materials. GNE shall reimburse SGI for any out-of-pocket costs incurred by SGI in providing such information plus an amount equal to SGI's then current [***], as set forth in Section 7.1.4.

ARTICLE 13 – REPRESENTATIONS AND WARRANTIES

13.1. **Representations and Warranties.**

13.1.1. 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.

13.1.2. 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.

13.1.3. SGI has not, and during the term of the Agreement will not, grant any right to any Third-Party relating to the Licensed Patents and SGI Know-how which would conflict with the rights granted to GNE hereunder.

13.1.4. 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 Licensed Patents or other SGI Technology.

13.1.5. SGI represents and warrants that it will perform all of its obligations hereunder in a professional and good workman like manner.

13.2. **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 14 – TERM AND TERMINATION

14.1. **Term.**

Unless earlier terminated pursuant to this Article 14, the term of this Agreement (the "Term") shall commence on the Effective Date and shall remain in full force and effect until the earlier of (a) the expiration of the Research Program Term unless GNE exercises at least one (1) Option prior to such date; or (b) the expiration of the last to expire Royalty Term.

14.2. **Termination by GNE.**

GNE shall have the right, at any time, to terminate this Agreement as a whole by providing not less than [***] prior written notice to SGI of such termination; provided that termination by GNE under this Section 14.2 shall not relieve GNE of its obligation to pay [***] for the remainder of the then current [***] pursuant to Sections 3.5 and 7.1.4.

14.3. **Termination of License to Specific Research Antigen or Exclusive Antigen by GNE.**

GNE shall have the right at any time to terminate its rights to any specific Research Antigen or Exclusive Antigen immediately upon written notice to SGI of such termination, whereupon GNE's license with respect to such Research Antigen or Exclusive Antigen shall automatically terminate and all rights granted under this Agreement specifically related to the use of SGI Technology in connection with the Research Antigen or Exclusive Antigen shall revert back to SGI.

14.4. **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 neither Party shall be deemed to be in material breach of this Agreement for purposes of a termination hereunder during any period in which a good faith dispute between the Parties exists regarding performance of breach of its obligations hereunder.

14.5. **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.

14.6. **Termination of SGI In-Licenses.** All rights and obligations under an SGI In-License sublicensed under this Agreement shall terminate upon [***] prior written notice by SGI if GNE breaches any material provision of such SGI In-License Agreement and fails to cure such breach within [***] period; provided, however such cure period may be extended by consent of the Parties. All rights and obligations under the [***] shall automatically terminate if GNE fails to [***]. SGI covenants that it will use reasonable commercial efforts to maintain all SGI In-Licenses for the duration of this Agreement. In the event, despite such efforts, any SGI In-License(s) terminates, (a) SGI hereby grants to GNE whatever rights it can grant under such SGI In-License(s) to enable GNE to continue enjoying all rights it had thereunder and (b) the Parties shall reduce the payments due to SGI hereunder by such appropriate amounts as to reflect the loss in value to GNE based on the termination of the SGI In-License(s).

14.7. **Effect of Expiration and Termination.**

14.7.1. 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 1, 9, 10, 11, 15, 19 and 20, Sections 4.5, 8.2, 8.3 and 14.7 and any payment obligations pursuant to Section 7 incurred prior to termination, which shall survive the expiration or termination of the Agreement. Notwithstanding the foregoing, all licenses granted by SGI to GNE hereunder, including all Exclusive Licenses, and all sublicenses granted by GNE hereunder, will immediately terminate upon termination of this Agreement pursuant to Sections 14.1(a), 14.2, 14.4 or 14.5.

14.7.2. Upon the expiration of the Royalty Term for each Exclusive Antigen, SGI shall grant, and shall by this provision be deemed to have granted, to GNE a royalty-free, perpetual, worldwide, license to use the SGI Technology for that Exclusive Antigen with no further obligation to SGI.

ARTICLE 15 - INDEMNITY

15.1. **Direct Indemnity.**

15.1.1. Each Party shall indemnify and hold harmless, and hereby forever releases and discharges the other Party from and against all 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 in connection with the performance of its obligations hereunder.

15.1.2. GNE 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 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 GNE 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.

15.1.3. SGI shall indemnify and hold harmless, and hereby forever releases and discharges GNE from and against all Liabilities suffered or incurred arising out of any Third-Party claims for personal injury, death or disability or any product recall to the extent caused by (a) any SGI Technology incorporated in a product other than a GNE Licensed Product, (b) any manufacturing defect in any SGI Technology or other materials provided by SGI to GNE, 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 GNE or the inaccuracy of any representation or warranty made by GNE in this Agreement.

15.2 **Procedure.**

A Party (the "Indemnitee") that intends to claim indemnification under this Article 15 shall promptly provide 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 15 shall be subject to prior consent of such Indemnitee, such consent shall be withheld unreasonably

ARTICLE 16 - 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 17 - 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 18 - 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 19 – INSURANCE

During the term of this Agreement and thereafter for the period of time required below, each Party shall maintain on [***]. Commencing not later than [***] and thereafter for the period of time required below, the parties shall obtain and maintain on an ongoing basis [***] (including [***] to cover the [***] under this Agreement subject to the terms and conditions of the insurance policies) in the following amounts:

GNE: at least [***]. All of such insurance coverage shall be maintained with insurance companies having an [***] or better.

SGI: at least [***]. All of such insurance coverage shall be maintained with insurance companies having an [***] or better.

The aggregate deductibles under both parties' [***] insurance shall not exceed [***] and the deductibles under both parties' [***] insurance shall be satisfactory to both parties. The insurance coverages carried by each party shall be primary, and each party shall name the other party as an additional insured under their respective insurance policies, but only with respect to their own obligations under this Agreement. In addition, GNE shall name [***] as an additional insured under GNE's insurance policies with respect to the [***]. Each party shall provide a notice to the other party at least [***] to any cancellation or material change in insurance coverage.

Not later than the effective date of this Agreement with respect to the [***] coverage, and not later than [***] prior to the [***] with respect to the [***] coverage, the parties shall provide to each other a certificate(s) evidencing all such required coverage hereunder. Thereafter the parties 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 annual basis (by no later than the annual renewal date for such coverage) during the period of time for which such coverage must be maintained.

ARTICLE 20 - MISCELLANEOUS

20.1. **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 20.1 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 GNE:
Genentech, Inc.
1 DNA Way
South San Francisco, CA 94080
Attention: Vice President, Research

With copy to:
Genentech, Inc.
1 DNA Way
South San Francisco, CA 94080
Attention: Corporate Secretary

20.2. **Applicable Law.**

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

20.3. **Dispute Resolution.**

The Parties agree that if any dispute or disagreement arises between GNE 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.

20.3.1. 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;

20.3.2. Within [***] of receipt of a Notice of Dispute, a nominee or nominees of GNE 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;

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

20.3.4. 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.

20.3.5. 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.

20.4. **Entire Agreement.**

This Agreement contains the entire understanding of the Parties with respect to the specific 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.

20.5. **Independent Contractors.**

SGI and GNE each acknowledge that they shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture, agency or any type of fiduciary relationship. Neither SGI nor GNE 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.

20.6. **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.

20.7. **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.

20.8. **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 and CSO

GENENTECH, INC.

By: /s/ Arthur D. Levinson

Name: Arthur D. Levinson

Title: Chairman and Chief Executive Officer

Exhibit 10.2

SEATTLE GENETICS, INC.

2002 COMMON STOCK

PURCHASE AGREEMENT

Dated as of April 19, 2002

SEATTLE GENETICS, INC.

2002 COMMON STOCK PURCHASE AGREEMENT

This 2002 Common Stock Purchase Agreement (this "Agreement") is made as of April 19, 2002 between Seattle Genetics, Inc., a Delaware corporation with an office at 21823 30th Drive S.E., Bothell, WA 98021(the "Company"), and Genentech, Inc., a Delaware corporation with an office at 1 DNA Way, South San Francisco, CA 94080 (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 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 Closings.

(a) First 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 the Company's Common Stock (the "Shares") equal to two percent (2%) of the capital stock of the Company (on a fully diluted basis including all shares of Common Stock reserved for issuance pursuant to the Company's stock option and employee stock purchase plans), up to a maximum dollar amount of $3,500,000.00 at a 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 (the "First Closing"). The purchase price per share for the Shares to be issued and sold at the First Closing shall be the 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 First Closing.

(b) Second Closing. Beginning upon the date that [***] (the "[***]") and for a period of [***] thereafter, the Company shall have the right to sell to the Purchaser, at the Company's option, Shares equal to [***], at a closing to be held on a date [***] of the [***] and at the time and location designated by the Company (the "Second Closing"). The purchase price per share for the Shares to be issued and sold at the Second Closing shall be the 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 [***] ending on the later to occur of: (a) the [***]; or (b) the date that is [***] after the [***].

(c) General. Both the First Closing and the Second Closing (each referred to herein as a "Closing") shall be subject to the satisfaction of all of the conditions to Closing specified in Article II herein. At each Closing, the Company will issue and deliver a certificate evidencing the Shares sold 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 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 (the "Securities Act"); (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 these representations and warranties made by the Purchaser as of 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 Securities and Exchange 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 each 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 each 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 Valid 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) Amendment of Investors' Rights Agreement. The Company's Amended and Restated Investors' Rights Agreement dated as of December 22, 1999, as amended (the "Rights Agreement"), shall have been amended to include the Purchaser as a party such that the Purchaser is entitled to registration 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 the Rights Agreement.

2.02 Conditions of the Company's Obligation. The obligation of the Company to sell the Shares at each 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 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 the general affairs, business, prospects, management, financial position, stockholders' equity or results of operations of the Company (a "Material Adverse Effect").

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 March 15, 2002, the issued and outstanding capital stock of the Company consisted of 29,917,812 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 a total of 5,972,910 shares of Common Stock for issuance upon the exercise of stock options granted or available for future grant under the Company's 1998 Stock Option Plan and 2000 Directors' Stock Option Plan, and has reserved 593,227 shares of Common Stock for issuance under the Company's 2000 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-K for the year ended December 31, 2001, 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 accurately 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. To the best of its knowledge, the

Company is in compliance with all laws and regulations relating to the conduct of its business as conducted as of the date hereof, and all of the descriptions in the Company SEC Documents of the legal and governmental procedures and requirements of the United States Food and Drug Administration or any foreign, state or local governmental body exercising comparable authority are accurate in all material respects.

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 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 of the Company's knowledge, threatened, which involves any Proprietary Rights, nor, to the best of the Company's knowledge, 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).

3.14 Environmental Laws. To the best of its knowledge, the Company (a) is in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (collectively, "Environmental Laws"), (b) has received all permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its businesses and (c) is in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

3.15 Property. The Company has good and marketable title in fee simple to all items of real property and good and marketable title to all personal property owned by it, in each case free and clear of all liens, encumbrances and defects except such as are described or referred to in the Company SEC Documents or such as do not materially affect the value of such property and do not interfere with the use made or proposed to be made of such property by the Company; and any real property and buildings held under lease by the Company are held under valid, existing and enforceable leases with such exceptions as are not material and do not interfere with the use made or proposed to be made of such property and buildings by the Company.

3.16 Registration Rights. Except as provided in that certain Investor Rights Agreement dated as of December 22, 1999, as amended, the Company is presently not under any obligation, and has not granted any rights, to register under the Securities Act any of its presently outstanding securities or any of its securities that may be subsequently issued.

3.17 Disclosure. The Company has provided to Purchaser all of the information reasonably available to it that Purchaser has requested for deciding whether to purchase the Common Stock. To the best of the Company's knowledge, neither this Agreement nor any certificates made or delivered in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading.

ARTICLE IV

OTHER AGREEMENTS

4.01 Publicity and Nondisclosure. Any proposed announcement, press release or other public disclosure concerning this Agreement and/or any of the transactions or relationships contemplated hereby shall be subject to the terms of Section 9 of the Collaboration Agreement .

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.

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 one (1) year 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: Genentech, Inc., 1 DNA Way, South San Francisco, CA 94080-4990; Attention: Treasurer, with a copy to: Corporate Secretary; 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: 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 Washington 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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 and CSO

GENENTECH, INC.

By: /s/ Thomas T. Thomas
Name: Thomas T. Thomas
Title: Treasurer

By: /s/ Joseph S. McCracken
Name: Joe McCracken
Title: Vice President, Business Development

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of Seattle Genetics, Inc. (the "Company") for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Perry Fell, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents in all material respects the financial condition and results of operations of the Company.

August 13, 2002	/s/ H. Perry Fell
Date	H. Perry Fell Chief Executive Officer

In connection with the accompanying Quarterly Report on Form 10-Q of Seattle Genetics, Inc. (the "Company") for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tim Carroll, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents in all material respects the financial condition and results of operations of the Company.

August 13, 2002	/s/ Tim Carroll
Date	Tim Carroll Chief Financial Officer