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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 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)

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

Securities registered pursuant to Section 12(b) of the Act:
None

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

Common Stock, Par Value $0.001
(Title of Class)

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 than the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $51,012,954 as of the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price on the Nasdaq National Market reported for such date. Shares of common stock held by each officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 30,770,177 shares of the registrant's common stock issued and outstanding as of March 14, 2003.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the definitive proxy statement for the registrant's Annual Meeting of Stockholders to be held on May 14, 2003.

SEATTLE GENETICS, INC.

FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2002

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PART I

Item 1. Business.

Overview

Seattle Genetics discovers and develops monoclonal antibody-based drugs to treat cancer and other human diseases. Our product candidates encompass three technologies: genetically engineered monoclonal antibodies, monoclonal antibody-drug conjugates (ADCs) and antibody-directed enzyme prodrug therapy (ADEPT). These technologies enable us to develop monoclonal antibodies that can kill cancer cells on their own as well as to increase the potency of monoclonal antibodies by enhancing their tumor cell-killing ability. Using our technologies and our expertise in cancer, we have constructed a diverse portfolio of product candidates.

Our two most advanced product candidates, SGN-30 and SGN-15, are currently being tested in clinical trials:

- *SGN-30* is an anti-CD30 monoclonal antibody that has direct cell-killing activity on its own. During 2002, we initiated and completed our first single-dose phase I study of SGN-30 in 13 patients with hematologic malignancies such as Hodgkin's disease and anaplastic large cell lymphoma. This study demonstrated no significant toxicity and we observed antitumor activity with a single dose of SGN-30 in two out of ten evaluable patients. In November 2002, we initiated an ongoing multi-dose phase I/II clinical trial of SGN-30 designed to accrue up to 75 patients. We are also evaluating possible uses of SGN-30 for the treatment of immunologic disease.
- *SGN-15* is an ADC composed of the BR96 monoclonal antibody chemically linked by a hydrazone linker to the chemotherapeutic drug doxorubicin. We are currently testing SGN-15 in two phase II clinical trials in combination with the chemotherapeutic drug Taxotere® for patients with prostate or lung cancer and in one phase II clinical trial in combination with the chemotherapeutic drug Gemzar® for patients with ovarian cancer. The combination of SGN-15 and Taxotere has induced objective antitumor responses at well tolerated doses in many patients. Due to the minimal toxicity of SGN-15 in combination with Taxotere in the lung cancer study, we are conducting an intra-patient dose escalation of SGN-15 in recently enrolled lung cancer patients. Presently, we are not accruing patients to our prostate cancer study while we conduct an interim analysis of data to determine our future strategy for SGN-15 in prostate cancer. We initiated the ovarian cancer trial in late 2002 based on preclinical studies demonstrating synergistic antitumor activity of SGN-15 in combination with Gemzar.

Additionally, we have three product candidates currently in preclinical development, SGN-40, SGN-35 and SGN-17/19:

- *SGN-40 (formerly SGN-14)* is an anti-CD40 monoclonal antibody that we are developing to treat patients with CD40-expressing malignancies, including multiple myeloma and non-Hodgkin's lymphoma. SGN-40 may also have application in bladder and renal cancer, as well as immunologic disease. SGN-40 has been shown to have direct antitumor activity in multiple preclinical models of human cancer at doses that are well tolerated in toxicology studies. We are currently evaluating preclinical data and developing our strategy, with a goal of advancing SGN-40 into clinical trials by early 2004.
- *SGN-35* is an ADC composed of an anti-CD30 monoclonal antibody linked by our proprietary, stable linker to a synthetic variant of the highly potent, cell-killing drug Auristatin E using our next generation ADC technology. In preclinical models, SGN-35 has induced complete regressions of tumors at well tolerated doses. We are currently developing SGN-35 for treatment of patients with hematologic malignancies such as Hodgkin's disease and some types of non-Hodgkin's lymphoma. We are also investigating possible applications of SGN-35 in immunologic disease, such as lupus and multiple sclerosis.
- *SGN-17/19* is an ADEPT product candidate that targets the p97 antigen, which is highly expressed on melanoma. In preclinical models, a single dose of SGN-17/19 has induced complete regressions of

melanoma tumors. We are developing SGN-17/19 for the treatment of patients with metastatic melanoma through our collaboration with Genencor International, Inc

Our technologies also provide us with an opportunity to partner with other companies that are developing monoclonal antibodies. These collaborations may accelerate our ability to commercialize product candidates, leverage our technology to enhance the product candidates of other biotechnology and pharmaceutical companies and enhance our financial position by generating collaboration revenues. When establishing strategic collaborations, we select high-quality partners and endeavor to retain significant product rights. Presently, we have collaborations with Eos Biotechnology, Inc., Celltech Group and Genentech, Inc. for our ADC technology and with Genencor International for SGN-17/19 and our ADEPT technology.

We also have active discovery programs to identify and evaluate novel tumor antigens, new monoclonal antibodies targeted to tumor cells and improved highly potent, cell-killing drugs and stable linkage systems for generating ADCs. In addition to our internal discovery programs, we identify and obtain in-licenses for lead agents and product candidates from external sources, including academic institutions and other biotechnology companies. Our existing in-licenses include technology from Bristol-Myers Squibb, the University of Miami, Arizona State University, Mabtech AB and Proacta Therapeutics, among others.

Monoclonal Antibodies for Cancer Therapy

Cancer is the second leading cause of death in the United States, resulting in over 555,000 deaths annually. The American Cancer Society estimates that over 17 million new cases of cancer have been diagnosed in the United States since 1990 and that 1.3 million new cases of cancer will be diagnosed in 2003. According to the National Cancer Institute, one in three people in the United States will develop cancer in their lifetime, and half of them will die within five years. Within the next decade, it is expected that cancer will surpass heart disease as the leading cause of death in the United States.

Monoclonal antibodies have been tested for many years as cancer therapeutics. Some monoclonal antibodies have significant antitumor activity as single agents. However, many are not potent enough on their own to represent effective therapeutic agents. To address this limitation, additional approaches to using monoclonal antibodies as cancer therapies have emerged. First, monoclonal antibodies that are administered in combination with chemotherapy can achieve antitumor activity that is often greater than when either therapy is administered alone. Second, monoclonal antibodies that are directly linked to cell-killing payloads such as drugs, toxins, or radionuclides can more effectively kill cancer cells than monoclonal antibodies alone.

There are a growing number of monoclonal antibodies that have been approved for the treatment of cancer. These include three genetically engineered monoclonal antibodies (Rituxan®, Herceptin®, and Campath®), a radionuclide-conjugated monoclonal antibody (Zevalin®) and an antibody-drug conjugate (Mylotarg®). Together, these five products generated sales of more than $1.6 billion in 2002. Sales of Rituxan alone are expected to exceed $1 billion in 2003. Additionally, there are many monoclonal antibodies in preclinical development and clinical trials that are likely to increase the number of monoclonal antibody-based commercial products in the future.

Our Monoclonal Antibody Technologies

Three distinct but related technologies form our core business and provide the potential for discovery and development of an array of monoclonal antibody-based therapeutics:

- genetically engineered monoclonal antibodies;
- monoclonal antibody-drug conjugates (ADCs); and
- antibody-directed enzyme prodrug therapy (ADEPT).

Genetically Engineered Monoclonal Antibodies.

Some monoclonal antibodies have therapeutic potential on their own. These antibodies operate either by directly sending a cell-killing signal or by activating an immune response that leads to cell death. Antibodies such as these can be effective in regressing tumors and have the advantage of low systemic toxicity. For example, antibodies targeted to antigens such as CD20 (Rituxan), HER2 (Herceptin) and CD52 (Campath) are FDA-approved and are collectively generating over a billion dollars in annual sales.

Our monoclonal antibodies have been genetically engineered to minimize non-human sequences, thereby lowering the potential for patients to develop a neutralizing immune response and extending the duration for use in therapy. In general, there are three types of genetically engineered monoclonal antibodies being developed for human therapeutic use: chimeric, humanized and fully-human. A chimeric antibody contains a mixture of mouse and human sequences, usually 30 percent mouse and 70 percent human. Rituxan, the largest selling antibody product for cancer therapy, is a chimeric antibody. Humanized antibodies contain over 90 percent human sequences, while fully-human monoclonal antibodies contain 100 percent human sequences. We have chimeric and humanized monoclonal antibodies in our product development pipeline and have access to fully-human monoclonal antibodies for potential future product candidates through our relationship with Medarex. Our two most advanced genetically engineered monoclonal antibody product candidates are SGN-30, which is a chimeric monoclonal antibody that is currently in a phase I/II clinical trial, and SGN-40, which is a humanized monoclonal antibody that is currently in preclinical development.

Antibody-Drug Conjugates (ADCs).

ADCs are monoclonal antibodies that are linked to potent cell-killing drugs. For our ADCs, we utilize monoclonal antibodies that internalize upon binding to their cell-surface receptors. The environment inside the cell causes the cell-killing drug to be released from the monoclonal antibody, allowing it to have the desired effect. Until released, the cell-killing drug is inactive, thereby sparing normal cells. Our ADC technology can be applied to genetically engineered monoclonal antibodies that are chimeric, humanized or fully-human and that bind strongly to and internalize within cancer cells. An important component of ADCs are the conditional linkers that hold and then release the drugs from the monoclonal antibodies. We have a variety of linker technologies including enzyme-cleavable linkers that are very stable in blood. Our highly potent cell-killing drugs, such as Auristatin E, are synthetically produced and readily scaleable. Because the variants of Auristatin E that we have developed are synthetic, the drug and linker can be prepared simultaneously as a drug-linker system, significantly simplifying the manufacturing process versus natural product drugs that are more difficult to produce and link to antibodies. We are also continually evaluating a variety of new stable linkers and potent, cell-killing drugs, including additional variants of Auristatin E and a class of potent drugs called minor groove binders, for use in our ADC program.

Our lead ADC product candidates are SGN-15 and SGN-35. SGN-15, which is composed of the chimeric BR96 monoclonal antibody chemically linked by a hydrazone linker to the chemotherapeutic drug doxorubicin, is currently in multiple phase II clinical trials. SGN-35, which utilizes our next generation ADC technology, is currently in preclinical development. Additionally, we are exploring numerous other monoclonal antibodies for potential use as ADCs, both internally and in conjunction with our ADC collaborators, Eos Biotechnology, Celltech and Genentech.

Antibody Directed Enzyme Prodrug Therapy (ADEPT).

ADEPT represents a novel approach to minimize drug exposure to normal tissues through the combination of two relatively non-toxic agents to achieve potent antitumor activity specifically within tumor tissue. With ADEPT technology, we utilize non-internalizing monoclonal antibodies that remain bound to the cell surface, as distinguished from the internalizing antibodies used with our ADC technology. ADEPT administration is a two-step process. In the first step, a protein containing the cloned variable regions of a monoclonal antibody

genetically fused to an enzyme is administered and accumulates on tumor tissue. In the second step, relatively inactive forms of anti-cancer drugs (termed prodrugs) are administered and subsequently are converted by the enzyme attached to the tumor cell into potent cell-killing drugs that can penetrate into tumor tissue and induce antitumor responses. This method of drug delivery results in higher drug concentrations within tumors relative to normal tissues, thus minimizing the toxic effects of the drug on normal tissues.

Our lead ADEPT product candidate is SGN-17/19, which we are developing preclinically in partnership with Genencor International for patients with metastatic melanoma. SGN-17/19 concentrates the potent cell-killing properties of the drug melphalan towards cells expressing the p97 antigen. Because melphalan is administered as a relatively inactive prodrug that is activated primarily at the tumor site, its effect against tumor tissue can be maximized while the toxicity to normal tissues is reduced.

Our Strategy

Our primary goal is to utilize our expertise in antibody technologies to advance our product pipeline and discover new product candidates for the treatment of cancer and other human diseases. We also license our technology and collaborate with other biotechnology and pharmaceutical companies that are developing monoclonal antibodies. Our overall corporate strategy includes initiatives to:

- *Advance Product Pipeline.* Our main focus is advancing our pipeline of product candidates: SGN-30 and SGN-15, which are in clinical trials, and SGN-40, SGN-35 and SGN-17/19, which are in preclinical development. To that end, we have built strong internal expertise in our development, regulatory and clinical groups. We also enter into key relationships with scientific advisors, research organizations and contract manufacturers to supplement our preclinical research, development and manufacturing initiatives. For our clinical trials, we have established relationships with leading experts in oncology and hematology and conducted trials at over 20 cancer centers throughout the United States during 2002.
- *Use Our Technologies to Increase the Potency of Monoclonal Antibody Therapeutics.* We have developed next generation ADC and ADEPT technologies to enhance the potency and efficacy of monoclonal antibodies. These technologies enable us to exploit the therapeutic potential of monoclonal antibodies that have tumor specificity but not sufficient cell-killing capabilities on their own. We are currently developing several product candidates that employ these technologies, including our preclinical ADC product candidate SGN-35 and our preclinical ADEPT product candidate SGN-17/19.
- *Establish Strategic Collaborations.* We enter into strategic collaborations at various stages in our research and development process to accelerate the potential to commercialize our product candidates, leverage our technology to enhance our collaborators' product candidates and enhance our financial position by generating collaboration revenues. Collaborations can also supplement our own internal expertise in key areas such as clinical, manufacturing, marketing, sales and distribution. When establishing strategic collaborations, we select high-quality partners and endeavor to retain significant product rights. Presently, we have collaborations with Eos Biotechnology, Celltech and Genentech for our ADC technology and with Genencor International for SGN-17/19 and our ADEPT technology.
- *Continue to Identify and Develop Novel Monoclonal Antibodies.* We have focused on the research and development of monoclonal antibodies since our inception, and have successfully identified and filed patent applications for multiple novel monoclonal antibodies with potential therapeutic uses. We have internal efforts in antigen discovery to identify targets that can be used to generate new monoclonal antibodies. We are also collaborating with Medarex to produce novel fully-human monoclonal antibodies to cancer targets.
- *Acquire Attractive Product Candidates and Technologies.* In addition to our internal research and development initiatives, we have ongoing programs to identify products and technologies to in-license from academic groups and other biotechnology companies. To date, we have entered into such license agreements with Bristol-Myers Squibb, the University of Miami, Arizona State University, Mabtech AB and Proacta Therapeutics, among others. We expect that new product candidates will enter our pipeline from our internal research programs and through in-licensing opportunities.

Development Programs

We currently have two product candidates in clinical trials: SGN-30 in a phase I/II trial and SGN-15 in multiple phase II trials. We are conducting preclinical development of several other product candidates, including SGN-40, SGN-35 and SGN-17/19. We are also actively engaged in research and discovery of new monoclonal antibodies, antigen targets, linker systems, high-potency drugs and enzymes that can be incorporated into our development portfolio.

The following table summarizes the status of our product candidates currently in clinical trials:

Product Candidate	Technology	Disease/ Indication	Development Stage	Specifics
SGN-30	Genetically engineered monoclonal antibody	Hematologic malignancies	Phase I/II	Single agent
SGN-15	ADC	Prostate Cancer	Phase II	In combination with Taxotere
		Non-Small Cell Lung Cancer	Phase II	In combination with Taxotere
		Ovarian Cancer	Phase II	In combination with Gemzar

In addition, we have the following product candidates currently in preclinical development:

Product Candidate	Technology	Disease/ Indication	Development Stage	Target	Corporate Partner
SGN-40 (formerly SGN-14)	Genetically engineered monoclonal antibody	Hematologic malignancies and other types of cancer	Preclinical	CD40	—
SGN-35	ADC	Hematologic malignancies	Preclinical	CD30	—
SGN-17/19	ADEPT	Melanoma	Preclinical	p97	Genencor International

Product Candidates in Clinical Trials

SGN-30

Preclinical Profile.

SGN-30 is a monoclonal antibody targeting the CD30 antigen that is expressed on many hematologic malignancies, including Hodgkin's disease and some types of non-Hodgkin's lymphoma. CD30 is an attractive target for cancer therapy because it has minimal expression on normal tissues. In preclinical models of hematologic malignancies, SGN-30 has demonstrated potent antitumor activity on its own at doses that are well tolerated in toxicology studies.

We are also investigating possible applications of SGN-30 in immunologic diseases, including lupus and multiple sclerosis. In immunologic disease, the body's immune system malfunctions and attacks its own healthy cells. Many therapies for immunologic disease rely on suppressing the immune system to prevent further damage to normal tissues, but have the unwanted side effect of making the patient more susceptible to infection. The CD30 antigen is expressed only on activated T and B cells but is absent on these cells when in resting state. Since resting T-cells and B-cells make up 99 percent of those types of cells circulating in the body, SGN-30 may be able to prevent or reduce a damaging immune response without globally suppressing the patient's immune system, thus leaving the patient better able to fight off infection. Preclinical studies of SGN-30 in immunologic disease are ongoing internally and with outside collaborators.

Clinical Results and Status.

The American Cancer Society estimates that 7,600 cases of Hodgkin's disease and 53,400 cases of non-Hodgkin's lymphoma, many of which express CD30, will be diagnosed in the United States during 2003.

Advances made in the use of combined chemotherapy and radiotherapy for malignant lymphomas over the past half-century have resulted in durable remission rates for front-line therapy in early stage disease. However, the therapeutic options for refractory or relapsed patients are very limited, and there are significant opportunities for new treatments in this patient population.

In July 2002, we completed a single-dose phase I clinical trial of SGN-30 in patients with CD30-expressing hematologic malignancies at three sites in the United States. The objectives of this trial were to establish safety and pharmacokinetic profiles, evaluate effects on lymphocytes and to determine whether a single dose of SGN-30 induced an immune response. We treated 13 patients in this study at escalating doses of between one and 15 milligrams per kilogram of SGN-30. We did not find significant toxicities in any of the patients and observed antitumor responses in two out of ten evaluable patients, one with Hodgkin's disease and one with anaplastic large cell lymphoma. Additionally, we found minimal immune response, no lymphocyte depletion and no infectious complications.

In November 2002, we initiated a multi-dose phase I/II clinical trial of SGN-30, again targeting patients with CD30-expressing hematologic malignancies. The objectives of this trial, which will be conducted at ten sites in the United States, are to establish safety and pharmacokinetic profiles, evaluate effects on lymphocytes, determine whether patients develop an immune response and assess antitumor activity of a multi-dose regimen of SGN-30. In the phase I portion of the study, we are treating cohorts of six patients at four predetermined dose levels of SGN-30: 2, 4, 8 and 12 milligrams per kilogram. We will use the data from the phase I component of the study to determine a dose for the phase II component. The study is designed to accrue up to 75 patients: up to 30 in the phase I component and the remainder in the phase II component. We expect to complete the phase I component and initiate the phase II component of this study during the second half of 2003.

SGN-15

Preclinical Profile.

SGN-15 is an ADC composed of a monoclonal antibody chemically linked by a hydrazone linker to the chemotherapeutic drug doxorubicin. The antibody component of SGN-15 binds to a Lewis^{y}-related carbohydrate antigen that is highly expressed on many solid tumors, including those of the breast, lung, pancreas, ovary and prostate, as well as on some normal cells in the gastrointestinal tract. SGN-15 works by binding to the cell and, upon internalization, releasing its payload of doxorubicin. SGN-15 has demonstrated potent antitumor activity in multiple preclinical models of solid tumors. Additional preclinical studies of SGN-15 in combination with Taxotere and Gemzar have established non-overlapping toxicity profiles and synergistic antitumor activity.

Clinical Results and Status.

Our clinical development strategy for SGN-15 is focused on designing trials for patients in whom front-line therapies have failed. This approach is intended to accelerate the development pathway as rapidly as possible toward regulatory approval. The current status of our SGN-15 clinical trials is as follows:

Prostate Cancer. Prostate cancer is the second leading cause of cancer-related deaths among men in the United States and strikes 80 percent of males who reach the age of 80. Although surgery and radiation are established therapies for localized prostate cancer, there are no curative therapies available for advanced stage disease. Most patients with prostate cancer will receive hormone therapy sometime in the course of their disease, many of whom will eventually become resistant to such therapy and progress to hormone refractory prostate cancer (HRPC). The treatment of HRPC patients with conventional chemotherapy has been disappointing with minimal impact on the disease in terms of survival.

In November 2000, we initiated a phase II trial of SGN-15 in combination with Taxotere for the treatment of patients with HRPC. The trial was designed to evaluate the antitumor activity of the combination therapy, including measurements of tumor size, serum prostate-specific antigen (PSA) level, quality of life and disease-free and overall survival rates. Patients entering the trial were randomly assigned to one of two equal-sized groups. One group of patients receives treatment with the combination of SGN-15 and Taxotere, and the other group receives Taxotere alone.

We have treated over 60 patients in the prostate cancer study. The study has demonstrated minimal toxicity of the combination of SGN-15 and Taxotere and objective antitumor responses in some patients, especially those whose tumors express higher levels of the Lewis^y antigen. Presently, we are not accruing patients to our prostate cancer study while we conduct an interim analysis of data to determine our future strategy for SGN-15 in prostate cancer.

Non-Small Cell Lung Cancer. Lung cancer is the leading cause of all cancer-related deaths worldwide and accounted for an estimated 154,000 deaths in the United States during 2002. Approximately 80 percent of lung cancer is non-small cell lung carcinoma (NSCLC). Due to the lack of early symptoms, most NSCLC patients are already in the advanced stages of the disease at the time of diagnosis. Advanced stage and metastatic NSCLC remains an incurable disease with current therapies. Combination chemotherapy regimens have produced clinical response or stabilization in many cases, but have had little effect on overall survival. Response rates with standard chemotherapy are only approximately 25 percent and median survival is less than six months from time to progression. Consequently, there remains a significant unmet clinical need for patients with advanced stage NSCLC.

In August 2001, we initiated a phase II trial investigating SGN-15 in combination with Taxotere for patients with NSCLC who have failed front-line treatments. This trial was designed to evaluate safety and antitumor activity of the combination therapy, as measured by reduction in tumor size, time to progression, quality of life and overall survival rates. Two-thirds of patients enrolled in this study receive the combination of SGN-15 and Taxotere and one-third of the patients receive Taxotere alone.

We have treated over 50 patients in the lung cancer trial, none of whom have experienced any significant toxicities related to SGN-15, including no gastrointestinal toxicities. In addition, we have observed antitumor activity in multiple patients in this study. As a result of the minimal toxicity observed, we are conducting intra-patient dose escalation of SGN-15 in recently enrolled lung cancer patients to evaluate the tolerability and antitumor activity of higher doses.

Ovarian Cancer. Ovarian cancer is the fifth most frequent cause of cancer death in women and the leading cause of gynecologic cancer in the United States. The five-year survival rate of women diagnosed with advanced disease is 25 percent. Although most advanced stage patients initially respond to front-line chemotherapy, the relapse rate is approximately 85 percent. Once relapse occurs there is no known curative therapy. Thus, there is a significant opportunity for the development of new therapeutic approaches that provide high levels of antitumor activity with little systemic toxicity.

In August 2002, we launched a phase II trial of SGN-15 in combination with Gemzar for the treatment of patients with recurrent or refractory ovarian cancer. This trial was designed to evaluate safety and antitumor activity of the combination therapy, as measured by the reduction in tumor size, time to progression and overall survival rates. Two-thirds of the patients enrolled in this study receive the combination of SGN-15 and Gemzar and one-third of the patients receive Gemzar alone. Because SGN-15 plus Gemzar is a new chemotherapeutic combination, we are currently treating an initial safety cohort of six patients. We expect to complete the safety cohort and initiate the randomized phase II portion of the study by late 2003.

Product Candidates in Preclinical Development

SGN-40 (formerly SGN-14)

We are currently conducting preclinical development of SGN-40, a monoclonal antibody that targets the CD40 antigen. CD40 is a cell surface receptor that is highly expressed on a variety of hematologic malignancies such as multiple myeloma, non-Hodgkin's lymphoma, many types of leukemia, as well as Kaposi's sarcoma. CD40 is also expressed on various types of solid tumors including lung, gastric, ovarian, renal and bladder cancer. SGN-40 has been shown to induce direct antitumor activity in multiple preclinical models of human cancer at doses that are well tolerated in toxicology experiments. SGN-40 may also be applicable for the treatment of immunologic disease.

We previously partnered SGN-40 with Genentech, but in October 2002 Genentech informed us that it would not continue development of SGN-40. We entered into license agreements with Genentech in March 2003 providing us with rights to develop SGN-40 on our own. We are currently evaluating preclinical data and developing our strategy, with a goal of advancing SGN-40 into clinical trials by early 2004.

SGN-35

SGN-35 is an ADC composed of an anti-CD30 monoclonal antibody linked by our proprietary, stable linker to a synthetic variant of the highly potent, cell-killing drug Auristatin E using our next generation ADC technology. In preclinical models, SGN-35 has induced complete regressions of tumors at doses lower than 1 milligram per kilogram. We are currently conducting preclinical development of SGN-35 for the treatment of patients with hematologic malignancies such as Hodgkin's disease and some types of non-Hodgkin's lymphoma, and expect to initiate clinical trials in 2004. As with SGN-30, we are also considering possible applications of SGN-35 to treat immunologic diseases such as lupus and multiple sclerosis due to the limited expression profile of CD30 on activated T and B cells.

SGN-17/19

SGN-17/19 is an ADEPT product candidate that we are developing for the treatment of metastatic melanoma. SGN-17 is a fusion protein containing components of the L49 monoclonal antibody and the enzyme ß-lactamase. The L49 antibody component binds to the p97 cell surface antigen, which is non-internalizing and highly expressed on melanoma, as well as some ovarian, breast and lung carcinomas. SGN-19 is a prodrug form of the chemotherapeutic drug melphalan that has been inactivated through the addition of a chemical group that can be removed by the enzyme ß-lactamase. When SGN-17 is injected systemically, it accumulates on the tumor tissue and remains bound at the cell surface. SGN-19 is then administered systemically and converted to melphalan by the enzyme ß-lactamase, resulting in localized release of melphalan on the surface of cancer cells. Through genetic engineering efforts in 2001 and 2002, we have made considerable advances in the production of the SGN-17 component. At present, the yield of active SGN-17 is suitable for scale-up to a clinical grade manufacturing process. We have also made improvements to the formulation and chemical synthesis of SGN-19 throughout the last year.

In January 2002, we entered into a collaboration agreement with Genencor International to jointly develop SGN-17/19 and discover and develop a class of cancer therapeutics based on tumor-targeted enzymes that activate prodrugs. The collaboration utilizes our ADEPT technology along with Genencor's targeted enzyme prodrug therapy (TEPT) platform, epitope mapping (*i-mune*™) technology, and protein engineering and expression capabilities.

Discovery and Research Programs

In addition to our pipeline of product candidates and antibody-based technologies, we have internal discovery and research programs directed towards identifying novel antigen targets and monoclonal antibodies and developing new classes of potent, cell-killing drugs.

Novel Targets. We utilize a variety of genomic tools and biologic assays to identify novel antigen targets to which we can generate specific new monoclonal antibodies. We focus on genes that are highly expressed in cancer to identify molecules that are located on the surface of cancer cells that may serve as targets for monoclonal antibodies. In 2002, we submitted three new patent applications covering five novel therapeutic antigen targets that are expressed by cancer cells.

Novel Monoclonal Antibodies. We are actively engaged in internal efforts to discover and develop antibodies with novel specificities and activities. We supplement these internal efforts by evaluating opportunities to in-license antibodies from academic groups and other biotechnology companies. We also have access to fully-human monoclonal antibodies through our collaboration with Medarex. These monoclonal antibodies may represent product candidates on their own or may be utilized as part of our ADC or ADEPT technologies. In 2002, we created panels of new cancer-reactive monoclonal antibodies that are currently undergoing screening to identify those with the highest cancer specificity.

New Cell-Killing Drugs. We focus our efforts on two drug classes, antimitotic agents and DNA minor groove binders, both of which possess potent cell-killing properties. We are evaluating multiple variants of both drug classes as a component of our next generation ADC technology. Additionally, we were awarded a Small Business Innovation Research grant in September 2002 to support ongoing research on tumor-selective anti-cancer prodrugs. These prodrugs are activated by enzymes that are more prevalent in tumors than in normal tissues, which can result in tumor-selective cell-killing.

Corporate Collaborations

Part of our business strategy is to establish corporate collaborations with biotechnology and pharmaceutical companies and academic institutions. We seek collaborations to advance the development and commercialization of our own product candidates. We also utilize our technologies to improve the efficacy of other companies' monoclonal antibodies, which may partially offset expenditures on our internal research and development activities. When partnering, we seek to retain significant downstream participation in product sales through either profit-sharing or product royalties paid on annual net sales. Our principal corporate collaborations are listed below.

ADC Collaborations

We have entered into agreements with several collaborators to allow them to use our proprietary ADC technology with their monoclonal antibodies:

Eos Biotechnology. In June 2001, we entered into an ADC collaboration with Eos Biotechnology, pursuant to which Eos has paid us several technology access fees and service and reagent fees. In early February 2003, Eos announced an agreement to be acquired by Protein Design Labs, Inc. Following public announcement of the acquisition, we have been in communication with Protein Design Labs regarding future activities under this collaboration. This collaboration may result in additional future payments to us in the form of technology access and maintenance fees, milestone payments and royalties on net sales of any resulting products. Eos (or Protein Design Labs) will also be responsible for all costs associated with the development, manufacturing and marketing of any products generated as a result of this agreement.

Celltech Group. In March 2002, we entered into an ADC collaboration with Celltech. Under the terms of the multi-year agreement, Celltech paid us an up front technology access fee, is paying service and reagent fees

and may additionally make milestone payments and pay royalties on net sales of any resulting products. Celltech will be responsible for all costs associated with the development, manufacturing and marketing of any products generated as a result of this agreement.

Genentech. In April 2002, we entered into an ADC collaboration with Genentech. Under the terms of the multi-year agreement, Genentech paid a $2.5 million up front fee, is paying technology access fees and research fees, and may pay progress-dependent milestone payments and royalties on net sales of any resulting products. Genentech is responsible for research, product development, manufacturing and commercialization of any products resulting from the collaboration. As part of the collaboration, Genentech also purchased $3.5 million of our common stock, which increased Genentech's total equity ownership in Seattle Genetics to approximately 5.4%. If an additional benchmark is achieved under the collaboration agreement, we have an option, at our sole discretion, to sell additional equity to Genentech at fair market value.

Co-Development and Co-Funding Agreements

Genencor International. In January 2002, we formed a strategic alliance with Genencor International to jointly discover and develop a class of cancer therapeutics based on tumor-targeted enzymes that activate prodrugs. The agreement provides for us to receive specific fees and milestones and for Genencor to receive certain milestone payments. As part of the collaboration, we also sold Genencor $3.0 million of our common stock in a private placement. Under the terms of the multi-year agreement, the two companies are utilizing our antibody-directed enzyme prodrug therapy (ADEPT) technology and are jointly developing SGN-17/19, our lead product candidate for the treatment of metastatic melanoma. In addition, the collaboration includes access to Genencor's targeted enzyme prodrug therapy (TEPT) platform, epitope mapping technology (the *i-mune* assay) and protein engineering and expression capabilities. The two companies will share costs for SGN-17/19 and any other joint products that enter development. In addition, the companies may jointly use Genencor's *i-mune* assay technology, which allows for the prediction of amino acid sequences that are capable of causing adverse immune responses, for any monoclonal antibody or protein therapeutic developed in the collaboration. Based on the *i-mune* predictions, specific sequences of ADEPT or TEPT-based product candidates can be modified, resulting in therapeutic agents that may be administered over longer durations, thus possibly leading to enhanced efficacy in cancer patients.

Medarex. In February 2001, we entered into a collaboration agreement with Medarex to produce fully-human monoclonal antibodies to certain breast cancer and melanoma antigen targets identified by us over the following three years. As part of this agreement, Medarex bought $2.0 million of our common stock concurrent with our initial public offering in March 2001. In November 2001, we entered into an additional agreement with Medarex that allows us to immunize Medarex mice and to generate antibodies. We have the right to obtain a non-exclusive research license and/or exclusive commercial licenses with respect to antibodies developed from this program.

In-Licenses

Bristol-Myers Squibb. In March 1998, we obtained rights to some of our technologies and product candidates, portions of which are exclusive, through a license agreement with Bristol-Myers Squibb. Through this license, we secured rights to monoclonal antibody-based cancer targeting technologies, including 26 different patents, eight monoclonal antibodies, chemical linkers, a ribosome-inactivating protein and enabling technologies. We also received a substantial supply of vialed, clinical-grade SGN-15, which has been used in our clinical trials. Under the terms of the license agreement, we are required to pay royalties on net sales of future products incorporating the licensed technology. Our obligation to pay royalties terminates on a product-by-product basis upon the later of ten years after first commercial sale or the last to expire of the licensed patents. The agreement is also subject to earlier termination upon breach of any material obligations by the other party.

Mabtech AB. In June 1998, we obtained exclusive worldwide rights to a monoclonal antibody that targets the CD40 antigen from Mabtech AB, located in Sweden. Under the terms of this license, we are required to make

a progress-dependent milestone payment and pay royalties on net sales of products incorporating technology licensed from Mabtech.

Genentech. In June 1999, we licensed our anti-CD40 antibody program to Genentech, including our SGN-40 product candidate and associated technology. In October 2002, we received notification from Genentech that they would not continue development of SGN-40. Genentech has agreed to transfer the anti-CD40 technology created during the collaboration back to us, and we are currently conducting preclinical development of SGN-40 on our own. Pursuant to license agreements executed in March 2003, Genentech is entitled to receive an up front license fee, a progress-dependent milestone payment and royalties on net sales of anti-CD40 products that use Genentech's technology.

University of Miami. In September 1999, we entered into an exclusive license agreement with the University of Miami, Florida, covering an anti-CD30 monoclonal antibody that is the basis of SGN-30 and the antibody component of SGN-35. Under the terms of this license, we made an up front payment and are required to make progress-dependent milestone payments, certain annual maintenance fee payments and pay royalties on net sales of products incorporating technology licensed from the University of Miami for a period of ten years after the first commercial sale of a product.

Arizona State University. In February 2000, we entered into a license agreement with Arizona State University for a worldwide, exclusive license to the cell-killing agent Auristatin E. We use variants of Auristatin E as a component of our ADC technology. Under the terms of this license, we are required to make annual maintenance fee payments, progress-dependent milestone payments and pay royalties on net sales of products incorporating technology licensed from Arizona State University until the last to expire of the licensed patents on a country-by-country basis.

ICOS Corporation. In October 2000, we entered into a license agreement with ICOS Corporation for non-exclusive rights to use the CHEF expression system. We have used this system to manufacture SGN-30 and the BR96 antibody component of SGN-15, and we may also use it for other monoclonal antibodies in the future. Under the terms of this agreement, we are required to make progress-dependent milestone payments and pay royalties on net sales of products manufactured using the CHEF expression system until the last to expire of ICOS' licensed patents.

CLB-Research and Development. In July 2001, we entered into an exclusive option and license agreement for certain monoclonal antibodies that target cancer and immunologic disease from CLB-Research and Development, located in the Netherlands. In January 2003, we exercised our option to obtain a worldwide, exclusive license to the antibodies. Under the terms of this agreement, we have made up front and option exercise payments and are required to make progress-dependent milestone payments and pay royalties on net sales of products incorporating the antibodies for a period of ten years after the first commercial sale.

Proacta Therapeutics. In October 2001, we entered into an exclusive option and license agreement with Proacta Therapeutics, based in New Zealand, for rights to a class of potent, cell-killing drugs called minor groove binders that directly target DNA. In October 2002, we exercised our option to obtain worldwide, exclusive development, manufacturing and commercialization rights to any products utilizing the drugs. Under the terms of the agreement with Proacta, we paid up front and option exercise fees, and are required to pay license fees, progress-dependent milestone payments and royalties upon commercialization of the drugs for a period of ten years after the first commercial sale.

Patents and Proprietary Technology

We seek appropriate patent protection for our proprietary technologies by filing patent applications in the United States and other countries. As of December 31, 2002, we owned or held exclusive or partially exclusive licenses to over 20 issued United States patents and 16 pending United States patent applications.

Our patents and patent applications are directed to product candidates, monoclonal antibodies, therapeutic antigen targets, linker technologies, ADC technologies, immunotoxin technologies, ADEPT and enabling technologies. Although we believe our patents and patent applications provide us with a competitive advantage, the patent positions of biotechnology and pharmaceutical companies are highly uncertain and involve complex legal and factual questions. We and our corporate collaborators or licensors may not be able to develop patentable products or processes or obtain patents from pending patent applications. Even if patent claims are allowed, the claims may not issue, or in the event of issuance, may not be sufficient to protect the technology owned by or licensed to us or our corporate collaborators.

Our success will depend significantly on our and our licensors' abilities to:

- obtain patent and other proprietary protection for antigens, antibodies and targeted drug delivery systems;
- defend patents once obtained;
- preserve trade secrets; and
- operate without infringing the patents and proprietary rights of third parties.

Our commercial success depends significantly on our ability to operate without infringing patents and proprietary rights of third parties. A number of pharmaceutical and biotechnology companies, universities and research institutions may have filed patent applications or may have been granted patents that cover technologies similar to the technologies owned, optioned by or licensed to us or our corporate collaborators. Our or our corporate collaborators' current patents, or patents that issue on pending applications, may be challenged, invalidated, infringed or circumvented, and the rights granted in those patents may not provide proprietary protection to us. We cannot determine with certainty whether patents or patent applications of other parties may materially affect our or our corporate collaborators' ability to make, use or sell any products.

We also rely on trade secrets and proprietary know-how, especially when we do not believe that patent protection is appropriate or can be obtained. Our policy is to require each of our employees, consultants and advisors to execute a confidentiality and inventions assignment agreement before beginning their employment, consulting or advisory relationship with us. These agreements generally provide that the individual must keep confidential and not disclose to other parties any confidential information developed or learned by the individual during the course of their relationship with us except in limited circumstances. These agreements also generally provide that we shall own all inventions conceived by the individual in the course of rendering services to us.

Government Regulation

Our products are subject to extensive regulation by numerous governmental authorities, principally the U.S. Food and Drug Administration (FDA), as well as numerous state and foreign agencies. We need to obtain clearance of our potential products by the FDA before we can begin marketing the products in the United States. Similar approvals are also required in other countries.

Product development and approval within this regulatory framework is uncertain, can take many years and requires the expenditure of substantial resources. The nature and extent of the governmental review process for our potential products will vary, depending on the regulatory categorization of particular products and various other factors. In particular, the FDA recently announced a reorganization intended to consolidate review of new pharmaceutical products within the FDA's Center for Drug Evaluation and Research (CDER). Prior to this reorganization, the FDA's Center for Biologics Evaluation and Research (CBER) reviewed new biological products such as monoclonal antibodies, while CDER reviewed new drug products and combination drug/biological products such as our antibody-drug conjugates and ADEPT product candidates. We do not believe the FDA's reorganization will significantly affect the review process for our product candidates, but we are monitoring events within the FDA to keep pace with current developments.

The necessary steps before a new pharmaceutical product may be sold in the United States ordinarily include:

- preclinical laboratory and animal tests;
- submission to the FDA of an investigational new drug application which must become effective before clinical trials may commence;
- completion of adequate and well controlled human clinical trials to establish the safety and efficacy of the proposed drug for its intended use;
- submission to the FDA of a marketing authorization application; and
- FDA review and approval of the marketing authorization application prior to any commercial sale.

Clinical trials generally are conducted in three sequential phases that may overlap. In phase I, the initial introduction of the product into humans, the product is tested to assess safety, metabolism, pharmacokinetics and pharmacological actions associated with increasing doses. Phase II usually involves trials in a limited patient population to determine the efficacy of the potential product for specific, targeted indications, determine dosage tolerance and optimum dosage and further identify possible adverse reactions and safety risks. Phase III trials are undertaken to evaluate further clinical efficacy in comparison to standard therapies within a broader patient population, generally at geographically dispersed clinical sites. Phase I, phase II or phase III testing may not be completed successfully within any specific period of time, if at all, with respect to any of our products candidates. Furthermore, the FDA, an institutional review board or we may suspend a clinical trial at any time for various reasons, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

The results of preclinical studies, pharmaceutical development and clinical trials are submitted to the FDA in the form of a marketing authorization application for approval of the manufacture, marketing and commercial shipment of the pharmaceutical product. The testing and approval process is likely to require substantial time, effort and resources, and there can be no assurance that any approval will be granted on a timely basis, if at all. The FDA may deny a marketing authorization application if applicable regulatory criteria are not satisfied, require additional testing or information, or require post-market testing and surveillance to monitor the safety or efficacy of the product. In addition, after marketing approval is granted, the FDA may require post-marketing clinical trials, which typically entail extensive patient monitoring and may result in restricted marketing of an approved product for an extended period of time.

Competition

The biotechnology and biopharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. Many third parties compete with us in developing therapies to treat a variety of cancers including hematologic malignancies, carcinomas and melanoma. They include pharmaceutical companies, biotechnology companies, academic institutions and other research organizations.

Many of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approval and marketing than we do. In addition, many of these competitors are active in seeking patent protection and licensing arrangements in anticipation of collecting royalties for use of technology that they have developed. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, as well as in acquiring technologies complementary to our programs.

We expect that competition among products approved for sale will be based, among other things, on efficacy, reliability, product safety, price and patent position. Our ability to compete effectively and develop products that can be manufactured cost-effectively and marketed successfully will depend on our ability to:

- advance our technology platforms;
- license additional technology;
- maintain a proprietary position in our technologies and products;
- obtain required government and other public and private approvals on a timely basis;
- attract and retain key personnel; and
- enter into corporate partnerships.

We are aware of specific companies that have competitive technologies, including Wyeth, Immunogen and Medarex, all of which have antibody-drug conjugate technology. Wyeth markets the antibody-drug conjugate Mylotarg for patients with acute myelogenous leukemia. While we are not developing lead agents for that specific disease, Wyeth may apply their antibody-drug conjugate technology to other monoclonal antibodies that may compete with our lead product candidates. Immunogen has several antibody-drug conjugates in development that may compete with our product candidates. Immunogen has also established partnerships with other pharmaceutical and biotechnology companies to allow them to utilize Immunogen's technology. During 2002, Medarex completed a purchase of antibody-drug conjugation technology from Corixa Corporation that may compete with our ADC technology. Medarex is also developing an anti-CD30 antibody for hematologic malignancies that may be competitive with SGN-30. We believe that our technology competes favorably with the technologies that are in use at Wyeth, Immunogen and Medarex.

Manufacturing

We received clinical-grade SGN-15 from Bristol-Myers Squibb for our previous and ongoing clinical trials and have entered into agreements with contract manufacturers to supplement our supplies of SGN-15 as necessary, including ICOS Corporation, Albany Molecular Research, Inc. and Gensia-Sicor Pharmaceuticals, Inc. For SGN-30, we have contracted with ICOS to manufacture preclinical and clinical supplies. For SGN-40, Genentech manufactured substantial quantities of clinical grade material that are being transferred to us. In addition, we currently and will in the future continue to rely on other third parties to perform additional steps in the manufacturing process, including synthesis of our next generation drug-linker systems, conjugation, vialing and storage of our product candidates.

We believe that our contract manufacturing relationships with ICOS, Albany Molecular, Gensia-Sicor and other potential contract manufacturers with whom we are in discussions, together with existing supplies of SGN-15 from Bristol-Myers Squibb and supplies of SGN-40 from Genentech, will be sufficient to accommodate clinical trials through phase II and in some cases into the early stages of phase III of our current product candidates. However, we may need to obtain additional manufacturing arrangements, if available on commercially reasonable terms, or increase our own manufacturing capability to meet our future needs, both of which would require significant capital investment. We may also enter into collaborations with pharmaceutical or larger biotechnology companies to enhance the manufacturing capabilities for our product candidates.

Employees

As of December 31, 2002, we had 97 employees, 30 of whom hold doctoral level degrees. Of these employees, 78 are engaged in or directly support research, development and clinical activities and 19 are in administrative and business development positions. Each of our employees has signed a confidentiality agreement and none are covered by a collective bargaining agreement. We have never experienced employment-related work stoppages and consider our employee relations to be good.

Website

Our website address is www.seattlegenetics.com. We make available, free of charge, through a hyperlink on our website, our annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with the Securities and Exchange Commission. Information contained on our website is not part of this report.

Item 2. Properties.

Our headquarters are in Bothell, Washington, where we lease approximately 63,900 square feet under a lease expiring May 2010. We may renew the lease, at our option, for two consecutive seven-year periods. We have built out and currently occupy approximately 48,000 square feet as laboratory, discovery, research and development and general administration space, with the remaining space available for future expansion.

Item 3. Legal Proceedings.

We are not a party to any material legal proceedings.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2002.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock is traded on the Nasdaq National Market under the symbol SGEN.

The following table sets forth the high and low sales prices for our common stock, as quoted on the Nasdaq National Market, for each of the quarters indicated.

	High	Low
2001		
First Quarter (since March 6, 2001)	$ 9.41	$ 4.00
Second Quarter	$ 11.49	$ 4.75
Third Quarter	$ 7.52	$ 3.60
Fourth Quarter	$ 5.85	$ 3.55
2002		
First Quarter	$ 7.50	$ 4.25
Second Quarter	$ 6.69	$ 3.53
Third Quarter	$ 5.15	$ 2.62
Fourth Quarter	$ 3.70	$ 2.45
2003		
First Quarter (through March 14)	$ 3.95	$ 2.25

As of March 14, 2003, there were 155 holders of record of our common stock and, according to our estimates, approximately 5,400 beneficial owners of our common stock.

We have not paid any cash dividends on our common stock since our inception. We do not intend to pay any cash dividends in the foreseeable future, but intend to retain all earnings, if any, for use in our business operations.

We completed our initial public offering of our common stock pursuant to a Registration Statement on Form S-1 under the Securities Act of 1933 (File No. 333-50266) on March 6, 2001. All 7,000,000 shares of common stock offered in the final prospectus were sold at a price per share of $7.00. The managing underwriters of our initial public offering were JP Morgan, CIBC World Markets and Banc of America Securities LLC. The aggregate gross proceeds of the shares offered and sold were $49.0 million, resulting in net proceeds to us of approximately $44.4 million after deducting underwriting discounts and commissions and other offering expenses of $4.6 million. From the effective date of our initial public offering through December 31, 2002, we have used approximately $33.7 million of the proceeds, including $2.2 million for clinical trials, $9.9 million for contract manufacturing costs, $7.1 million for purchases of property and equipment and approximately $14.5 million for preclinical research and development activities and general corporate purposes. The remainder of the net proceeds from the offering are invested in a variety of 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.

In January 2002, we formed a strategic alliance with Genencor International, Inc. to jointly discover and develop a class of cancer therapeutics based on tumor-targeted enzymes that activate prodrugs. In conjunction with forming this strategic alliance, Genencor purchased approximately $3 million, or 573,614 shares, of our common stock in a private placement exempt from registration under Rule 506 of Regulation D and Section 4(2) of the Securities Act pursuant to a purchase agreement entered into at the time of sale.

In April 2002, we entered into an ADC collaboration with Genentech, Inc., in connection with which Genentech purchased approximately $3.5 million, or 697,544 shares, of our common stock in a private placement exempt from registration under Rule 506 of Regulation D and Section 4(2) of the Securities Act pursuant to a purchase agreement entered into at the time of sale.

Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with the financial statements and notes to our financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this Form 10-K. The selected Statements of Operations data for the years ended December 31, 2002, 2001 and 2000 and Balance Sheet data as of December 31, 2002 and 2001 have been derived from our audited financial statements appearing elsewhere in this Form 10-K. The selected Statements of Operations data for the years ended December 31, 1999 and 1998 and Balance Sheet data as of December 31, 2000, 1999, and 1998 have been derived from our audited financial statements that are not included in this Form 10-K. Historical results are not necessarily indicative of future results.

	Years Ended December 31,				
	2002	2001	2000	1999	1998
	In thousands, except share data				
Statements of Operations Data:					
Revenues	$ 1,684	$ 274	$ 99	$ 1,000	$ —
Operating Expenses:					
Research and development (1)	19,820	15,400	4,947	2,469	1,331
General and administrative (1)	4,238	3,298	1,872	859	671
Non-cash stock-based compensation expense	2,821	5,175	3,138	726	347
Loss from operations	(25,195)	(23,599)	(9,858)	(3,054)	(2,349)
Investment income, net	2,035	2,907	2,020	236	243
Net loss	(23,160)	(20,692)	(7,838)	(2,818)	(2,106)
Preferred stock deemed dividend and accretion	—	(3)	(504)	(6)	(5)
Net loss attributable to common stockholders	$ (23,160)	$ (20,695)	$ (8,342)	$ (2,824)	$ (2,111)
Basic and diluted net loss per share	$ (0.77)	$ (0.86)	$ (2.54)	$ (1.03)	$ (0.94)
Weighted-average shares used in computing basic and diluted net loss per share	30,138,023	23,965,275	3,289,731	2,749,212	2,235,997

	December 31,				
	2002	2001	2000	1999	1998
	In thousands				
Balance Sheet Data:					
Cash, cash equivalents and investments	$ 44,219	$ 54,375	$ 24,330	$ 30,363	$ 4,865
Restricted investments	980	982	3,421	—	—
Working capital	23,952	41,153	24,558	32,796	4,800
Total assets	52,536	63,028	29,874	33,363	5,231
Mandatorily redeemable convertible preferred stock	—	—	37,556	37,036	6,912
Additional paid-in capital	105,229	98,484	14,798	1,716	852
Stockholders' equity (deficit)	46,702	60,671	(8,493)	(3,860)	(1,764)

(1) Operating expenses exclude charges for non-cash stock-based compensation as follows:

	Years Ended December 31,				
	2002	2001	2000	1999	1998
	In thousands				
Research and development	$ 912	$ 1,746	$ 973	$ 393	$ 73
General and administrative	1,909	3,429	2,165	333	274
	$ 2,821	$ 5,175	$ 3,138	$ 726	$ 347

Item 7. 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 Stock Price" set forth at the end of this Item 7 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 other human diseases. We have three monoclonal antibody-based technologies: genetically engineered monoclonal antibodies; monoclonal antibody-drug conjugates (ADCs); 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 to increase the potency of monoclonal antibodies by enhancing their tumor cell-killing ability. Using our expertise in cancer and monoclonal antibody technologies, we have constructed a diverse portfolio of product candidates. Our technologies also provide us with an opportunity to partner with other companies that are developing monoclonal antibodies.

We have two monoclonal antibody-based product candidates in clinical trials, SGN-30 and SGN-15. SGN-30 is being developed to treat patients with hematologic malignancies. SGN-15 targets a variety of solid tumors, including prostate, ovarian and lung. We also have three product candidates presently undergoing preclinical development: SGN-40 (formerly SGN-14), SGN-35 and SGN-17/19. SGN-40 is in preclinical development for the treatment of hematologic malignancies and some types of solid tumors such as bladder and renal cancer. SGN-35, which utilizes our next generation ADC technology, is in preclinical development for hematological malignancies. This technology utilizes proprietary stable linkers that can significantly reduce the toxic side effects caused by the systemic release of drugs associated with less stable linker technology. These linkers attach our antibodies to synthetic, highly potent, cell-killing drugs we have developed, including variants of Auristatin E, which are scaleable for commercial development. SGN-17/19, which utilizes our ADEPT technology, is being developed preclinically in collaboration with Genencor International for patients with metastatic melanoma.

Since our inception, we have incurred substantial losses and, as of December 31, 2002, we had an accumulated deficit of $56.6 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, 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. Operating expenses increased to $26.9 million in 2002 from $23.9 million in 2001 and $10.0 million in 2000. 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.

In January 2002, we entered into an agreement with Genencor International, Inc. to jointly discover and develop a class of cancer therapeutics based on our ADEPT program. The companies have agreed to jointly fund certain preclinical and clinical development costs and have the right to jointly commercialize any resulting

products within the field. The companies may also pay each other specific fees and milestone payments. As part of the collaboration, Genencor paid $3 million to acquire 573,614 shares of our common stock at fair value. In July 2002, we received a license fee under this collaboration agreement from Genencor.

In March 2002, we entered into an agreement with Celltech Group to use our ADC technology with Celltech's monoclonal antibodies and antibody fragments directed against specific diseases, including immunological targets. Under the terms of the multi-year agreement, Celltech paid an up front technology access fee and may make progress-dependent milestone payments. In addition, Celltech is paying research and reagent fees and will pay royalties on net sales of any resulting products. Celltech will be responsible for product development, manufacturing and marketing of any products generated through the collaboration.

In April 2002, we entered into an agreement with Genentech, Inc. to license our ADC 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 up front fee and is paying technology access fees and research fees. Genentech may also pay progress-dependent milestone payments and will pay royalties on net sales of any resulting products. Genentech is responsible for research, product development, manufacturing and commercialization of any products resulting from the collaboration. As part of the collaboration, Genentech purchased 697,544 shares of our common stock at fair value on April 19, 2002 in a private placement for an aggregate purchase price 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 our outstanding common stock. If an additional benchmark is achieved under the collaboration agreement, we have an option, at our sole discretion, to sell additional equity to Genentech at fair value.

During September 2002, Seattle Genetics was awarded a Small Business Innovation Research (SBIR) grant from the National Institutes of Health (NIH) through the National Cancer Institute. The $128,800 grant was awarded under Phase I of the SBIR Program of the NIH to develop anti-cancer prodrugs that can be activated by tumor-associated enzymes. The amount awarded is being recognized over a one year period as the research is performed.

We do not currently have any commercial products for sale. To date, our revenues have been derived principally from our collaboration and license agreements and Small Business Innovative Research grants. In the future, we believe our revenues will consist of milestone payments, technology licensing fees and sponsored research fees under existing and future collaborative arrangements, royalties from collaborations with current and future strategic partners and commercial product sales. Because a substantial portion of our revenues for the foreseeable future will depend on achieving development and clinical milestones, our results of operations may vary substantially from year-to-year and quarter-to-quarter. We believe that period-to-period comparisons of our operating results are not meaningful and you should not rely on them as indicative of our future performance.

Results of Operations

Years Ended December 31, 2002 and 2001

Revenues. Revenues increased 514% to $1.7 million in 2002 from $274,000 in 2001. Revenues in 2002 were derived from the earned portion of technology access fees of approximately $836,000, from service and reagent fees of approximately $707,000 and from two Small Business Innovative Research (SBIR) grants of approximately $141,000. Revenues in 2001 were derived from service and reagent fees of approximately $138,000, the earned portion of technology-access fees of approximately $83,000 and a SBIR grant of approximately $53,000.

Research and development expenses. Research and development expenses, excluding non-cash stock-based compensation expenses, increased 29% to $19.8 million in 2002 from $15.4 million in 2001. This increase was principally due to increases in personnel expenses of approximately $1.8 million, increases in rent and occupancy costs related to our new headquarters and operations facility of approximately $1.3 million, increased

usage of laboratory materials and supplies of approximately $995,000 and increases in clinical trial costs of approximately $548,000. These expenses were offset by decreases in manufacturing for clinical grade materials of approximately $943,000 and shared development funding under our collaboration agreement with Genencor of approximately $340,000. The number of research and development personnel increased to 78 at December 31, 2002 from 54 at December 31, 2001. We anticipate that our research and development expenses will continue to grow in the foreseeable future as we expand our research, development, contract manufacturing, shared development funding and clinical trial activities; however, those expenses may fluctuate quarter to quarter based on the timing of manufacturing campaigns, accrual of patients in clinical trials and collaborative activities.

General and administrative expenses. General and administrative expenses, excluding non-cash stock-based compensation expenses, increased 29% to $4.2 million in 2002 from $3.3 million in 2001. This increase was primarily due to additional administrative personnel. The number of general and administrative personnel increased to 19 at December 31, 2002 from 15 at December 31, 2001. We anticipate that general and administrative expenses will increase as our costs related to adding personnel in support of our general and administrative operations increase.

Non-cash stock-based compensation expense. Non-cash stock-based compensation expense decreased 46% to $2.8 million in 2002 from $5.2 million in 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 our common stock. We anticipate that non-cash stock-based compensation expense will decrease based upon scheduled amortizations in accordance with Financial Accounting Standards Board Interpretation No. 28 using an accelerated basis over the vesting period of the individual options.

Investment income, net. Investment income decreased 30% to $2.0 million in 2002 from $2.9 million in 2001. This decrease is due to lower average balances of cash and cash equivalents, short-term and long-term investments and restricted investments at lower average interest yields in 2002, compared to higher average balances and higher average interest yields in 2001.

Net loss. Net loss increased 12% to $23.2 million in 2002 from $20.7 million in 2001 as a result of the factors mentioned above.

Years Ended December 31, 2001 and 2000

Revenues. Revenues increased 178% to $274,000 in 2001 from $99,000 in 2000. Revenues in 2001 were derived from service and reagent fees of approximately $138,000, the earned portion of technology-access fees of approximately $83,000 and a SBIR grant of approximately $53,000. In 2000, revenues were derived exclusively from a Small Business Innovative Research grant.

Research and development expenses. Research and development expenses, excluding non-cash stock-based compensation expenses, increased 211% to $15.4 million in 2001 from $4.9 million in 2000. This increase was principally due to contract manufacturing expenses of approximately $5.8 million, increases in rent and occupancy costs related to our new headquarters and operations facility of approximately $1.7 million, increases in personnel expenses of $1.7 million and clinical trial costs of approximately $534,000. The number of research and development personnel increased to 54 at December 31, 2001 from 35 at December 31, 2000.

General and administrative expenses. General and administrative expenses, excluding non-cash stock-based compensation expenses, increased 76% to $3.3 million in 2001 from $1.9 million in 2000. This increase was primarily due to additional administrative personnel and other increases attributable to being a public company, including costs related to investor relations programs and directors' and officers' insurance. The number of general and administrative personnel increased to 15 at December 31, 2001 from 11 at December 31, 2000.

Non-cash stock-based compensation expense. Non-cash stock-based compensation expense increased 65% to $5.2 million in 2001 from $3.1 million in 2000. The increase is attributable to increasing levels of stock option grants and the difference between the deemed fair values as compared to the related exercise prices, reduced by an adjustment to the unvested stock options granted to nonemployees which are subject to variable accounting.

Investment income, net. Investment income increased 44% to $2.9 million in 2001 from $2.0 million in 2000. The increase was due to higher average balances of cash and cash equivalents, short-term and long-term investments and restricted investments primarily from the net proceeds of our initial public offering on March 6, 2001 offset by generally lower interest rates.

Net loss. Net loss increased 164% in 2001 to $20.7 million from $7.8 million in 2000 as a result of the factors mentioned above.

Liquidity and Capital Resources

We have financed our operations primarily through funding from the issuance of equity securities and collaborative agreements. For the last three years, we have received cash of approximately $46.4 million from the net proceeds from our initial public offering and concurrent private placement on March 6, 2001, approximately $9.5 million from private equity financings, approximately $6.5 million from investment income, net and approximately $5.4 million from collaborative research and license agreements, including government grants. At December 31, 2002, cash, cash equivalents, short-term and long-term investments totaled $44.2 million and restricted investments totaled approximately $980,000. 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 in both 2002 and 2001 was $14.1 million. Net cash used in operating activities in 2000 was $4.5 million. Our net losses of $23.2 million in 2002, $20.7 million in 2001 and $7.8 million in 2000 were adjusted for non-cash charges, which were primarily related to amortization of deferred stock compensation, depreciation and changes in operating assets and liabilities. Changes in operating assets and liabilities include deferred revenue. Expenditures in all periods were a result of clinical trials, contract manufacturing, preclinical research and development and general administrative expenses in support of our operations. In 2002 and 2001, we 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, Genentech and Genencor International. 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 in our clinical trials. However, we may experience quarterly fluctuations in cash used in operations based on the timing of manufacturing campaigns and cash provided from collaboration activities.

Net cash provided by investing activities for the year ended 2002 was $8.4 million compared to net cash used in investing activities of $27.4 million in 2001 and $25.7 million in 2000. Cash provided by investing activities in 2002 included $10.1 million from sales and maturities of investments, net of the purchase of investments. This compared to $22.0 million from the purchase of investments, net of sales and maturities of investments in 2001 and $25.0 million in 2000. Purchases of property and equipment were $1.7 million for the year ended 2002 compared to $5.5 million in 2001 and $729,000 in 2000. Capital expenditures in 2002 included laboratory equipment of approximately $793,000 and computers, leasehold improvements, furniture and fixtures of approximately $912,000 in support of employee growth. Capital expenditures in 2001 included leasehold improvements of approximately $3.7 million, laboratory equipment of approximately $2.1 million and furniture and fixtures of approximately $762,000, all in connection with our new headquarters and operations facility. We expect that our future capital expenditures will decrease in 2003 compared to 2002 capital expenditures.

Net cash provided by financing activities was $6.6 million in 2002 compared to $47.2 million in 2001 and $2.5 million in 2000. Financing activities in 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 in 2001 included net proceeds of $44.4 million from our initial public offering, $2.0 million from our concurrent private placement and from repayment of notes receivable from stockholders. Financing activities during 2000 consisted primarily of $2.5 million from the collection of subscriptions receivable and $500,000 from the sale of additional Series B convertible preferred stock.

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 a result of the increased costs and expenses associated with clinical trials, regulatory filings, manufacturing, and research and development collaborations. However, we may experience fluctuations in incurring these costs from quarter to quarter based on the timing of manufacturing campaigns, accrual of patients to clinical trials and collaborative activities. 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.

The following are future minimum contractual commitments for the years subsequent to December 31, 2002 (in thousands):

	Total	2003	2004-2005	2006-2007	Thereafter
Minimum payments under operating leases	$ 18,122	$ 2,013	$ 4,135	$ 4,274	$ 7,700
Minimum payments under license and collaboration agreements	4,836	3,777	643	416	—
Total	$ 22,958	$ 5,790	$ 4,778	$ 4,690	$ 7,700

Our license and collaboration agreements also provide for payments upon the achievement of development or regulatory milestones and the payment of royalties based on commercial product sales. We do not expect to pay any royalties on net sales of products under any of these agreements for at least the next several years. The milestone payments could be substantially higher and the royalties could be payable earlier if we file or receive regulatory approvals or achieve commercial sales sooner than expected.

As part of the terms of our office and laboratory lease, we have restricted approximately $980,000 of our investments as collateral for certain obligations under the lease. These investment securities are restricted as to withdrawal and are managed by a third party. The lease terms provide for changes in the amounts pledged as restricted securities based upon our market capitalization, stockholders' equity or cash and investments balance. In the event that our market capitalization, stockholders' equity or cash and investments balance fall below specific thresholds, we will be obligated to increase our restricted investment balance to approximately $3.4 million.

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 financings. However, additional capital 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.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations", or SFAS No. 143, which addresses financial accounting and reporting for obligations associated with the retirement of tangible

long-lived assets and the associated asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. We do not expect the adoption of this statement to have a significant impact on our financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The standard addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force, or EITF, Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 states that a liability for a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred, except for a liability for one-time termination benefits that are incurred over a period of time. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. We do not expect the adoption of this statement to have a significant impact on our financial position or results of operations.

In November 2002, the Emerging Issues Task Force (EITF) finalized its consensus on EITF Issue 00-21, "Revenue Arrangements with Multiple Deliverables," which provides guidance on the timing and method of revenue recognition for sales arrangements that include the delivery of more than one product or service. EITF 00-21 is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. We are currently assessing the impact of EITF 00-21 and will adopt this standard in the second quarter of 2003.

In November 2002, the FASB issued Financial Accounting Standards Board Interpretation No. 45, or FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statement Nos. 5, 57, and 107 and Rescission of FASB Interpretation No. 34." FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. The disclosure provisions of FIN 45 are effective for financial statements of periods that end after December 15, 2002. However, the provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002. We do not expect the adoption of this FASB Interpretation to have a significant impact on our financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – an Amendment of FASB Statement No. 123." This Statement amends SFAS No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement requires that companies having a year-end after December 15, 2002 follow the prescribed format and provide the additional disclosures in their annual reports. The accompanying financial statements include the required disclosures. We do not believe there will be a significant impact on our financial position or results of operations from the adoption of this new standard unless we were to make a change in our accounting policy and account for all stock option grants as compensation expense.

In January 2003, the FASB issued Interpretations No. 46, or FIN 46, "Consolidation of Variable Interest Entities. FIN 46 clarifies the application of Accounting research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have (i) the characteristics of a controlling financial interest or (ii) sufficient at-risk equity. FIN No. 46 applies to a broad rang of unconsolidated investee entities (e.g. joint ventures, partnerships and cost basis investments) and, effective for financial statements issued after January 31, 2003, adds certain disclosure requirements. Adoption of this FASB interpretation is not expected to have a material impact on our financial position or results of operations.

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 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 value of our common stock on the date of grant. We recognize the difference between the exercise price and fair value as compensation expense, which is amortized on an accelerated basis over the vesting period of the stock options (the "intrinsic value" method). 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. Changes in the fair value of our common stock during the service period will cause fluctuations in recognized compensation expense for variable options.

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. Realized gains and losses and declines in value of investments judged to be other than temporary are included in other income (expense). The fair 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 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 at December 31, 2001 totaling approximately $10.4 million, 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.

Subsequent Events

We have a 401(k) Plan for all of our employees. Effective February 1, 2003, we implemented a 401(k) matching program whereby we contribute fifty cents for each dollar a participant contributes, with a maximum contribution of 50% of the first 4% of a participant's earnings not to exceed 50% of the prescribed annual limit.

In March 2003, we entered into license agreements with Genentech pursuant to which we have the right to pursue the development and commercialization of SGN-40 on our own, subject to payment of an up front license fee, a progress-dependent milestone payment and royalties on net sales of products that use Genentech's technology.

In March 2003, we agreed to secure the majority of our property and equipment as collateral for certain obligations under our office and laboratory lease.

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

You should carefully consider the risks described below, together with all of the other information included in this annual report on Form 10-K 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 annual report on Form 10-K 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 annual report on Form 10-K.

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 December 31, 2002, we had an accumulated deficit of approximately $56.6 million. We expect to make substantial expenditures to further develop and commercialize our product candidates and anticipate 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. Currently, SGN-30 and SGN-15 are our only product candidates in clinical trials. We are also conducting preclinical development, either alone or in collaboration with others, of SGN-40, SGN-35 and SGN-17/19. We expect that much of our efforts and expenditures over the next few years will be devoted to these clinical and preclinical product candidates. We have no products that have received regulatory approval for commercial sale.

Our ability to commercialize our product candidates depends on first receiving FDA approval. Thereafter, the 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 two 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.

Ongoing and future clinical trials of our product candidates may not show sufficient safety or efficacy to obtain requisite regulatory approvals. In October 2002, we decided to discontinue clinical trials of SGN-10 and close our SGN-10 program. We have also completed and closed our clinical trials of SGN-15 in combination with Taxotere for the treatment of colon and breast cancer. We still have only limited clinical data in our ongoing clinical trials of SGN-15 and have seen evidence of gastrointestinal toxicity. Commercialization of our product candidates will ultimately depend upon successful completion of additional research and development and testing in both preclinical models and clinical trials. At the present time, SGN-30 and SGN-15 are our only product candidates in clinical trials and SGN-40, SGN-35 and SGN-17/19 are our only product candidates in preclinical development. As a result, 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.

Furthermore, 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 also vary significantly based on the type, complexity and novelty of the product involved, as well as other factors.

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 by delaying or terminating the potential commercialization of our product candidates.

Our antibody-drug conjugate (ADC) technology is still at an early-stage of development and has not yet entered human clinical trials

Our next generation ADC technology, utilizing proprietary stable linkers and highly potent cell-killing drugs, is still at an early stage of development. This ADC technology is used in our SGN-35 product candidate and is the basis of our collaborations with Eos Biotechnology, Celltech and Genentech. We and our corporate collaborators are still conducting toxicology, pharmacology, pharmacokinetics and other preclinical studies of these antibody-drug conjugates, and significant additional studies will be required before any of these ADC product candidates enter human clinical trials. Any failures or setbacks in our ADC program could have a detrimental impact on our internal product candidate pipeline and our ability to maintain and/or enter into new corporate collaborations regarding this technology, which would negatively affect our business and financial position.

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 SGN-15, 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 as necessary, including ICOS Corporation, Albany Molecular Research, Inc. and Gensia-Sicor Pharmaceuticals, Inc. For our second product candidate in clinical trials, SGN-30, we have contracted with ICOS to manufacture preclinical and clinical supplies. In addition, we currently and will in the future continue to rely on other third parties to perform additional steps in the manufacturing process, including conjugation, vialing and storage of our 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 required to delay or suspend clinical trials or otherwise discontinue 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 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 ADC technology to Eos Biotechnology, Celltech and Genentech. Under certain conditions, these collaborators may terminate their agreements with us and discontinue use of our technologies. For example, Genentech recently terminated its rights to develop SGN-40, which we are now pursuing on our own.

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, as well as possibly requiring us to devote additional efforts and incur costs associated with pursuing internal development of product candidates. 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, 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 or partially-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 and Proacta Therapeutics, 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 may evolve, 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. Clay B. Siegall, our President and Chief Executive Officer, and Dr. H. Perry Fell, our Chairman of the Board and Chief Strategy 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 our product candidates 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 our 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 2002 our common stock price fluctuated between $2.45 and $7.50 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; our ability to raise capital; 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 we obtain marketing approval for any of our product candidates. 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.

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.

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 five percent stockholders, together with entities that may be deemed affiliates of, or related to, such persons or entities, beneficially own approximately 61 percent 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.

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 7A. Quantitative and Qualitative Disclosures About 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.

Item 8. Financial Statements and Supplementary Data

Seattle Genetics, Inc.

Index to Financial Statements

Seattle Genetics, Inc

Report of Independent Accountants

To the Board of Directors and Stockholders
of Seattle Genetics, Inc.

In our opinion, the accompanying balance sheets and the related statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Seattle Genetics, Inc. at December 31, 2001 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Seattle, Washington
January 24, 2003, except for note 13,
as to which the date is March 27, 2003

Seattle Genetics, Inc.

Balance Sheets

	December 31,	
	2002	2001
Assets		
Current assets		
Cash and cash equivalents	$ 9,180,916	$ 8,293,504
Short-term investments	17,198,934	33,624,723
Interest receivable	371,303	724,953
Accounts receivable	372,036	81,603
Prepaid expenses and other current assets	320,443	477,782
Total current assets	27,443,632	43,202,565
Property and equipment, net	6,236,270	6,350,450
Restricted investments	980,291	982,002
Long-term investments	17,839,089	12,456,820
Other assets	36,406	36,406
Total assets	$ 52,535,688	$ 63,028,243
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,190,732	$ 1,907,717
Current portion of deferred revenue	1,301,316	141,667
Total current liabilities	3,492,048	2,049,384
Deferred rent	268,026	107,052
Deferred revenue, less current portion	2,074,159	200,694
Total long-term liabilities	2,342,185	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, 30,693,477 and 29,322,741 issued and outstanding, respectively	30,693	29,323
Additional paid-in capital	105,229,281	98,484,346
Notes receivable from stockholders	(271,533)	(271,533)
Deferred stock compensation	(1,965,913)	(4,688,507)
Accumulated other comprehensive income	294,961	572,980
Accumulated deficit	(56,616,034)	(33,455,496)
Total stockholders' equity	46,701,455	60,671,113
Total liabilities and stockholders' equity	$ 52,535,688	$ 63,028,243

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

Seattle Genetics, Inc.

Statements of Operations

	Years Ended December 31,		
	2002	2001	2000
Revenues			
Collaboration and license agreements	$ 1,542,645	$ 220,880	$ —
Government grants	141,023	53,268	98,632
Total revenues	1,683,668	274,148	98,632
Operating expenses			
Research and development (excludes non-cash stock-based compensation expense of $911,633, $1,746,293 and $972,841, respectively)	19,820,230	15,400,299	4,947,087
General and administrative (excludes non-cash stock-based compensation expense of $1,909,257, $3,429,035 and $2,165,099, respectively)	4,238,236	3,298,109	1,872,164
Non-cash stock-based compensation expense	2,820,890	5,175,328	3,137,940
Total operating expenses	26,879,356	23,873,736	9,957,191
Loss from operations	(25,195,688)	(23,599,588)	(9,858,559)
Investment income, net	2,035,150	2,906,623	2,020,186
Net loss	(23,160,538)	(20,692,965)	(7,838,373)
Deemed dividend upon issuance of Series B mandatorily redeemable preferred stock	—	—	(484,386)
Accretion on mandatorily redeemable preferred stock	—	(3,295)	(19,520)
Net loss attributable to common stockholders	$ (23,160,538)	$ (20,696,260)	$ (8,342,279)
Basic and diluted net loss per share	$ (0.77)	$ (0.86)	$ (2.54)
Weighted-average shares used in computing basic and diluted net loss per share	30,138,023	23,965,275	3,289,731

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

Seattle Genetics, Inc.

Statements of Stockholders' Equity (Deficit)

	Common stock		Additional paid-in capital	Notes receivable from stockholders	Deferred stock compensation	Accumulated Other Comprehensive Income	Accumulated deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount						
Balances at December 31, 1999	3,723,708	$ 3,723	$ 1,715,663	$ (3,096)	$ (651,921)	$ —	$ (4,924,158)	$ (3,859,789)
Deemed dividend upon issuance of Series B mandatorily redeemable preferred stock	—	—	484,386	—	—	—	—	484,386
Deemed dividend upon issuance of Series B mandatorily redeemable preferred stock	—	—	(484,386)	—	—	—	—	(484,386)
Stock option exercises	857,369	858	422,104	(405,288)	—	—	—	17,674
Deferred stock compensation	—	—	12,679,797	—	(12,679,797)	—	—	—
Amortization of deferred stock compensation	—	—	—	—	3,137,940	—	—	3,137,940
Accretion on mandatorily redeemable preferred stock	—	—	(19,520)	—	—	—	—	(19,520)
Unrealized gain on investments	—	—	—	—	—	69,196	—	69,196
Net loss	—	—	—	—	—	—	(7,838,373)	(7,838,373)
Comprehensive loss	—	—	—	—	—	—	—	(7,769,177)
Balances at December 31, 2000	4,581,077	4,581	14,798,044	(408,384)	(10,193,778)	69,196	(12,762,531)	(8,492,872)
Issuance of common stock for employee stock purchase plan	9,930	10	54,853	—	—	—	—	54,863
Stock option exercises	58,948	59	9,863	—	—	—	—	9,922
Collection of notes receivable from stockholders	—	—	—	136,851	—	—	—	136,851
Conversion of preferred stock to common stock	17,387,072	17,387	37,541,915	—	—	—	—	37,559,302
Initial public offering (net of issuance costs of $4,579,803)	7,285,714	7,286	46,412,909	—	—	—	—	46,420,195
Deferred stock compensation	—	—	(329,943)	—	329,943	—	—	—
Amortization of deferred stock compensation	—	—	—	—	5,175,328	—	—	5,175,328
Accretion on mandatorily redeemable preferred stock	—	—	(3,295)	—	—	—	—	(3,295)
Unrealized gain on investments	—	—	—	—	—	516,426	—	516,426
Reclassification adjustment for gains included in net income	—	—	—	—	—	(12,642)	—	(12,642)
Net loss	—	—	—	—	—	—	(20,692,965)	(20,692,965)
Comprehensive loss	—	—	—	—	—	—	—	(20,176,539)
Balances at December 31, 2001	29,322,741	29,323	98,484,346	(271,533)	(4,688,507)	572,980	(33,455,496)	60,671,113
Issuance of common stock for employee stock purchase plan	32,478	32	135,685	—	—	—	—	135,717
Stock option exercises	67,100	66	12,229	—	—	—	—	12,295
Issuance of common stock to Genencor International, Inc.	573,614	574	2,999,426	—	—	—	—	3,000,000
Issuance of common stock to Genentech, Inc.	697,544	698	3,499,299	—	—	—	—	3,499,997
Deferred stock compensation	—	—	98,296	—	(98,296)	—	—	—
Amortization of deferred stock compensation	—	—	—	—	2,820,890	—	—	2,820,890
Unrealized loss on investments	—	—	—	—	—	(274,919)	—	(274,919)
Reclassification adjustment for gains included in net income	—	—	—	—	—	(3,100)	—	(3,100)
Net loss	—	—	—	—	—	—	(23,160,538)	(23,160,538)
Comprehensive loss	—	—	—	—	—	—	—	(23,438,557)
Balances at December 31, 2002	30,693,477	$ 30,693	$105,229,281	$ (271,533)	$ (1,965,913)	$ 294,961	$ (56,616,034)	$ 46,701,455

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

Seattle Genetics, Inc.

Statements of Cash Flows

	Years Ended December 31,		
	2002	2001	2000
Operating activities			
Net loss	$ (23,160,538)	$ (20,692,965)	$ (7,838,373)
Adjustments to reconcile net loss to net cash used in operating activities			
Stock-based compensation expense	2,820,890	5,175,328	3,137,940
Depreciation and amortization	1,231,473	598,698	186,548
Loss (gain) on disposal of property and equipment	234	(38,037)	—
Realized (gain) loss on sale of investments	(3,100)	(12,642)	6,747
Amortization on investments	685,854	576,099	(49,714)
Deferred rent	160,974	107,052	—
Changes in operating assets and liabilities			
Interest receivable	353,650	(445,883)	(279,070)
Accounts receivable	(290,433)	(81,603)	—
Prepaid expenses and other current assets	157,339	(122,193)	(289,214)
Accounts payable and accrued liabilities	870,058	509,984	653,936
Deferred revenue	3,033,114	342,361	—
Net cash used in operating activities	(14,140,485)	(14,083,801)	(4,471,200)
Investing activities			
Purchases of investments	(22,335,255)	(57,119,248)	(30,108,959)
Proceeds from sale and maturities of investments	32,419,713	35,128,737	5,088,414
Purchases of property and equipment	(1,704,570)	(5,504,764)	(728,597)
Proceeds from disposal of property and equipment	—	75,000	—
Net cash provided by (used in) investing activities	8,379,888	(27,420,275)	(25,749,142)
Financing activities			
Net proceeds from issuance of common stock	6,648,009	47,041,743	17,674
Proceeds from subscription receivable	—	—	2,545,001
Collection of notes receivable	—	136,851	—
Net proceeds from issuance of Series B preferred stock	—	—	500,364
Prepaid public offering costs	—	—	(556,763)
Book overdraft	—	—	(29,516)
Net cash provided by financing activities	6,648,009	47,178,594	2,476,760
Net increase (decrease) in cash and cash equivalents	887,412	5,674,518	(27,743,582)
Cash and cash equivalents, at beginning of period	8,293,504	2,618,986	30,362,568
Cash and cash equivalents, at end of period	$ 9,180,916	$ 8,293,504	$ 2,618,986
Supplemental disclosures			
Non-cash investing and financing activities			
Issuance of common stock in exchange for notes receivable	$ —	$ —	$ 405,288
Increase (decrease) in deferred stock compensation	$ 98,296	$ (329,943)	$ 12,679,797
Leasehold improvement construction costs accrued	$ (587,043)	$ 587,043	$ —

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

Seattle Genetics, Inc.

Notes to Financial Statements

1. Organization and summary of significant accounting policies

Nature of business

Seattle Genetics, Inc., the Company, was incorporated in the State of Delaware on July 15, 1997 for the purpose of discovering and developing monoclonal antibody-based drugs to treat cancer and other human diseases. The Company's three monoclonal antibody-based technologies include: genetically engineered monoclonal antibodies, antibody-drug conjugates (ADCs) and antibody-directed enzyme prodrug therapy (ADEPT).

Cash and cash equivalents

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

Investments

Investments in securities with maturities of less than one year at the date of acquisition or where management's intent is to use the investments to fund current operations are classified as short-term investments. Management's classification of its marketable securities into categories is in accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company classifies its securities as available-for-sale, which are reported at fair value with the related unrealized gains and losses included as a component of stockholders' equity. Realized gains and losses and declines in value of securities judged to be other than temporary are included in other income (expense). Cost of investments for purposes of computing realized and unrealized gains and losses are based on the specific identification method.

The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion is included in interest income, net. Interest and dividends on all securities are included in interest income.

Restricted investments

Restricted investments consist of a money market account and a government bond backed by U.S. government securities and U.S. government agencies. These investments are carried at fair value, and are restricted as to withdrawal in accordance with the lease of the Company's office and laboratory facility. Restricted investments are held in the Company's name with a major financial institution. The lease terms provide for changes in the amounts pledged as restricted securities based upon the Company's market capitalization, stockholders' equity or cash and investments balance. In the event that the Company's market capitalization, stockholders' equity or cash and investments balance fall below specific thresholds, the Company will be obligated to increase its restricted investment balance to approximately $3.4 million. As of December 31, 2002, the Company was in compliance with these thresholds.

Use of estimates

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 the disclosure of contingent assets and liabilities at the date of the financial statements, and that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

Reclassifications

Certain reclassifications have been made in prior years' financial statements to conform to classifications used in the current year. These reclassifications have no impact on net loss, stockholders equity or cash flows as previously reported.

Property and equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Laboratory equipment	5
Furniture and fixtures	5
Computers and office equipment	3
Vehicles	5

Leasehold improvements are amortized over the shorter of the term of the applicable lease or the useful life of the asset. Gains and losses from the disposal of property and equipment are reflected in the statement of operations in the year of disposition. Expenditures for additions and improvements are capitalized and expenditures for maintenance and repairs are charged to expense as incurred.

Impairment of long-lived assets

The Company assesses the impairment of long-lived assets whenever events or changes in business circumstances indicate that the carrying amounts of the assets may not be fully recoverable. Measurement of an impairment is required when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. The amount of a recognized impairment loss is the excess of an asset's carrying value over its fair value. The Company has not recognized any impairment losses through December 31, 2002.

Revenue recognition

Revenues from the sale of products and services are recognized when persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, the fees are fixed and determinable and collectibility is assured.

Revenues from license fees and milestone payments received for the delivery of rights or services representing the culmination of a separate earnings process are recognized when due and the amounts are considered collectible. Revenues from license fees and milestone payments received in connection with other rights or services which represent continuing obligations of the Company are deferred and recognized ratably over the period that the fees or payments are earned.

Government grants represent income earned, on a cost reimbursement basis, under the Small Business Innovation Research Program, or SBIR, of the National Institutes of Health. The Company recognizes revenue from government grants based upon the level of services performed during the term of the grants.

The Company performs certain research and development activities on behalf of collaborative partners. The Company is generally reimbursed at cost, including allocated overhead. The Company recognizes revenue as the activities are performed, but bills the collaborator monthly, quarterly or upon the completion of the effort, based

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

on the terms of each agreement. Amounts earned, but not billed to the collaborator are included in accounts receivable in the accompanying balance sheet.

Research and development expenses

Research and development expenses consist of direct and overhead expenses for drug discovery and research, preclinical studies and for costs associated with clinical trial activities and are expensed as incurred. Costs to acquire technologies that are utilized in research and development and that have no alternative future use are expensed when incurred. Research and development expenses under government grants approximate the revenue recognized under such agreements. Reimbursements for shared expenses received from collaborative partners are recorded as reductions of research and development expenses. Costs related to filing and pursuing patent applications are expensed as incurred, as recoverability of such expenditures is uncertain.

Fair value of financial instruments

The recorded amounts of certain financial instruments, including cash and cash equivalents, investments, interest receivable, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their relatively short maturities.

Concentration of credit risk

Cash and cash equivalents are invested in deposits with major banking and brokerage firms. The Company has not experienced any losses on its deposits of cash and cash equivalents. The Company invests its excess cash in accordance with its investment policy, which has been approved by the Board of Directors and is reviewed periodically by management and with the Company's Audit Committee to minimize credit risk.

Income taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that the net deferred tax asset will not be recovered.

Stock-based compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees," (APB No. 25) as interpreted by Financial Accounting Standards Board Interpretation No. 44 (FIN 44) and related interpretations and complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). Under APB No. 25 and related interpretations, compensation expense is based on the difference, if any, of the fair value of the Company's stock and the exercise price of the option as of the date of grant. These differences are deferred and amortized in accordance with Financial Accounting Standards Board Interpretation No. 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans," (FIN No. 28) on an accelerated basis over the vesting period of the individual options.

The Company accounts for equity instruments issued to nonemployees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods or Services," and related interpretations.

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

The following table illustrates the effect on net income and earnings per share as if the fair value based method had been applied to all outstanding and unvested awards in each year:

	Years Ended December 31,		
	2002	2001	2000
Net loss attributable to common stockholders as reported	$ (23,160,538)	$ (20,696,260)	$ (8,342,279)
Add: stock-based compensation included in reported net loss	2,820,890	5,175,328	3,137,940
Deduct: total stock-based compensation expense determined under the fair value method	(8,506,593)	(9,397,648)	(3,234,690)
Pro forma net loss	(28,846,241)	(24,918,580)	(8,439,029)
Basic and diluted net loss per share			
As reported	$ (0.77)	$ (0.86)	$ (2.54)
Pro forma	$ (0.96)	$ (1.04)	$ (2.57)

Comprehensive income/loss

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS No. 130). SFAS No. 130 requires the disclosure of comprehensive income and its components in the financial statements. Comprehensive income is the change in stockholders' equity from transactions and other events and circumstances other than those resulting from investments by owners and distributions to owners.

Segments

The Company adopted Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information," which establishes annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products, services, geographic areas, and major customers. Management has determined that the Company operates in one segment.

Certain risks and uncertainties

The Company's products and services are concentrated in a highly competitive market that is characterized by rapid technological advances, frequent changes in customer requirements and evolving regulatory requirements and industry standards. Failure to anticipate or respond adequately to technological advances, changes in customer requirements, changes in regulatory requirements or industry standards, or any significant delays in the development or introduction of planned products or services, could have a material adverse effect on the Company's business and operating results.

Recent accounting pronouncements

In June 2001, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations", or SFAS No. 143, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

June 15, 2002. We do not expect the adoption of this statement to have a significant impact on the Company's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The standard addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force, or EITF, Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 states that a liability for a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred, except for a liability for one-time termination benefits that are incurred over a period of time. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. We do not expect the adoption of this statement to have a significant impact on the Company's financial position or results of operations.

In November 2002, the Emerging Issues Task Force (EITF) finalized its tentative consensus on EITF Issue 00-21, "Revenue Arrangements with Multiple Deliverables," which provides guidance on the timing and method of revenue recognition for sales arrangements that include the delivery of more than one product or service. EITF 00-21 is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. We are currently assessing the impact of EITF 00-21 and will adopt this standard in the second quarter of 2003.

In November 2002, the FASB issued Financial Accounting Standards Board Interpretation No. 45, or FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statement Nos. 5, 57, and 107 and Rescission of FASB Interpretation No. 34." FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. The disclosure provisions of FIN 45 are effective for financial statements of periods that end after December 15, 2002. However, the provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002. We do not expect the adoption of this FASB Interpretation to have a significant impact on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – an Amendment of FASB Statement No. 123." This Statement amends SFAS No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement requires that companies having a year-end after December 15, 2002 follow the prescribed format and provide the additional disclosures in their annual reports. The accompanying financial statements include these required disclosures. We do not believe there will be a significant impact on the Company's financial position or results of operations from the adoption of this new standard unless we were to make a change in our accounting policy and account for all stock option grants as compensation expense.

In January 2003, the FASB issued Interpretations No. 46, or FIN 46, "Consolidation of Variable Interest Entities. FIN 46 clarifies the application of Accounting research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have (i) the characteristics of a controlling financial interest or (ii) sufficient at-risk equity. FIN No. 46 applies to a broad range of unconsolidated investee entities (e.g. joint ventures, partnerships and cost basis investments) and, effective for financial statements issued after January 31, 2003, adds certain disclosure requirements. Adoption of this FASB interpretation is not expected to have a material impact on the Company's financial position or results of operations.

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

Net loss per share

Basic and diluted 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 unvested shares of common stock issued that are subject to repurchase. The Company has excluded all convertible preferred stock, outstanding options to purchase common stock and 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:

	Years Ended December 31,		
	2002	2001	2000
Net loss attributable to common stockholders	$ (23,160,538)	$ (20,696,260)	$ (8,342,279)
Weighted-average shares used in computing basic and diluted net loss per share	30,138,023	23,965,275	3,289,731
Basic and diluted net loss per share	$ (0.77)	$ (0.86)	$ (2.54)
Antidilutive securities not included in net loss per share calculation			
Convertible preferred stock	—	—	17,387,072
Options to purchase common stock	3,840,129	2,772,411	1,313,818
Restricted shares of common stock subject to repurchase	221,566	388,441	870,522
Total	4,061,695	3,160,852	19,571,412

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

2. Investments

Investments consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2002				
Mortgage-backed securities	$17,666,487	$ 174,935	$ (2,333)	$17,839,089
U.S. corporate obligations	12,075,268	91,836	—	12,167,104
U.S. government and agencies	5,981,599	30,522	—	6,012,121
Total	$35,723,354	$ 297,293	$ (2,333)	$36,018,314
Reported as:				
Short-term investments				$17,198,934
Long-term investments				17,839,089
Restricted investments				980,291
Total				$36,018,314
December 31, 2001				
Mortgage-backed securities	$11,235,289	$ 53,420	$ —	$11,288,709
U.S. corporate obligations	27,545,502	377,784	—	27,923,286
U.S. government and agencies	7,149,196	137,198	—	7,286,394
Municipal bonds	560,578	4,578	—	565,156
Total	$46,490,565	$ 572,980	$ —	$47,063,545
Reported as:				
Short-term investments				$33,624,723
Long-term investments				12,456,820
Restricted investments				982,002
Total				$47,063,545

The cost and estimated fair value of investments, by contractual maturity, consists of the following at December 31, 2002:

	Amortized Cost	Fair Value
Due within one year	$ 18,056,867	$ 18,179,225
Mortgage-backed securities	17,666,487	17,839,089
	$ 35,723,054	$ 36,018,014

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

3. Prepaid expenses and other current assets

Prepaid expenses and other current assets consists of the following at December 31:

	2002	2001
Service contracts	$ 106,430	$ 44,897
Insurance	91,514	82,193
Amounts due under collaboration agreements	66,596	3,444
License fees paid in advance	40,000	117,681
Employee benefits	15,903	60,687
Rent		168,880
Total	$ 320,443	$ 477,782

4. Property and equipment

Property and equipment consists of the following at December 31:

	2002	2001
Leasehold improvements	$ 3,822,059	$ 3,731,182
Laboratory equipment	2,928,038	2,135,986
Furniture and fixtures	850,915	761,683
Computers and office equipment	754,529	618,246
Vehicle	4,683	—
	8,360,224	7,247,097
Less: accumulated depreciation and amortization	(2,123,954)	(896,647)
Total	$ 6,236,270	$ 6,350,450

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consists of the following at December 31:

	2002	2001
Trade accounts payable	$ 1,315,991	$ 1,275,571
Clinical trial costs	575,843	315,318
Compensation and benefits	248,605	154,740
Franchise and local taxes	50,293	162,088
Total	$ 2,190,732	$ 1,907,717

6. Income taxes

At December 31, 2002, the Company had net operating loss carryforwards of approximately $40.3 million, which may be used to offset future taxable income. These carryforwards expire beginning in 2018 through 2022. The Internal Revenue Code places certain limitations on the annual amount of net operating loss carryforwards that can be utilized if certain changes in the company's ownership occur. The amount of such limitations, if any, have not yet been determined.

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

At December 31, 2002 the company had Research and Experimentation Credit carryforwards of approximately $1.5 million, which will expire ending in 2022.

The effects of temporary differences and carryforwards that give rise to deferred tax assets at December 31 are as follows:

	December 31,	
	2002	2001
Deferred tax assets		
Net operating loss carryforwards	$ 13,697,000	$ 7,968,000
Stock-based compensation	1,768,000	1,264,000
Research and development credit carryforwards	1,492,000	814,000
Deferred Revenue	1,035,000	—
License fees	84,000	128,000
Other	444,000	234,000
Total deferred tax assets	18,521,000	10,408,000
Less: Valuation allowance	(18,521,000)	(10,408,000)
Net deferred taxes	$ —	$ —

7. Collaboration and license agreements

Genentech

In June 1999, the Company licensed its anti-CD40 antibody program to Genentech, including the SGN-40 product candidate and associated technology. As part of this agreement, the Company sold Genentech 680,272 shares of Series B convertible preferred stock in December 1999 and 285,714 shares of common stock at the Company's initial public offering in March 2001. In October 2002, the Company received notification from Genentech that they would not continue development of SGN-40. Genentech has agreed to transfer the anti-CD40 technology created during the collaboration back to the Company, and the Company is currently conducting preclinical development of SGN-40.

In April 2002, the Company entered into an agreement with Genentech to allow them to use the Company's proprietary ADC technology with their monoclonal antibodies. Under the terms of the multi-year agreement, Genentech paid a $2.5 million up front fee, is paying technology access fees and research fees, and may pay progress-dependent milestone payments and royalties on net sales of any resulting products. The up front technology access fees have been deferred and will be recognized as revenue ratably over the term of the agreement. Genentech is responsible for research, product development, manufacturing and commercialization of any products resulting from the collaboration. As part of the collaboration, Genentech also purchased $3.5 million, or 697,544 shares, of the Company's common stock at fair value, which increased Genentech's total equity ownership in the Company to approximately 5.4%. If an additional benchmark is achieved under the collaboration agreement, Seattle Genetics has an option to sell additional equity to Genentech at fair value.

Eos Biotechnology

In June 2001, the Company entered into an agreement with Eos Biotechnology, Inc. to allow them to use the Company's proprietary ADC technology with their monoclonal antibodies. In February 2003, Eos Biotechnology announced an agreement to be acquired by Protein Design Labs, Inc. Eos has previously paid several technology access fee, service and reagent fees to the Company. Eos (or Protein Design Labs) may additionally make progress-dependent milestone payments, pay royalties to the Company on net sales of any resulting products and

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

will be responsible for all costs associated with the development, manufacturing and marketing of any products generated as a result of this agreement. Technology access fees received under this agreement were deferred and will be recognized as revenue ratably over the term of the agreement.

Celltech Group

In March 2002, the Company entered into an agreement with the Celltech Group to allow them to use the Company's proprietary ADC technology with their monoclonal antibodies. Celltech paid the Company an up front technology access fee, is paying service and reagent fees and may additionally make progress-dependent milestone payments and pay royalties to the Company on net sales of any resulting products. The up front technology access fee has been deferred and will be recognized as revenue ratably over the term of the agreement. Celltech will be responsible for all costs associated with the development, manufacturing and marketing of any products generated as a result of this agreement.

Bristol-Myers Squibb

The Company obtained the rights to some of its technologies and product candidates through a 1998 license agreement with Bristol-Myers Squibb, portions of which are exclusive. Through this license, the Company secured rights to various monoclonal antibody-based cancer targeting technologies, including 26 different patents, eight monoclonal antibodies, chemical linkers, a ribosome-inactivating protein and enabling technologies. The Company also received a substantial supply of vialed, clinical-grade SGN-15, which has been used in the Company's clinical trials of SGN-15. Under the terms of the license agreement, the Company is required to pay royalties on net sales of future products incorporating the licensed technology. The Company's obligation to pay royalties terminates on a product-by-product basis upon the later of ten years after first commercial sale or the last to expire of the licensed patents. The agreement is also subject to earlier termination upon breach of any material obligations by the other party.

Medarex

In February 2001, the Company entered into a collaboration agreement with Medarex to produce fully-human monoclonal antibodies to certain breast cancer and melanoma antigen targets identified by the Company over the following three years. Under the agreement, all development, manufacturing, and clinical costs of jointly developed products and all net profits or net losses will be shared by Medarex and the Company. Each company has the right to opt out of the joint development of any antigen target and receive instead certain progress-dependent milestone and royalty payments on net sales. The agreement terminates upon the later of one year after completion of the research activities or the date on which neither party is exploiting any jointly developed products. As part of this agreement, Medarex purchased 285,714 shares of the Company's common stock for approximately $2.0 million at the Company's initial public offering price in March 2001.

In November 2001, the Company entered into an additional agreement with Medarex, which allows the Company to immunize Medarex mice and to generate antibodies. The Company has the option to obtain a non-exclusive research license and /or exclusive commercial licenses with respect to an antibody developed from this program.

Genencor International

In January 2002, the Company formed a strategic alliance with Genencor International to jointly discover and develop a class of cancer therapeutics based on tumor-targeted enzymes that activate prodrugs with Genencor International. The agreement provides for the Company to receive specific fees and milestone payments and for Genencor to receive certain milestone payments. Fees and milestones received have been

deferred and will be recognized as revenue ratably over the term of the agreement. Milestone payments paid to Genencor will be recognized as research and development expense upon attaining these milestones. As a part of the agreement, the Company sold Genencor $3.0 million or 573,614 shares of the Company's common stock at fair value in a private placement. Under the terms of the multi-year agreement, there will be cost sharing between the two companies for SGN-17/19 and any other joint products that enter development.

CLB-Research and Development

In July 2001, the Company entered into an exclusive option and license agreement to license certain monoclonal antibodies that target cancer and immunologic disease from CLB-Research and Development, located in the Netherlands. In January 2003, the Company exercised its option to obtain a worldwide, exclusive license to the antibodies. Under the terms of this agreement, the Company has made up front and option exercise payments and will be required to make progress-dependent milestone payments and pay royalties on net sales of products incorporating the antibodies for a period of ten years after the first commercial sale.

Proacta Therapeutics

In October 2001, the Company entered into an exclusive option and license agreement to license certain drugs from Proacta Therapeutics, based in Auckland, New Zealand. The agreement provides the Company with exclusive access to a class of potent cell-killing drugs that directly target DNA. In October 2002, the Company exercised its option to obtain worldwide, exclusive development, manufacturing and commercialization rights to any products utilizing the drugs. Under the terms of the agreement with Proacta, the Company paid up front and option exercise fees, and will be required to pay license fees, progress-dependent milestone payments and royalties upon commercialization of the drugs for a period of ten years after the first commercial sale.

Other agreements

The Company has also entered into license agreements with Arizona State University, Brookhaven Science Associates LLC, ICOS Corporation, Mabtech AB, and the University of Miami. These agreements obligate the Company to pay certain license and maintenance fees, progress-dependent milestone payments and royalties on commercial sales for specified periods which vary by agreement.

The minimum contractual payments under the Company's existing license, collaboration and contract manufacturing agreements are expected to aggregate to approximately $3.8 million in 2003, $485,000 in 2004, $158,000 in 2005, $208,000 in 2006 and $208,000 in 2007. Furthermore, those agreements also provide for payments upon the achievement of certain milestones and the payment of royalties based on net sales of commercial products. The Company does not expect to pay any royalties on net sales of products under any of these agreements for at least the next several years. The milestone payments could be substantially higher and the royalties could be payable earlier if the Company files or receives regulatory approvals or achieves commercial sales sooner than expected.

8. Commitments and contingencies

In December 2000, the Company entered into an operating lease for office and laboratory space. The lease provides for monthly lease payments that began in June 2001. The initial lease term is ten years with two, seven-year renewal options, subject to certain conditions. The lessor committed to fund up to $6.4 million of improvements to the building. As of December 31, 2002, the Company has used $6.0 million of the improvements fund.

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

The lease agreement contains scheduled rent increases. Accordingly, the Company has recorded a deferred rent liability of $268,026 at December 31, 2002.

As part of this lease transaction, the Company has restricted $980,000 of its investments as collateral for certain obligations of the lease. These investment securities are restricted as to withdrawal and are managed by a third party. The lease terms provide for changes in the amounts pledged based upon the Company's market capitalization, stockholders' equity or cash and investments balance, and decreases beginning in the fourth year of the lease. In the event that the Company's market capitalization, stockholders' equity or cash and investments balance fall below specific thresholds, the Company will be obligated to increase its restricted investment balance to approximately $3.4 million. As of December 31, 2002, the Company was in compliance with these thresholds.

Additionally, the Company has entered into lease obligations through 2005 for office equipment.

Future minimum lease payments under all noncancelable operating leases are as follows:

Years ending December 31,		
2003	$	2,012,554
2004		2,052,433
2005		2,083,129
2006		2,116,021
2007		2,158,345
Thereafter		7,699,725
	$	18,122,207

Rent expense totaled $2,136,797, $1,133,562 and $1,582,234 for years ended December 31, 2002, 2001 and 2000, respectively.

9. Stockholders' equity

Restricted common stock

In December 1997, the Company issued 3,440,000 shares of common stock to its founders, in exchange for cash and full recourse notes receivable, subject to a repurchase option. The notes carried an annual interest rate of 5.6% and were paid in full in January 2001.

In 2000, the Company issued 667,500 shares of common stock to certain of its employees and consultants pursuant to the exercise of options in exchange for full recourse notes receivable carrying annual interest rates of approximately 6%. In the event of a termination of employment or consulting relationship with the Company for any reason, the Company has the exclusive option, for a period of 60 days following the termination of the relationship, to repurchase all or any portion of the shares held by such employee or consultant which have not been released from the repurchase option, at the original purchase price. The shares are released from the repurchase option over a four-year period. At December 31, 2002 and 2001, there were 221,556 and 388,441 shares of common stock subject to the Company's repurchase option, respectively.

Employee Stock Purchase Plan

The Company has a 2000 Employee Stock Purchase Plan (Purchase Plan) with a total of 593,227 shares of common stock reserved for issuance under the Purchase Plan. The number of shares reserved for issuance under the Purchase Plan will be subject to an automatic annual increase on the first day of each of the fiscal years beginning in 2002 and ending in 2010 that is equal to the lesser of (1) 300,000 shares; (2) 1% of the Company's

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

outstanding common stock on the last day of the immediately preceding fiscal year; or (3) such lesser number of shares as the board of directors determines. A total of 32,478 shares were sold to employees during the year ended December 31, 2002 at purchase prices of $5.45 and $3.37 per share and 9,930 shares were sold to employees during the year ended December 31, 2001 at a purchase price of $5.53 per share.

10. Mandatorily redeemable convertible preferred stock

The Company recorded a deemed dividend of $484,000 in April 2000 upon the issuance of Series B convertible preferred stock. At the date of issuance, the Company believed the per share price of $2.94 represented the fair value of the preferred stock and was in excess of the fair value of its common stock. Subsequent to the commencement of the initial public offering (IPO) process, the Company re-evaluated the fair value of its common stock as of April 2000 and determined that the estimated fair value, based on information obtained in the IPO process, was greater than $2.94 per share. The deemed dividend increased the loss allocable to common stockholders, in the calculation of basic net loss per share for the year ended December 31, 2000.

In conjunction with the closing of the Company's initial public offering on March 6, 2001, 6,950,000 outstanding shares of Series A convertible preferred stock and 10,437,072 outstanding shares of Series B convertible preferred stock were converted into an equal number, or 17,387,072 shares, of common stock. Prior to their conversion, the issuance costs of the Series A and Series B convertible preferred stock were amortized by periodic charges for accretion. These accretion amounts increase net loss attributable to common stockholders.

The Company's certificate of incorporation authorizes undesignated Preferred Stock consisting of 5,000,000 shares. These shares may be issued from time to time in one or more series. The Board of Directors is authorized to determine or alter the rights, preferences, privileges and restrictions of unissued preferred stock and to increase or decrease the number of shares of any unissued series.

11. Stock option plan

The Company has a 1998 Stock Option Plan (Option Plan) whereby 5,572,910 shares of the Company's common stock were reserved for issuance to employees, officers, consultants and advisors of the Company as of December 31, 2002. The Option Plan provides for an annual increase in the number of reserved shares on the first day of each of the Company's fiscal years beginning in 2002 and ending in 2008 that is equal to the lesser of (1) 1,200,000 shares; (2) 4% of the Company's outstanding common stock on the last day of the immediately preceding fiscal year; or (3) such lesser number of shares as the board of directors determines. Options granted under the Option Plan may be either incentive stock options or nonstatutory stock options as determined by the Board of Directors. The term of the Option Plan is ten years.

Incentive stock options may be issued only to employees of the Company and have a maximum term of ten years from the date of grant. The exercise price for incentive stock options may not be less than 100% of the estimated fair market value of the common stock at the time of the grant. In the case of options granted to holders of more than 10% of the voting power of the Company, the exercise price may not be less than 110% of the estimated fair market value of the common stock at the time of grant, and the term of the option may not exceed five years. Options become exercisable in whole or in part from time to time as determined by the Board of Directors, which will administer the Option Plan.

Generally, options granted under the Option Plan vest 25% one year after the beginning of the vesting period and thereafter ratably each month over the following three years.

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

For purposes of the computation of the pro forma effects on the net loss above, the fair value of each employee option is estimated using the Black-Scholes option pricing model and using the following weighted-average assumptions:

	Years ended December 31,		
	2002	2001	2000
Risk-free interest rate	3.92%	4.80%	5.56%
Expected lives	4 years	4 years	4 years
Expected dividends	None	None	None
Expected volatility	89%	95%	0%

For purposes of estimating the fair value of options granted to nonemployees, the same assumptions were used and the contractual lives of the options were used for expected lives.

The weighted-average exercise prices and fair values of options granted for the years ended December 31 were as follows:

	Years ended December 31,					
	2002		2001		2000	
	Weighted-average exercise price	Weighted-average fair value	Weighted-average exercise price	Weighted-average fair value	Weighted-average exercise price	Weighted-average fair value
Exercise prices equal to the fair value of the stock at the date of grant	$ 5.23	$ 3.95	$ 7.55	$ 6.05	$ —	$ —
Exercise prices less than the fair value of the stock at the date of grant	$ —	$ —	$ 5.00	$ 7.46	$ 1.90	$ 8.21

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

A summary of stock option activity is as follows:

		Options outstanding	
	Shares available for grant	Number of shares	Weighted-average exercise price per share
Balances, December 31, 1999	1,491,792	618,000	$ 0.10
Additional shares reserved	2,270,000	—	—
Options granted	(1,630,500)	1,630,500	$ 1.90
Options exercised	—	(857,369)	$ 0.49
Options forfeited	77,313	(77,313)	$ 0.19
Balances, December 31, 2000	2,208,605	1,313,818	$ 2.07
Additional shares reserved	400,000	—	—
Options granted	(1,570,250)	1,570,250	$ 7.41
Options exercised	—	(58,948)	$ 0.17
Options forfeited	52,709	(52,709)	$ 0.89
Balances, December 31, 2001	1,091,064	2,772,411	$ 5.16
Additional shares reserved	1,172,910	—	—
Options granted	(1,193,350)	1,193,350	$ 5.23
Options exercised	—	(67,100)	$ 0.18
Options forfeited	58,532	(58,532)	$ 4.10
Balances, December 31, 2002	1,129,156	3,840,129	$ 5.28

The following table summarizes information about options outstanding at December 31, 2002:

	Options outstanding			Options exercisable	
Range of exercise price	Number of shares	Weighted-average remaining contractual life (in years)	Weighted-average exercise price per share	Number of shares	Weighted-average exercise price per share
$0.10 - $0.29	352,179	6.59	$ 0.20	264,844	$ 0.18
$2.77 - $4.00	914,500	8.43	$ 3.06	388,728	$ 3.03
$4.18 - $5.72	696,300	8.79	$ 5.05	147,112	$ 5.01
$6.00 - $7.00	996,650	8.83	$ 6.49	159,563	$ 6.71
$8.24 - $9.00	880,500	8.39	$ 8.44	348,727	$ 8.44
$0.10 - $9.00	3,840,129	8.42	$ 5.28	1,258,974	$ 4.63

Directors' Stock Option Plan

The Company has a 2000 Directors' Stock Option Plan (Directors' Plan). Under the terms of the Directors' Plan, each existing nonemployee director who had not previously been granted a stock option by the Company, was granted a nonstatutory stock option to purchase 25,000 shares of common stock on the effective date of this plan, March 6, 2001. Each new nonemployee director who becomes a director after the effective date of the plan will also be granted a nonstatutory stock option to purchase 25,000 shares of common stock on the date on which such individual first becomes a member of the board of directors. Each initial option shall vest at the rate of 25%

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

of the total number of shares subject to such option twelve months after the date of grant, with the remaining shares vesting thereafter in equal monthly installments over three years. Thereafter, on the dates of each annual stockholder meeting, each nonemployee director who has been a member of the board of directors for at least six months will be granted a nonstatutory stock option to purchase 10,000 shares of common stock. Each annual option shall vest at the rate of 100% of the total number of shares subject to such option on the day before the one-year anniversary of the grant date.

All options granted under the Directors' Plan will have a term of 10 years and an exercise price equal to the fair value of the underlying shares on the date of grant. A total of 400,000 shares of common stock have been reserved for issuance under the 2000 Directors' Plan and a total of 75,000 shares were granted and 25,000 shares were forfeited in 2002 and 100,000 shares were granted in 2001.

12. Employee benefit plan

The Company has a 401(k) Plan for all of its employees. The Plan allows eligible employees to defer up to 15%, but no greater than $11,000 (or $12,000 for employees greater than 50 years old) in calendar year 2002, of their pretax compensation at the discretion of the employee. Since the Company's inception through the year ended December 31, 2002, the Plan did not provide for Company matching of employee contributions.

13. Subsequent Events.

The Company has a 401(k) Plan for all of its employees. Effective February 1, 2003, the Company implemented a 401(k) matching program whereby the Company contributes fifty cents for each dollar a participant contributes, with a maximum contribution of 50% of the first 4% of a participant's earnings not to exceed 50% of the prescribed annual limit.

In March 2003, the Company entered into license agreements with Genentech pursuant to which the Company has rights to pursue the development and commercialization of SGN-40 on its own, subject to payment of an up front license fee, a progress-dependent milestone payment and royalties on net sales of products that use Genentech's technology.

In March 2003, the Company agreed to secure the majority of its property and equipment as collateral for certain obligations under its office and laboratory lease.

Seattle Genetics, Inc.

Notes to Financial Statements (Continued)

14. Quarterly Financial Data (Unaudited)

The following table contains selected unaudited statement of operations information for each quarter of 2002 and 2001. The Company believes that the following information reflects all normal recurring adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results of any future period.

Quarterly Financial Data:

	Q1	Q2	Q3	Q4
	(In thousands, except per share data)			
2002				
Revenues	$ 269	$ 376	$ 404	$ 635
Expenses				
Research and development	4,853	5,315	4,296	5,356
General and administrative	1,105	1,055	1,093	985
Noncash stock-based compensation expense	880	827	589	525
Total operating expenses	6,838	7,197	5,978	6,866
Loss from operations	(6,569)	(6,821)	(5,574)	(6,231)
Investment income, net	577	555	486	417
Net loss attributable to common stockholders	$ (5,992)	$ (6,266)	$ (5,088)	$ (5,814)
Basic and diluted net loss per share	$ (0.20)	$ (0.21)	$ (0.17)	$ (0.19)
Weighted-average shares used in computing basic and diluted net loss per share	29,508	30,184	30,396	30,451
2001				
Revenues	$ —	$ 35	$ 70	$ 169
Expenses				
Research and development	2,856	3,519	5,093	3,932
General and administrative	726	832	787	953
Noncash stock-based compensation expense	1,242	1,680	1,226	1,027
Total operating expenses	4,824	6,031	7,106	5,912
Loss from operations	(4,824)	(5,996)	(7,036)	(5,743)
Investment income, net	578	886	800	643
Net loss	(4,246)	(5,110)	(6,236)	(5,100)
Accretion on preferred stock	(3)	—	—	—
Net loss attributable to common stockholders	$ (4,249)	$ (5,110)	$ (6,236)	$ (5,100)
Basic and diluted net loss per share	$ (0.46)	$ (0.18)	$ (0.22)	$ (0.18)
Weighted-average shares used in computing basic and diluted net loss per share	9,280	28,625	28,781	28,906

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required by this item is incorporated herein by reference from the Company's definitive proxy statement which will be filed within 120 days after the end of the Company's 2002 fiscal year pursuant to Regulation 14A for its annual meeting of stockholders to be held May 14, 2003.

Item 11. Executive Compensation.

The information required by this item is incorporated herein by reference from the Company's definitive proxy statement which will be filed within 120 days after the end of the Company's 2002 fiscal year pursuant to Regulation 14A for its annual meeting of stockholders to be held May 14, 2003.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this item is incorporated herein by reference from the Company's definitive proxy statement which will be filed within 120 days after the end of the Company's 2002 fiscal year pursuant to Regulation 14A for its annual meeting of stockholders to be held May 14, 2003.

Item 13. Certain Relationships and Related Transactions.

The information required by this item is incorporated herein by reference from the Company's definitive proxy statement which will be filed within 120 days after the end of the Company's 2002 fiscal year pursuant to Regulation 14A for its annual meeting of stockholders to be held May 14, 2003.

Item 14. Controls and Procedures.

(a) *Evaluation of disclosure controls and procedures.* The Chief Executive Officer and the Chief Financial Officer have reviewed our disclosure controls and procedures as of a date within the 90-day period prior to the filing of this annual report (the "Evaluation Date"). Based on that review, they have concluded that, as of the Evaluation Date, these controls and procedures were, in design and operation, effective to assure that the information required to be included in this report has been properly collected, processed, and timely communicated to those responsible in order that it may be included in this report.

(b) *Changes in internal controls.* Subsequent to the Evaluation Date, there have been no significant changes, including corrective actions, in our internal controls or in other factors that could significantly affect the disclosure controls and procedures.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) The following documents are filed as part of this report:

(1) Financial Statements and Report of PricewaterhouseCoopers LLP

(2) Financial Statement Schedules

Financial Statement Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

(3) Exhibits are incorporated herein by reference or are filed with this report as indicated below (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Index

Number	Description
3.1(1)	Amended and Restated Certificate of Incorporation of Seattle Genetics, Inc.
3.2(1)	Amended and Restated Bylaws of Seattle Genetics, Inc.
4.1(1)	Specimen Stock Certificate.
4.2(1)	Amended and Restated Investors' Rights Agreement dated December 22, 1999 between Seattle Genetics, Inc. and certain of its stockholders.
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10.28	Amended and Restated Executive Employment Agreement dated November 27, 2002 between Seattle Genetics, Inc. and H. Perry Fell.
10.29†	Contract Manufacturing Agreement dated January 3, 2003 between Seattle Genetics, Inc. and ICOS Corporation.
23.1	Consent of Independent Accountants
24.1	Power of Attorney (included in signature page to this Annual Report on Form 10-K).
99.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

(2) Previously filed as an exhibit to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.

(3) Previously filed as an exhibit to Registrant's quarterly report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference.

(4) Previously filed as an exhibit to Registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2002 and incorporated herein by reference.

(5) Previously filed as an exhibit to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference.

† Confidential treatment requested as to certain portions of this Exhibit.

(b) Reports on Form 8-K

On October 8, 2002, we filed a Form 8-K announcing an update on the status of our SGN-40 program.

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SIGNATURES

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

SEATTLE GENETICS, INC.

By: /S/ CLAY B. SIEGALL

Clay B. Siegall
President and Chief Executive Officer

By: /S/ TIM CARROLL

Tim Carroll
Chief Financial Officer

Date: March 27, 2003

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Clay B. Siegall and H. Perry Fell, jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ CLAY B. SIEGALL Clay B. Siegall	President, Chief Executive Officer and Director	March 27, 2003
/S/ H. PERRY FELL H. Perry Fell	Chairman of the Board, Chief Strategy Officer and Director	March 27, 2003
/S/ CHARLES P. WAITE Charles P. Waite	Director	March 27, 2003
/S/ MICHAEL F. POWELL Michael F. Powell	Director	March 27, 2003
/S/ DOUGLAS G. SOUTHERN Douglas G. Southern	Director	March 27, 2003
/S/ MARC E. LIPPMAN Marc E. Lippman	Director	March 27, 2003
/S/ DOUGLAS E. WILLIAMS Douglas E. Williams	Director	March 27, 2003
/S/ KARL ERIK HELLSTROM Karl Erik Hellstrom	Director	March 27, 2003

CERTIFICATIONS

I, Clay B. Siegall, certify that:

1. I have reviewed this annual report on Form 10-K of Seattle Genetics, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

/S/ CLAY SIEGALL

Clay B. Siegall
President and Chief Executive Officer

I, Tim J. Carroll, certify that:

1. I have reviewed this annual report on Form 10-K of Seattle Genetics, Inc.;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

/S/ TIM CARROLL

Tim J. Carroll
Chief Financial Officer

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† Confidential treatment requested as to certain portions of this Exhibit.

Exhibit 10.27

[***] Confidential treatment requested

AGREEMENT FOR CLINICAL SUPPLY

THIS AGREEMENT (the "Agreement") is effective as of October 9, 2002 (the "Effective Date"), by and between GENSIA SICOR PHARMACEUTICALS, INC., and its wholly-owned subsidiary GENSIA SICOR PHARMACEUTICAL SALES, INC., a Delaware corporation with offices at 19 Hughes, Irvine, California 92618-1902 (collectively, "Gensia Sicor"), and Seattle Genetics, a Delaware corporation, with offices at 21823 30/th/ Drive SE, Bothell, WA 98021 ("SEATTLE GENETICS").

RECITALS

WHEREAS, Gensia Sicor is in the business of developing, manufacturing, testing packaging, and marketing sterile injectable pharmaceutical products; and

WHEREAS, SEATTLE GENETICS desires to utilize Gensia Sicor to develop, manufacture, test, and package clinical supplies of the product designated by SEATTLE GENETICS as set forth in Exhibit A and Exhibit B hereto, as amended from time to time in accordance with the terms and conditions set forth herein; and

WHEREAS, Gensia Sicor desires to provide services to SEATTLE GENETICS for the Product agreed to by both parties in accordance with the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the above premises and the mutual covenants hereinafter set forth, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 Act shall have the meaning set forth in Section 6.2.

1.2 Active Pharmaceutical Ingredient ("API") shall mean the raw material components of the Product: [***] and the [***].

1.3 API Reference Standard shall mean a quantity of APIs with a known assay, supplied by the SEATTLE GENETICS, with which Gensia Sicor may perform comparative analysis to API samples having an unknown assay.

1.4 API Specifications shall mean the specifications with respect to the APIs as set forth in the Master Batch Record.

1.5 Affiliate shall mean, with respect to either party, all entities which, directly or indirectly, are controlled by, control, or are under common control with such party. For purposes of this definition, the word "control" shall mean ownership of more than fifty percent (50%) of the voting shares or interest of an entity.

[***] Confidential treatment requested

1.6 Batch shall mean the entire amount of Product yielded from a manufacturing event using a specific quantity of APIs, Excipients, and components Processed in accordance with the Master Batch Record and the Manufacturing Standards.

1.7 Batch Processing Charge shall mean the pricing set forth in Exhibit B, as may be adjusted from time to time according to the terms and conditions set forth herein, which reflects the total cost of a single Batch manufacture including compounding charges, lyophilization charges, excipients, components, filters and per unit charges

1.8 Batch Record shall mean the document created as and after each Batch is Processed and Packaged. Each Batch Record shall reflect and incorporate all aspects of the Master Batch Record, the applicable Certificate of

Analysis, and any Manufacturing Variance Reports issued with respect to such Batch.

1.9 Batch Release shall mean the final sign-off by a party's quality department marking the culmination of the quality process through which a batch of Product is shown to conform to all aspects of the Manufacturing Standards.

1.10 Compounded Bulk shall mean the API and Excipients which have been compounded but not filled or packaged or finished into a final dosage presentation.

1.11 Certificate of Analysis shall mean a certificate that accompanies each shipment of APIs or Product certifying that the APIs or Product meets the specifications as defined in the Manufacturing Standards.

1.12 Current Good Manufacturing Practices or ("cGMPs") shall mean the current good manufacturing practices and General Biologics Products Standards as promulgated under the U.S. Federal Food, Drug and Cosmetic Act ("FDCA") at 21 C.F.R., Chapters 210, 211, 600 and 610, as well as any other regulations, policies or guidelines, as then in effect, of the FDA and other United States governmental or regulatory agencies applicable to the manufacture of sterile pharmaceutical products for human use.

1.13 Confidential Information shall mean all information, including, where appropriate and without limitation, any information, patent disclosures, patent applications, structures, models, techniques, processes, compositions, compounds and apparatus relating to the same, disclosed by one party (the "Disclosing Party") to the other party (the "Recipient") or obtained by Recipient through observation or examination of such information, but only to the extent that such information is maintained as confidential by the Disclosing Party.

1.14 Date of Manufacture shall mean the date of sterile filtration and/or filling of the Compounded Bulk.

1.15 Developments shall have the meaning set forth in Section 2.2.5.

1.16 Disclosing Party shall mean the party from which Confidential Information is delivered.

[***] Confidential treatment requested

1.17 Equipment shall have the meaning set forth in Section 2.1.1.

1.18 Excipient shall mean any substance other than the API used in formulating the Compounded Bulk.

1.19 Facility shall mean Gensia Sicor's facility in Irvine, California, or any other Sicor facility as agreed to in writing, in advance, by the Parties to this Agreement.

1.20 FDA shall mean the United States Food and Drug Administration and any successor agencies.

1.21 Forecast shall mean a rolling [***] ([***]) [***] estimate of expected orders for the Product provided by SEATTLE GENETICS to assist Gensia Sicor in production planning.

1.22 Gensia Sicor Product Inventions shall have the meaning set forth in Section 2.2.6.

1.23 IND shall have the meaning set forth in Section 2.5.3.

1.24 Know-How shall mean any technical data, information, material and knowledge or experience not in the public domain that is necessary or useful to manufacture the Product.

1.25 Manufacturing Standards shall mean the specifications for Processing, Packaging, and storing the Product set forth in the Product

Specifications, the Master Batch Record, cGMPs, MSDSs, the Quality Understanding Document (Exhibit E) and all other applicable U.S. laws and regulations, to the extent such terms and conditions are not inconsistent with this Agreement.

1.26 Manufacturing Variance Report shall mean a written report indicating any Variance in the Processing or Packaging of a Batch from the procedures set forth in the Master Batch Record.

1.27 Master Batch Record shall mean the document, as may be amended from time to time, specifying: i) the API Specifications, ii) the procedures for testing and releasing the APIs, iii) the Excipients, iv) the Primary Components, v) Secondary Packaging, vi) the Product Specifications, vii) the formula (listing the APIs and the Excipients for the Product), and viii) the procedures for manufacturing the Product (listing the APIs, the Excipients, the Primary Components, and the Secondary Packaging).

1.28 MSDS shall mean the Material Safety Data Sheets for the APIs and the Product, respectively.

1.29 NDA shall have the meaning set forth in Section 2.5.3.

1.30 Notice of Rejection/Nonconformance shall have the meaning set forth in Section 3.6.1.

1.31 To Package and Packaging shall mean the act of inspecting, labeling, and packing the Product into units.

1.32 Primary Components shall mean the vial, stopper, and seal as identified in the Master Batch Record.

1.33 Process or Processing shall mean the pharmaceutical manufacturing procedures, or any part thereof, involved in manufacturing the Product in accordance with the Manufacturing Standards.

1.34 Product Specifications shall mean the specifications for the APIs, the Excipients, the Primary Components, the Secondary Packaging, and the in-process and release specifications for the Product, as set forth initially on Exhibit B attached hereto and, subsequently in the Master Batch Record. Revisions to Product Specifications may be amended by the Parties from time to time pursuant to Section 2.4., and such changes shall be reflected in the Master Batch Record.

1.35 Product shall mean the finished dosage form, as set forth in Exhibit A, and is ready to ship to recipients designated by SEATTLE GENETICS.

1.36 Product Inventions shall have the meaning set forth in Section 2.2.6.

1.37 Purchase Orders shall mean the document provided by SEATTLE GENETICS to Gensia Sicor which shall set forth, subject to the terms of this Agreement, the number of Batches or units to be Processed and Packaged, the estimated Batch Processing Charge, the requested dates and locations for delivery, and special instructions for each Batch.

1.38 Qualified Supplier shall mean a supplier of materials or components that has been audited by Gensia Sicor and has passed Gensia Sicor's quality assurance standards.

1.39 Quality Understanding Document shall mean the statement of quality understanding defining the roles, responsibilities and interactions between SEATTLE GENETICS and Gensia Sicor related to the quality of the Product attached hereto as Exhibit E.

1.40 Recipient shall mean that Party to which Confidential Information is being delivered.

1.41 SEATTLE GENETICS Information shall have the meaning set forth in Section 2.2.

1.42 SEATTLE GENETICS Intellectual Property shall have the meaning set forth in Section 2.2.

1.43 SEATTLE GENETICS Technology shall have the meaning set forth in Section 2.2.

1.44 Secondary Packaging shall mean any component other than Primary Components used to convert primary unit(s) into units.

1.45 Shipping Components shall mean the packaging, boxes, and shipping containers into which the Product is placed for shipment to SEATTLE GENETICS.

1.46 Term shall have the meaning set forth in Section 5.1.

1.47 Variance shall mean a departure from an established quality standard (e.g., cGMP standard operating procedure, manufacturing work order, Packaging order, raw material or Product Specification, analytical control procedure, water monitoring procedure, equipment maintenance schedule, or any unusual occurrence), which may be either anticipated or unanticipated departures from established quality standards and may have the potential to affect the safety, identity, strength, quality or purity of the final Product or Compounded Bulk Product.

1.48 Work in Process ("WIP") shall mean the APIs, Excipients, Primary Components, and Secondary Packaging that constitute a Batch, during the time period beginning with Gensia Sicor dispensing APIs in accordance with the Master Batch Record and ending on the SEATTLE GENETICS Batch Release with respect to such Batch.

ARTICLE II
MANUFACTURE AND PLANNING

2.1 Manufacturing. Gensia Sicor agrees to manufacture Batches of Product from time to time as agreed to by the Parties, pursuant to this Agreement. Subject to manufacturing capabilities and capacities, Gensia Sicor shall provide such facilities, equipment, and services as may be required to perform the Processing, Packaging and handling of such Product in accordance with the manufacturing and control procedures set forth in the Master Batch Record and the Quality Understanding Document and to the terms and conditions set forth herein.

2.1.1 Equipment. SEATTLE GENETICS shall purchase the items of equipment set forth in the Engineering Budget Proposal attached hereto as Exhibit D (the "Equipment") for the prices set forth therein. At SEATTLE GENETICS' request, Gensia Sicor may purchase certain of such items for SEATTLE GENETICS' account, and SEATTLE GENETICS will promptly reimburse Gensia Sicor for the purchase price thereof. All Equipment shall be installed and used on Gensia Sicor's premises, but shall be owned by SEATTLE GENETICS. Gensia Sicor shall maintain the Equipment in good operating condition and shall keep the Equipment free and clear of all mortgages, liens and encumbrances. Gensia Sicor will tag all Equipment and provide SEATTLE GENETICS with a listing of each item of EQUIPMENT, its location and assigned tag number. Upon either SEATTLE GENETICS' request or termination of this Agreement, Gensia

Sicor shall assist SEATTLE GENETICS, at SEATTLE GENETICS' expense, in arranging transportation of the Equipment to a location designated by SEATTLE GENETICS.

2.1.2 Gensia Sicor shall follow cGMP standards to manufacture for SEATTLE GENETICS, or any third party designated by SEATTLE GENETICS and agreed to by Gensia Sicor, clinical Batches of an aseptically filled and lyophilized finished dosage form of the Product per the Manufacturing Standards, and as may be further developed by Gensia Sicor, using the APIs, components and Excipients specified. In accordance with cGMP and during the term of this Agreement, Gensia Sicor shall utilize validated cleaning and changeover procedures prior to manufacturing any Product for SEATTLE GENETICS. Both parties shall promptly notify each other of any new instructions or specifications required by cGMP. Upon request, Gensia Sicor shall provide SEATTLE GENETICS with (a) a written description of any actions taken to comply with new or revised cGMPs that affect the Product and/or (b) copies of Gensia Sicor's manufacturing records, including its Batch Records regarding the Product, for the purposes of assuring product quality and compliance with agreed-upon manufacturing procedures.

2.1.3 Gensia Sicor shall adhere to the Product Specifications and requirements, as detailed in the Master Batch Record, the Manufacturing Standards and mutually agreed upon protocols, where such specifications are in compliance and agreement with FDA and other applicable regulatory agency guidelines. Gensia Sicor shall obtain SEATTLE GENETICS' prior written approval before it implements any change in the materials, equipment, process or procedures used to manufacture the Product that would constitute a significant deviation under cGMP as described in the Quality Understanding Document. Gensia Sicor shall disclose all proposed changes in such manufacturing materials, equipment, process or procedure to SEATTLE GENETICS at a level sufficient to allow SEATTLE GENETICS to practice such changed manufacturing process.

2.1.4 In the event that the Compounded Bulk fails to meet in-process or release specifications, SEATTLE GENETICS may authorize a deviation from the Batch Record in an attempt to salvage the Batch as set forth in Section 3.8(b). Gensia Sicor shall not rework any Batch of the Product without SEATTLE GENETICS' prior written consent.

2.1.5 Gensia Sicor declares that it has the production capacity and the quality systems to fully satisfy SEATTLE GENETICS' requests for Product and services for clinical needs, provided SEATTLE GENETICS complies with the forecasting requirements set forth in Section 2.4.

2.1.6 Gensia Sicor will obtain materials and components for production from Qualified Suppliers. Upon written request from SEATTLE GENETICS, Gensia Sicor shall evaluate a supplier that is not a Qualified Supplier against its current qualification standards. If such supplier meets Gensia Sicor's standards, such supplier may become a Qualified Supplier. SEATTLE GENETICS shall reimburse Gensia Sicor at the rates set forth

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on Exhibit B hereto for all reasonable costs associated with the qualification of a new supplier.

2.1.7 A Date of Manufacture for each Batch requested to be manufactured will be provided to SEATTLE GENETICS by Gensia Sicor upon receipt of a firm Purchase Order, including any required deposit from SEATTLE GENETICS specified therein, and acknowledging the terms and conditions detailed in this Agreement. Gensia Sicor shall schedule the Date of Manufacture as early as facility availability, staffing resources, technology transfer, manufacturing scale-up process development, scheduling capacity and component availability will allow.

2.2 Technology Transfer. SEATTLE GENETICS possesses confidential and

proprietary technical information not in the public domain that is necessary to the process of manufacturing the Product, including without limitation in process assays, methods, formulas, specifications, processes and know-how (the "SEATTLE GENETICS Information"), that is the subject of various patents, patents applications and Know-How owned or controlled by SEATTLE GENETICS ("the "SEATTLE GENETICS Intellectual Property", and collectively with the SEATTLE GENETICS Information, the "SEATTLE GENETICS Technology"). SEATTLE GENETICS Information shall be included in a technology transfer dossier to be shared with Gensia Sicor.

2.2.1 Gensia Sicor and SEATTLE GENETICS will mutually develop a Master Batch Record for the Product following the technical specifications, methods and know-how provided by SEATTLE GENETICS.

2.2.2 SEATTLE GENETICS will transfer to Gensia Sicor appropriate methods and in process assays for manufacturing the Product. Such methods and in process assays, being reviewed and agreed to by SEATTLE GENETICS, will be confirmed, or if requested, validated by Gensia Sicor for their application to the finished Product.

2.2.3 A protocol describing distribution of Product will be provided to Gensia Sicor by SEATTLE GENETICS for review and acceptance prior to commencement of the manufacturing of finished dosage Product. Distribution of clinical Product will be coordinated between Gensia Sicor and SEATTLE GENETICS.

2.2.4 SEATTLE GENETICS hereby grants Gensia Sicor a non-exclusive, non-transferable right under the SEATTLE GENETICS Intellectual Property to use the SEATTLE GENETICS Information solely for the purpose of manufacturing the Product pursuant to the terms of this Agreement. Gensia Sicor (a) acknowledges that SEATTLE GENETICS and/or its licensors retain all ownership rights in and to the SEATTLE GENETICS Technology and (b) agrees not to use the SEATTLE GENETICS Technology for any purpose other than manufacturing the Product for SEATTLE GENETICS hereunder. Gensia Sicor agrees to treat all of the SEATTLE GENETICS Technology as "Confidential Information" pursuant to Article VIII hereof.

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2.2.5 Either party may jointly or independently make or otherwise acquire rights to non-patentable discoveries, improvements, ideas and other intellectual property rights (including without limitation processes and methods) or Know-How useful in the manufacture of the Product ("Developments"). Any Developments conceived, fashioned or acquired solely by Gensia Sicor shall be owned solely by Gensia Sicor. Gensia Sicor shall promptly disclose all such Developments, in writing, to SEATTLE GENETICS, and hereby grants to SEATTLE GENETICS a non-exclusive, worldwide, perpetual, royalty-free license, with the right to sublicense, to use each such Development for the development and manufacture of SEATTLE GENETICS' products. Any Developments conceived, fashioned or acquired solely by SEATTLE GENETICS during the term of this Agreement shall be owned solely by SEATTLE GENETICS. Any Developments conceived, fashioned or acquired jointly by employees of Gensia Sicor and employees of SEATTLE GENETICS shall be jointly owned by both parties.

2.2.6 The parties do not expect that any patentable inventions, discoveries, improvements or ideas relating to the manufacture of the Product ("Product Inventions") will be made, conceived or reduced to practice during the course of the work performed under this Agreement. However, any Product Inventions that are developed or acquired solely by Gensia Sicor shall be owned solely by Gensia Sicor ("Gensia Sicor Product Inventions"). Gensia Sicor shall not use or incorporate any Gensia Sicor Product Inventions in the course of the work performed under

this Agreement without first disclosing such Gensia Sicor Product Inventions to SEATTLE GENETICS and obtaining prior written approval from SEATTLE GENETICS, upon which the parties agree to negotiate in good faith the terms of a license agreement on commercially reasonable terms for such Gensia Sicor Product Inventions. Any Product Inventions developed or acquired solely by SEATTLE GENETICS during the term of this Agreement shall be owned solely by SEATTLE GENETICS. Any Product Inventions developed or acquired jointly by employees of Gensia Sicor and employees of SEATTLE GENETICS shall be jointly owned by both parties. With respect to any filings related to jointly owned Inventions, the parties shall work together to identify mutually agreeable intellectual property counsel and shall share equally in all costs of filing any applications and maintaining intellectual property protection. Inventorship shall be determined under U.S. patent law.

2.2.7 During the Term, Gensia Sicor agrees not to [***].

2.3 Audits. Gensia Sicor shall give SEATTLE GENETICS reasonable access to audit its facilities to provide assurances that Gensia Sicor has adequate premises, equipment, systems and a staff with sufficient knowledge and training to carry out satisfactorily the manufacture, assembly, packaging and testing of the Product. Such audits shall be scheduled at mutually agreeable times upon at least [***] ([***]) [***] advance written notice to Gensia Sicor and shall occur no more than one time per calendar year.

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2.4 Forecasts and Purchase Orders.

2.4.1 SEATTLE GENETICS will provide Gensia Sicor with an updated rolling [***] Forecast of estimated demand for Product. Estimated demand for Product shall specify units required and be communicated in whole Batch increments.

2.4.2 [***] ([***]) days prior to SEATTLE GENETICS' first requested delivery date, SEATTLE GENETICS shall provide Gensia Sicor with an initial Forecast accompanied by a firm Purchase Order. On or before the [***] day of the [***] of each [***] (i.e. [***], [***], [***] and [***]) during the Term, SEATTLE GENETICS will provide Gensia Sicor with an update to its previously submitted Forecast. Unit demand, in the then current and upcoming [***] of each updated rolling Forecast, shall represent a firm purchase commitment for the Product. A Purchase Order for SEATTLE GENETICS' unit requirements during the next [***] shall accompany each [***] Forecast update. Purchase requirements during the current [***] shall be reflected in Purchase Orders previously submitted by SEATTLE GENETICS. Purchase Orders provided by SEATTLE GENETICS must specify unit quantity, delivery dates, delivery instructions, anticipated charges and invoice information.

2.4.3 Gensia Sicor will deliver written confirmation of receipt of each Purchase Order and the anticipated delivery date of each Batch of Product to SEATTLE GENETICS within [***] ([***]) [***] of receipt by Gensia Sicor.

2.4.4 The last [***] ([***]) [***] of each Forecast shall constitute a good faith estimate of expected orders for the Product to assist Gensia Sicor with production planning.

2.4.5 The terms and conditions of this Agreement shall govern each Purchase Order issued hereunder. In the event of conflict, the terms and conditions of this Agreement shall supercede the standard terms and conditions of SEATTLE GENETICS' and Gensia Sicor's forms.

2.5 Product Supply

2.5.1 Gensia Sicor will use commercially reasonable efforts to accommodate SEATTLE GENETICS' requests for units in excess of those set forth in the Master Forecast, provided, however, that no breach of this Agreement shall occur if Gensia Sicor, despite its commercially reasonable efforts, is unable to supply such quantities of Product to SEATTLE GENETICS.

2.5.2 Changes to Specifications or Production Process. In the event that SEATTLE GENETICS proposes any significant change to the Product Specifications or manufacturing Process, SEATTLE GENETICS shall deliver written notice to Gensia Sicor describing such Change. Gensia Sicor shall respond to any such notice within [***] ([***]) [***] after Gensia Sicor's receipt thereof; provided, however, that the Product Specifications or Process shall not be supplemented, modified or amended in any respect without the prior

written agreement of the parties hereto. Gensia Sicor will use commercially reasonable efforts to implement changes. If any change in the Primary Components, Secondary Packaging, Shipping Components, Processes or Product testing Specifications materially increases Gensia Sicor's cost to manufacture, test, or package the Product, Gensia Sicor reserves the right to make reasonable pricing adjustments if needed to accommodate such changes. Prior to initiating any work, Gensia Sicor will provide a scope of work and cost proposal. New pricing will be effective upon implementation of the new specifications.

2.5.3 FDA and Regulatory Support. Gensia Sicor shall provide SEATTLE GENETICS with all documents SEATTLE GENETICS reasonably requests regarding its manufacturing processes and procedures for the Product. Gensia Sicor further agrees to use reasonable commercial efforts to assist SEATTLE GENETICS in obtaining FDA approval of any Investigational New Drug application ("IND") or New Drug Application ("NDA") with respect to the Product. Where practicable and in accordance with the rates set forth on Exhibit B, Gensia Sicor may assist SEATTLE GENETICS in obtaining approvals from other government or regulatory agencies which may be required for the conduct of clinical trials of the Product in other country(ies). Gensia Sicor specifically agrees to cooperate with the FDA or other regulatory agencies, including but not limited to any inspection prior to approval of any IND or NDA.

2.5.4 Gensia Sicor shall provide SEATTLE GENETICS with samples of the Product and isolated intermediates for the period of time and in quantities set forth in the Quality Understanding Document and any Purchase Orders attached hereto. SEATTLE GENETICS will provide Gensia Sicor with a sampling protocol, which will be mutually approved and become part of the Master Batch record.

2.5.5 Documentation. Gensia Sicor shall keep complete, accurate and authentic accounts, notes, data and records of the work performed under this Agreement. Each party shall maintain complete and adequate records pertaining to the methods and facilities used for the manufacture, processing, testing, packing, labeling, holding and distribution of the Product in accordance with the Quality Understanding Document and any applicable regulations in the United States so that the Product may be used in humans.

ORDER POSTPONEMENT AND CANCELLATION

2.6 Cancellation or Postponement of Manufacturing. Prior to the Date of Manufacture as communicated to SEATTLE GENETICS pursuant to Section 2.1.7, SEATTLE GENETICS may cancel or postpone any or all outstanding Purchase Orders pursuant to this Section 2.6. In the event of postponement, Gensia Sicor shall use commercially reasonable efforts to reschedule the postponed order to a date agreeable to both Parties.

2.6.1 If the Date of Manufacture must be cancelled or postponed by SEATTLE GENETICS for any reason or due to SEATTLE GENETICS' acts or omissions, SEATTLE GENETICS may be charged in accordance with the following:

	Postponement	Cancellation
Notice received less than [***] ([***]) [***] and more than [***] ([***]) [***] from the scheduled Date of Manufacture	$[***]	$[***]
Notice received less than [***] ([***]) [***] from the scheduled Date of Manufacture	$[***]	$[***]

2.6.2 SEATTLE GENETICS shall reimburse Gensia Sicor for work already completed and all non-cancelable commitments incurred by Gensia Sicor, including without limitation all unique supplies and components acquired for SEATTLE GENETICS, in the event of cancellation of any manufacturing run.

2.6.3 If SEATTLE GENETICS does not reschedule the Date of Manufacture to a date within [***] ([***]) [***] of the originally scheduled date, the Purchase Order shall be considered cancelled.

2.6.4 SEATTLE GENETICS may postpone a Date of Manufacture [***] before Gensia Sicor will deem such Batch, and the accompanying Purchase Order, to be cancelled.

2.7 Shortage of Supply. In the event that Gensia Sicor is unable to meet requirements to supply the quantity of Product to SEATTLE GENETICS, Gensia Sicor shall notify SEATTLE GENETICS as promptly as possible. Gensia Sicor shall implement reasonable commercial measures to remedy such shortage.

ARTICLE III
SUPPLY AND OWNERSHIP OF MATERIALS

3.1 API Supply. SEATTLE GENETICS, or a supplier designated by SEATTLE GENETICS, shall supply to Gensia Sicor all APIs and API Reference Standards necessary to manufacture and test the Product, unless otherwise mutually agreed. SEATTLE GENETICS shall provide APIs and API Reference Standards to Gensia Sicor at no charge at least [***] ([***]) [***] prior to any scheduled manufacture of Product. With each delivery of APIs, SEATTLE GENETICS shall provide to Gensia Sicor a Certificate of Analysis indicating conformance to the API specifications. In the event that SEATTLE GENETICS fails to deliver the quantity of conforming APIs,

pursuant to this Section 3.1, required for Gensia Sicor to fulfill its obligations hereunder, then Gensia Sicor shall not be obligated to meet scheduled delivery dates.

3.1.1 All shipping costs related to the procurement and transfer of APIs to Gensia Sicor will be the sole responsibility of SEATTLE GENETICS.

3.2 Labels and Packaging Materials. Primary packaging and labeling units costs for clinical product are included in the per unit charge set forth in Exhibit B. Should SEATTLE GENETICS request Gensia Sicor to design packaging or labeling materials, all costs associated with such activities shall be invoiced to SEATTLE GENETICS as set forth on Exhibit B, section III. Labeling and packaging approved by SEATTLE GENETICS shall be the only such labeling and packaging used by Gensia Sicor with Product, provided all labels and package inserts shall be developed in accordance with Gensia Sicor's guidelines with regard to physical dimensions and handling procedures.

3.3 Excipients and Test Materials. Gensia Sicor shall provide all Excipients (including, but not limited to, water-for-injection and all other formulation materials used in the production of Product) and other manufacturing and test materials, in accordance with the specifications set forth in the Master Batch Record.

3.4 Gensia Sicor Testing. Gensia Sicor will test the in-process intermediates of the Product and the final Product per the testing specifications as set forth on Exhibit C, as may be amended from time to time upon mutual agreement of the parties, and provide SEATTLE GENETICS with appropriate documentation. Additional testing requested by SEATTLE GENETICS and performed by Gensia Sicor shall be invoiced to SEATTLE GENETICS at a price calculated using the rates set forth in Exhibit B, attached hereto.

3.5 Quality Understanding.

3.5.1 Quality Understanding Document. As soon as practicable after execution of this Agreement, the parties will develop and agree upon the Quality Understanding Document, the format and content of which is to be agreed upon in writing by the parties, which will be attached to this Agreement as Exhibit E.

3.5.2 Quality Control Sample. Prior to the delivery of any Batch of the Product, Gensia Sicor shall provide SEATTLE GENETICS with: (i) a quality control sample of such Batch for the purpose of confirming that such Batch meets the Manufacturing Standards; (ii) a copy of the Batch Record for such Batch, together with written confirmation that such Batch Record has been reviewed and approved by Gensia Sicor's Quality Assurance unit; and (iii) a Certificate of Analysis. The size of the quality control sample(s) for each Batch of Product shall be specified in the Master Batch Record. No delivery of any Batch of the Product shall be made until SEATTLE GENETICS accepts or is deemed to have accepted the quality control sample(s) and associated documentation in accordance with the provisions of Section 3.6.

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3.6 Inspection, Rejection of Shipment

3.6.1 SEATTLE GENETICS shall conduct release testing on quality control samples obtained from each Batch of Product shipped by Gensia Sicor hereunder to confirm that such quality control samples conform to the Manufacturing Standards. SEATTLE GENETICS shall authorize the release of each Batch for shipment by the later of: (a) [***] ([***]) [***] after SEATTLE GENETICS' receipt of the quality control samples for such Batch; or (b) [***] ([***]) [***] after SEATTLE GENETICS' receipt of the Batch Record for such Batch. If any of SEATTLE GENETICS' internal assays reveal that a quality control sample does not conform to the Manufacturing Standards, SEATTLE GENETICS may, in its sole

discretion, by written notice to Gensia Sicor (a "Notice of Rejection/Nonconformance") either (a) reject the Batch or (b) initiate an investigation into the reasons for the failure to conform to the Manufacturing Standards, during which investigation the time periods set forth in this Section 3.6.1 shall be extended until both parties mutually agree on the cause of the nonconformance.

3.6.2 SEATTLE GENETICS shall be deemed to have accepted delivery of Batch of Product if no Notice of Rejection/Nonconformance is received by Gensia Sicor in accordance with the procedure and time frame described in Section 3.6.1.

3.6.3 Gensia Sicor shall have the right to sample and retest Product or to have an outside laboratory sample and retest Product if SEATTLE GENETICS claims that such Product does not conform to the Manufacturing Standards. Disputes between the parties as to whether any Product rejected by SEATTLE GENETICS conforms to the Manufacturing Standards shall be resolved by a mutually acceptable third party testing laboratory.

3.6.4 Gensia Sicor shall assume no liability for product that fails to conform with the Manufacturing Standards if the Product: (i) has been subjected to misuse, negligence or accident other than by Gensia Sicor or any employee or agent of Gensia Sicor; (ii) has been stored, handled or used by others in a manner contrary to cGMP after delivery to a common carrier; or (iii) nonconformance is attributable to processes, procedures or Product components specified by SEATTLE GENETICS in the Master Batch Record where such processes, procedures or Product components were followed or used by Gensia Sicor in accordance with the Master Batch Record.

3.7 Obsolete Components. SEATTLE GENETICS shall reimburse Gensia Sicor for the actual cost of any obsolete Excipients, Primary Components, Shipping Components, and Secondary Packaging, (plus any related special disposal

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costs) purchased by Gensia Sicor expressly to meet its performance obligations under this Agreement in reliance upon SEATTLE GENETICS' then most recent Forecast. For the purposes of this Section 3.7, an obsolete component is any Excipient, Primary Component, Secondary Packaging, or Shipping Component which cannot be incorporated into the Product due to changes directed by SEATTLE GENETICS or mandated by a regulatory authority, or caused by a cancellation or postponement of manufacturing, and which cannot be reused by Gensia Sicor for another product manufactured for a third party. Once a Component becomes obsolete, Gensia Sicor may invoice SEATTLE GENETICS for the acquisition cost of such obsolete components, which invoice shall identify the Excipients or Components in question and shall be accompanied by a reasonably detailed statement of the cause of such obsolescence.

3.8 Risk of Loss. Risk of loss of APIs, in-process and finished Product held by Gensia Sicor on its premises and in its care, custody and control, shall be with Gensia Sicor until [***]. Notwithstanding the foregoing, Gensia Sicor shall not be liable for loss of APIs, in-process or finished Product when Gensia Sicor is conducting manufacturing operations in accordance with Gensia Sicor's SOPs, cGMP, the Manufacturing Standards and the Master Batch Record.

(a) In the event of a failed Batch, Gensia Sicor shall be liable to SEATTLE GENETICS to the extent that the cause of such a failure is attributable to the negligence or willful conduct of Gensia Sicor. In that case, Gensia Sicor shall, as SEATTLE GENETICS's sole and exclusive remedy for the failed Batch, [***] and SEATTLE GENETICS may choose, at its sole discretion, one of the following two options:

Option 1:

Gensia Sicor will pay SEATTLE GENETICS an amount equal to the [***] of (i) the [***] or (ii) the [***], in each case offset by the amount, if any, that such failure is attributable to the negligence or willful conduct of SEATTLE GENETICS.

Option 2:
Gensia Sicor will use commercially reasonable efforts to remanufacture the Batch as soon as practical, and apply a credit to the invoice for the replacement Batch in an amount that is the [***] of (i) the [***] or (ii) the [***], in each case offset by the amount, if any, that such failure is attributable to the negligence or willful conduct of SEATTLE GENETICS.

(b) In the event that a batch of Compounded Bulk is found not to conform with the bulk release specification set forth in the Manufacturing Standards prior to initiation of the fill, Gensia Sicor, upon explicit instructions provided by SEATTLE GENETICS, shall initiate one or more remedial steps in an attempt to bring the Compounded Bulk into specification. Should these remedial steps fail to bring the Compounded Bulk into specification SEATTLE GENETICS may direct GENSIA SICOR to terminate the manufacturing process at this stage. In the event the manufacturing process is terminated prior to fill, Gensia Sicor shall invoice SEATTLE GENETICS for [***] if the [***]. If the [***] shall be submitted to SEATTLE GENETICS.

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(c) In the event of loss of APIs prior to the start of the manufacturing process Gensia Sicor shall be liable to SEATTLE GENETICS [***]. In that case, Gensia Sicor shall, as SEATTLE GENETICS' sole and exclusive remedy for the lost APIs, pay to SEATTLE GENETICS an amount that is the [***] of (i) the [***] or (ii) the [***], in each case offset by the amount, if any, that such failure is attributable to the negligence of willful conduct of SEATTLE GENETICS.

3.9 Exceptions. Gensia Sicor shall not be liable for loss of APIs, formulated bulk, WIP, or Product; (i) resulting from an event of force majeure pursuant to Section 9.2; (ii) caused by SEATTLE GENETICS' negligence or willful misconduct; or (iii) occurring while Gensia Sicor is actually conducting manufacturing operations in accordance with Gensia Sicor's SOPs, cGMP, the Manufacturing Standards and the Master Batch Record.

ARTICLE IV
DELIVERY AND PAYMENT TERMS

4.1 Price. The price and delivery terms for Product and services rendered during the term of this Agreement are set forth in Exhibit B hereto.

4.2 Finished Product Disposition

4.2.1 In accordance with Section 3.6., upon Batch Release by SEATTLE GENETICS, the Product shall be shipped F.O.B. Gensia Sicor's plant in Irvine, California in accordance with the instructions on the applicable Purchase Order and the terms of this Agreement. A Certificate of Analysis shall accompany each Batch of Product shipped. In no event shall Gensia Sicor be required to ship any Batch prior to the SEATTLE GENETICS Batch Release date.

4.2.2 Delivery of the Product by Gensia Sicor to SEATTLE GENETICS shall be deemed to have taken place upon delivery at the Facility to the common carrier designated by SEATTLE GENETICS in the applicable Purchase Order (or, if none, a common carrier reasonably selected by Gensia Sicor and approved in writing by SEATTLE GENETICS). Gensia Sicor will not be liable for loss or damage to the Product resulting from [***].

4.2.3 All shipping costs related to the distribution of finished

dosage Product to a designated recipient, including but not limited to all actual freight costs, taxes, duties, import or export fees, transport fees, shipping documentation, will be the sole responsibility of SEATTLE GENETICS. Such charges will be invoiced upon occurrence.

4.3 Shipment Under Quarantine. At SEATTLE GENETICS' discretion and with Gensia Sicor's consent, SEATTLE GENETICS may authorize a shipment of Product

under quarantine. If the Product fails testing, due to the fault of Gensia Sicor, the cost of shipping the Product back to Gensia Sicor shall be borne by Gensia Sicor. If the Product fails testing due to the fault of SEATTLE GENETICS, the cost of shipping the Product back to Gensia Sicor shall be borne by SEATTLE GENETICS.

4.4 Storage.

4.4.1 Storage of API. At any one time Gensia Sicor will store API, in quantities not to exceed that sufficient for the manufacture of two forecasted Batches, at no charge, subject to increase upon mutual agreement of the parties.

4.4.2 Storage of Finished Product. Gensia Sicor will store the Product at no charge for up to [***] ([***]) [***] following SEATTLE GENETICS' Batch Release. In the event that SEATTLE GENETICS requires a delay in shipment of finished Product and SEATTLE GENETICS communicates such change in writing prior to Gensia Sicor Batch Release, Gensia Sicor will either disposition the Product to a SEATTLE GENETICS specified public pharmaceutical warehouse or, as space permits, store the finished Product and invoice SEATTLE GENETICS for the Batch(s). In the event that Gensia Sicor stores Product for more than [***] ([***]) [***] following SEATTLE GENETICS Batch Release, Gensia Sicor shall charge SEATTLE GENETICS according to the rates set forth on Exhibit B.

4.5 Payment.

4.5.1 Gensia Sicor shall invoice SEATTLE GENETICS upon the later of: (i) Gensia Sicor's issuance of a Batch Record to SEATTLE GENETICS with respect to a Batch, or (ii) SEATTLE GENETICS' acceptance of such Batch. Except as otherwise provided in this Agreement, all invoices shall be due and payable net [***] ([***]) [***] from the date of the invoice. A late payment service charge of [***] per month (or the highest amount permitted by law, if lower than [***]) shall be paid on all amounts that are past due more than [***] ([***]) [***] from the date of invoice.

4.5.2 SEATTLE GENETICS shall pay Gensia Sicor the invoiced amount for Batch Processing Charges of each conforming Batch of Product pursuant to Exhibit B hereto. In addition, SEATTLE GENETICS shall pay Gensia Sicor for any other services rendered (as agreed in advance between the Parties in writing) at the rates set forth on Exhibit B. Gensia Sicor shall invoice SEATTLE GENETICS for such tasks and activities promptly after completion, and such invoices shall be payable [***] ([***]) [***] after the issuance of such invoice.

4.5.3 SEATTLE GENETICS shall make payment to Gensia Sicor in US dollars only within [***] ([***]) [***] of the date of invoice, either by check or by wire transfer to the bank account set forth below, unless otherwise agreed in writing by the Parties.

Bank: Bank of America

450 B. Street, Suite 100

San Diego, CA 92101

Routing No.: 121000358

Account Name: Gensia Sicor Pharmaceutical Sales, Inc.

Account No.: 14590-10560

Swift/Sort Code: BofAUS6S

4.6 Taxes. Any federal, state, county or municipal sales or use tax, excise or similar charge, or other tax assessment (other than that assessed against Gensia Sicor's revenue or income), assessed or charged on the contract manufacture of Product pursuant to this Agreement, shall be paid by SEATTLE GENETICS.

ARTICLE V
TERM

5.1 Term. This Agreement shall commence as of the Effective Date and shall continue a period of five (5) years from the Effective Date, unless earlier terminated pursuant to this Article V (the "Term").

5.2 Termination.

5.2.1 Termination for Breach.

This Agreement may be terminated by either party upon [***] ([***]) [***] written notice, if the other party is in material breach with respect to the performance of any material condition or obligation under this Agreement and fails to cure such breach within [***] ([***]) [***] after receipt of notice thereof.

5.2.2 Termination for Bankruptcy.

This Agreement may be terminated by either party, forthwith, or at any time thereafter by notice to the other if the other becomes bankrupt or insolvent, or enters into liquidation whether compulsorily or voluntarily, or convenes a meeting of its creditors, or has a receiver appointed over all or part of its assets, or ceases for any reason to carry on business.

5.2.3 Termination for Force Majeure.

This Agreement may be terminated by a party, upon [***] ([***]) [***] written prior notice in the event of the other party's inability to substantially perform its obligations hereunder for more than [***] ([***]) [***] due to an event of force majeure as defined in Section 10.2 herein.

[***] Confidential treatment requested

5.2.4 Termination for [***].

In the event that SEATTLE GENETICS elects to [***] as a result of [***], SEATTLE GENETICS may terminate this Agreement with [***] ([***]) [***] written notice to Gensia Sicor, provided that the [***].

5.3 Accrued Liabilities. Termination of this Agreement for any reason shall not discharge either party's liability for obligations incurred hereunder and amounts unpaid at the time of such termination. SEATTLE GENETICS shall pay Gensia Sicor for any non-cancelable commitments and Work in Process and Materials (supplied by Gensia Sicor) that were to be used in the manufacture of Product hereunder and that are in Gensia

Sicor's possession or on order upon termination of the Agreement. All Materials, Work in Process and finished goods of Product ordered by SEATTLE GENETICS in Gensia Sicor's possession shall be returned to SEATTLE GENETICS. In addition, the provisions of Articles I, VII, VIII and IX and Sections 2.1.1, 2.2.5, 2.2.6, 2.3, 2.5.3, 2.5.5, 5.3, 5.4, 6.3, 6.4, 6.5 and 6.6 shall survive termination or expiration of this Agreement. Gensia Sicor's obligations to maintain and provide records and cooperate with SEATTLE GENETICS in connection with quality assurance and regulatory issues, shall survive the termination or expiration of this Agreement for a period ending on the earlier of (a) [***] ([***]) [***] or (b) [***], with such support to be provided to SEATTLE GENETICS at the labor rates set forth in Exhibit B.

5.4 Property.

5.4.1 In addition to the other obligations of the parties hereunder, each party shall return to the other party or to the other party's designee no later than [***] ([***]) [***] after the effective date of termination all of such other party's property, including, but not limited to, all proprietary information, in its possession, except to the extent required to be retained by law or to comply with such party's continuing obligations hereunder. In addition, Gensia Sicor shall reasonably assist SEATTLE GENETICS with respect to transfer or disposition of Equipment, at the labor rates set forth in Exhibit B.

5.4.2 All Bulk Active Pharmaceutical Ingredients, Raw Materials, Components, Containers, and Labeling not necessary to complete Work In Progress (if such Work in Process has not been duly canceled by SEATTLE GENETICS) shall, at SEATTLE GENETICS' option, either be disposed of by Gensia Sicor in accordance with all applicable federal, state, and local laws and regulations or returned to SEATTLE GENETICS at SEATTLE GENETICS' expense in accordance with SEATTLE GENETICS' instructions.

5.5 No Waiver. The failure of either party to terminate this Agreement by reason of the breach of any of its provisions by the other party shall not be construed as a waiver of the rights or remedies available for any subsequent breach of the terms and provisions of this Agreement.

[***] Confidential treatment requested

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

6.1 Each party hereby represents and warrants to the other party as follows:

6.1.1 Existence and Power. Such party (a) is duly organized, validly existing and in good standing under the laws of the state in which it is organized; (b) has the power and authority and the legal right to own and operate its property and assets, to lease the property and assets it operates under lease, and to carry on its business as it is now being conducted; and (c) is in compliance with all requirements of applicable law, except to the extent that any noncompliance would not materially adversely affect such party's ability to perform its obligations under the Agreement.

6.1.2 Authorization and Enforcement of Obligations. Such party (a) has the power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder and thereunder and (b) has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of such party, and constitutes a legal, valid, binding obligation, enforceable against such party in accordance with its terms.

6.1.3 No Consents. All necessary consents, approvals and authorizations of all governmental authorities and other persons required to be obtained by such party in connection with the Agreement have been obtained, except for those which cannot be obtained prior to the filing of an IND or NDA with respect to the Product.

6.1.4 No Conflict. The execution and delivery of this Agreement and the performance of such party's obligations hereunder and thereunder do not (a) conflict with or violate any requirement of applicable laws or regulations or any material contractual obligation of such party and (b) materially conflict with, or constitute a material default or require any consent under, any material contractual obligation of such party. Gensia Sicor shall not in any event enter into any agreement or arrangement with any other party that would prevent or in any way interfere with Gensia Sicor's obligations pursuant to this Agreement.

6.2 Adulteration and Misbranding. Gensia Sicor warrants that Product delivered to SEATTLE GENETICS pursuant to this Agreement shall, at the time of delivery not be adulterated or misbranded within the meaning of the Federal Food, Drug and Cosmetic Act, (the "Act") as amended, or within the meaning of any applicable state or municipal law in which the definitions of adulteration and misbranding are substantially the same as those contained in the Act, as the Act and such laws are constituted and effective at the time of delivery, and will not be an article which may not, under the provisions of Sections 404 and 505 of the Act, be introduced into interstate commerce.

[***] Confidential treatment requested

6.3 Conformance to Product Specifications. Gensia Sicor warrants that Product delivered to SEATTLE GENETICS pursuant to this Agreement shall conform to the Manufacturing Standards and that such Product shall (i) be free from defects in material and workmanship, (ii) be manufactured in accordance with cGMP and all applicable FDA and other rules and regulations of the United States and (iii) be manufactured in accordance with Section 3.1 hereof. GENSIA SICOR MAKES NO OTHER WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE PRODUCT. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE HEREBY DISCLAIMED BY GENSIA SICOR. EXCEPT AS SET FORTH IN ARTICLE VII, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR INDIRECT, INCIDENTAL OR COMMERCIAL CONSEQUENTIAL DAMAGES.

6.4 DISCLAIMER. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, GENSIA SICOR AND SEATTLE GENETICS MAKE NO REPRESENTATIONS AND EXTEND NO WARRANTIES OF ANY KIND, EITHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING BUT NOT LIMITED TO WARRANTIES OF DESIGN, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, OR ARISING FROM A COURSE OF DEALING OR USAGE OF TRADE PRACTICE.

6.5 Exceptions. The warranties set forth in Sections 6.2 and 6.3 herein shall not apply to any Product which: (i) has been tampered with or otherwise altered other than by Gensia Sicor or any employee or agent of Gensia Sicor; (ii) has been subjected to misuse, negligence or accident other than by Gensia Sicor or any employee or agent of Gensia Sicor; (iii) has been stored, handled or used by others in a manner contrary to current good manufacturing practices or similar requirements after shipment to SEATTLE GENETICS; or (iv) has expired its stated shelf life, provided that no more than [***] ([***]) [***] of the total approved shelf life for each dosage form of Product had expired upon delivery of such Product to SEATTLE GENETICS.

6.6 Licensing. Gensia Sicor represents and warrants that it has obtained and will maintain on a current basis and will comply with all licenses, permits and approvals of applicable governmental agencies as may be required to manufacture, test and store the Product pursuant to this Agreement and perform its other obligations hereunder. Gensia Sicor shall be responsible for obtaining and maintaining licenses and permits for manufacture, testing and storage of the Product and ensuring that

its facilities used in the manufacture of the Product meet cGMPs in all respects.

6.7 Compliance with Laws. Gensia Sicor represents and warrants that it shall comply in all respects with all United States federal, state, provincial, local and foreign laws, regulations and other requirements applicable to the manufacture, testing, handling, transportation, storage and disposal of the Product and the performance of Gensia Sicor's obligations under this Agreement. Gensia Sicor shall have sole responsibility for adopting and enforcing safety procedures for the handling and manufacture of the Product at its facilities and the proper handling and proper

disposal of waste relating thereto. SEATTLE GENETICS shall provide Gensia Sicor with written notice of any additional laws and regulatory requirements of countries other than the United States that relate to the manufacture of the Product for such other countries. Gensia Sicor shall use reasonable commercial efforts to comply with such additional laws and requirements, and shall provide SEATTLE GENETICS with prompt written notice of whether Gensia Sicor is able to do so. All reasonable expenses incurred by Gensia Sicor to comply with additional laws and regulatory requirements related to the Product will be borne exclusively by SEATTLE GENETICS, at the rates set forth in Exhibit B.

ARTICLE VII
INDEMNIFICATION

7.1 By SEATTLE GENETICS. SEATTLE GENETICS shall be solely responsible for and shall defend, indemnify and hold Gensia Sicor harmless from and against all damages attributable to personal injury suffered or incurred by anyone (including any of Gensia Sicor's employees) and property damages of any third party to the extent caused by: (i) defects in the Product; (ii) failure by SEATTLE GENETICS to comply with the Act and the regulations thereunder; (iii) failure to provide warnings as required by law; (iv) the handling, transfusion, perfusion, injection or other use of the Product; (v) any willful act or omission or negligence of SEATTLE GENETICS or its employees, agents or other contractors in work performed in the production of the Product, except to the extent that such claims, suits, losses, damages, costs, fees or expenses arise or result from breach of Gensia Sicor's warranties hereof or from any negligent or intentionally wrongful act or omission of Gensia Sicor.

7.2 By Gensia Sicor. Gensia Sicor shall be solely responsible for and shall defend, indemnify and hold SEATTLE GENETICS harmless from and against all damages attributable to personal injuries suffered or incurred by anyone (including any of SEATTLE GENETICS' employees) and property damages of any third party to the extent caused by: (i) a nonconformity of Product with the warranties under Sections 6.1, 6.2 and 6.3 hereof; (ii) Gensia Sicor's failure to comply with the Manufacturing Standards; (iii) any willful act or omission or negligence of Gensia Sicor or its employees, agents or other contractors in the manufacturing and testing of the Product; or (iv) failure of Gensia Sicor to comply with the Act and the regulations thereunder in the production of Product, except to the extent that such claims, suits, losses, damages, costs, fees or expenses arise or result from breach of SEATTLE GENETICS' warranties hereof or from any negligent or intentionally wrongful act or omission of SEATTLE GENETICS.

7.3 Patent Indemnification. SEATTLE GENETICS shall defend, indemnify and hold Gensia Sicor and its employees, servants and agents harmless from and against any and all claims, demands, actions, suits, losses, damages, costs, expenses (including reasonable attorney's fees), and liabilities which Gensia Sicor may incur, suffer or be required to pay by reason of any patent infringement suit brought against Gensia Sicor because of Gensia Sicor's

manufacture of Product

to the extent that the alleged infringement arose out of or related to Gensia Sicor's use of processes, compounds or other products the rights to which are claimed to be owned by SEATTLE GENETICS.

7.4 Notice and Assistance. No indemnity under this Article VII shall be applicable unless the indemnified party gives the indemnifying party prompt notice of any claim, suit, or action brought against the indemnified party and allows the indemnifying party to defend the same (without prejudice to the right of the indemnified party to participate at its expense through counsel of its own choosing) and renders the indemnifying party all assistance reasonably necessary in defending against such claim, suit, or action. No party shall be required to pay over to another amounts called for under this Article VII until the final resolution of the claim, action, suit or proceeding from which the right to such payment arose.

ARTICLE VIII
CONFIDENTIALITY

8.1 Generally. Each Party acknowledges that the Disclosing Party is in possession of Confidential Information relating to its products and technologies and such Confidential Information is the exclusive and confidential property of the Disclosing Party; and, except as otherwise expressly set forth herein, the Recipient shall have no rights or claims to such property. Confidential Information of the Disclosing Party shall be held in confidence by the Recipient and not disclosed to any person other than employees of the Recipient or its Affiliates or contractors or consultants retained by the Recipient or its Affiliates, in each case who are bound by duties of confidentiality substantially similar to those set forth in this Article VIII, except upon prior written consent, and shall not be used by the Recipient for any purpose except for development and manufacture of Seattle Genetics' products. The Receiving Party shall use the strictest standard of care that is practical to ensure that such employees, contractors and consultants do not disclose or make any unauthorized use of Confidential Information. The Receiving Party shall promptly notify the Disclosing Party upon discovery of any unauthorized use or disclosure of the Confidential Information. Confidential Information shall not include, and the obligations of confidentiality and use shall not apply to, disclosed information that:

(i) is or becomes publicly available through no fault of the Recipient or its individual employees, agents or members amounting to a breach hereof;

(ii) is lawfully obtained on a non-confidential basis by the Recipient from a third party who is not obligated to retain such information in confidence

(iii) the Recipient can demonstrate, by competent evidence, was known to it or any of its Affiliates without a duty of nondisclosure from a source other than the Disclosing Party or any of its Affiliates prior to the disclosure hereunder.

(iv) the Recipient can demonstrate by its written records is independently developed by employees of the Recipient

or an Affiliate of the Recipient, which employees were neither privy to nor had access to the Confidential Information and which is developed without use in any way of the Confidential Information

(v) must be disclosed to governmental agencies, provided that: 1) this exception shall only apply to disclosure to such agencies, and not to any other person or entity; and 2) the disclosing Party (a) shall provide the other Party with prompt notice (including copies of all written requests or demands) of any proposed disclosure to any governmental agency, with an explanation of the Confidential Information of the other Party to be disclosed; and (b) shall cooperate in any lawful effort by the other Party to prevent, limit or restrict disclosure of its Confidential Information to such government agency.

8.2 Termination. Within [***] ([***]) [***] following the termination of any agreement between the Parties hereto with respect to the subject matter Recipient agrees to promptly return all tangible items relating to the Confidential Information, including all written material, photographs, models, compounds, compositions and the like made available or supplied by the Disclosing Party to Recipient, and all copies thereof, upon the request of the Disclosing Party. Recipient further agrees to identify those persons to whom the Confidential Information that is the subject of this Agreement was disclosed upon request of the Disclosing Party.

ARTICLE IX
GENERAL PROVISIONS

9.1 Choice of Law. This Agreement shall be governed and interpreted, and all rights and obligations of the parties shall be determined, in accordance with the laws of the State of California.

9.2 Force Majeure. Neither Gensia Sicor nor SEATTLE GENETICS shall be deemed to be in default nor be liable for loss, damage, or delay in performance, when and to the extent due to causes beyond its reasonable control or from fire, earthquake, strike, labor difficulties, insurrection or riot, embargo, utility or power failure, unforeseen mechanical failure, or any other unforeseeable cause or causes beyond the reasonable control and without the fault or negligence of the party so affected, or from defects or delays in the performance of its suppliers or subcontractors due to any of the foregoing enumerated causes.

9.3 Notices. All notices, requests, demands, waivers, consents, approval or other communications to any party hereunder shall be in writing and shall be deemed to have been duly given if delivered personally to such party or sent to such party by telegram or telex or by registered or certified mail, postage prepaid, to its address as shown below:

SEATTLE GENETICS:
Seattle Genetics, Inc.
21823 30/th/ Drive SE
Bothell, WA 98102
Attention: Chief Executive Officer
Facsimile: (425) 527-4109

Copy to:
Seattle Genetics, Inc.
21823 30/th/ Drive SE
Bothell, WA 98102
Attention: General Counsel
Facsimile: (425) 527-4109

Gensia Sicor:
Gensia Sicor Pharmaceutical Sales, Inc.

19 Hughes
Irvine, CA 92618-1902
Attention: Vice President, Business Development
Facsimile: 949/457-2852

Copy to: Gensia Sicor Pharmaceuticals, Inc.
19 Hughes
Irvine, CA 92618-1902
Attention: General Counsel
Facsimile: 949/455-4744

or to such other address as the addressee may have specified in a notice duly given to the sender as provided herein. Such notice, request, demand, waiver, consent, approval or other communications will be deemed to have been given as of the date so delivered, telegraphed, telexed, or five (5) days after so mailed.

9.4 Severability. In the event that any provision of this Agreement that is not a material part of the consideration thereof shall be found in any jurisdiction to be illegal or unenforceable in law or equity, such finding shall in no event invalidate any other provision of this Agreement in that jurisdiction, and this Agreement shall be deemed amended to the minimum extent required to comply with the law of such jurisdiction.

9.5 Entire Agreement. This Agreement sets forth the entire agreement reached between the parties hereto with respect to the transactions contemplated hereby and may not be amended or modified except by written instrument duly executed by both parties. Any and all previous agreements and understandings between the parties regarding the subject matter hereof, whether written or oral, are superseded by this Agreement. The failure of either party hereto to enforce at any time, or for any period of time, any provision of this Agreement shall not be construed as a waiver of such provision or of the right of such party thereafter to enforce each and every provision.

[***] Confidential treatment requested

9.6 Assignment, Binding Effect. Neither party shall assign this Agreement, by operation of law or otherwise, except to an affiliate of such party, without the prior written consent of the other party, which consent shall not be unreasonably withheld, and any such attempted assignment without such consent shall be void; provided that either party may assign this Agreement without the other party's consent to a successor entity in connection with a merger, acquisition or sale of all or substantially all of such party's assets. No assignment shall be effective until the assignee shall have unconditionally assumed in writing all of the assignor's obligations hereunder and a written notice of such assignment is given to all the other parties. When duly assigned in accordance with the foregoing, this Agreement shall be binding upon and inure to the benefit of the assignee.

9.7 Independent Contractor. Each party shall be and shall endeavor to act as the independent contractor of the other party. Neither party shall be the legal agent of the other for any purpose whatsoever and therefore has no right or authority to make or underwrite any promise, warranty or representation, to execute any contract or otherwise to assume any obligation or responsibility in the name of or on behalf of the other party, except to the extent specifically authorized in writing by the other party. Neither of the parties hereto shall be bound by or liable to any third persons for any act or for any obligation or debt incurred by the other toward such third party, except to the extent specifically agreed to in writing by the party so to be bound.

9.8 Headings. All section headings contained in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

9.9 Other Terms. Parties agree to such other Product specific terms and conditions as set forth in Exhibits A through E.

9.10 Insurance. Gensia Sicor shall maintain, at its expense, (a) not less than $[***] of property insurance covering all bulk, finished or in-process inventory of in-process or finished Product while on Gensia Sicor's premises or under Gensia Sicor's control and (b) not less than $[***] of products liability insurance, on an aggregate and per incident basis. Such property insurance shall be in the form of an "all risks" policy and shall include earthquake damage insurance. Gensia Sicor shall name SEATTLE GENETICS as an additional insured on (a) Gensia Sicor's property insurance policy and (b) Gensia Sicor's products liability insurance policy, but only with respect to those claims for which Gensia Sicor is required to indemnify SEATTLE GENETICS under Article VIII hereof. Upon, request, Gensia Sicor will provide to SEATTLE GENETICS certificates of insurance. All insurance required under this Agreement shall be maintained during the Term, and SEATTLE GENETICS shall be notified promptly of any cancellation or notice of cancellation received in connection with such insurance polices. Notwithstanding the foregoing, Gensia Sicor shall be obligation to maintain all products liability insurance obtained by it pursuant to this Section 9.10 during the Term and for a period of [***] ([***]) [***] following expiration or termination of this Agreement, and SEATTLE GENETICS shall be notified promptly of any cancellation or notice of cancellation received in

connection with such insurance policy. SEATTLE GENETICS shall maintain, at its expense, not less than $[***] of commercial general liability insurance, on an aggregate and per incident basis. SEATTLE GENETICS shall name Gensia Sicor as an additional insured on SEATTLE GENETICS' commercial general liability insurance policy, but only with respect to those claims for which SEATTLE GENETICS is required to indemnify Gensia Sicor under Article VIII hereof. Upon request, SEATTLE GENETICS will provide to Gensia Sicor certificates of insurance. All insurance required under this Agreement shall be maintained during the Term, and Gensia Sicor shall be notified promptly of any cancellation or notice of cancellation received in connection with such insurance polices. Notwithstanding the foregoing, SEATTLE GENETICS shall be obligation to maintain all commercial general liability insurance obtained by it pursuant to this Section 9.10 during the Term and for a period of [***] ([***]) [***] following expiration or termination of this Agreement, and Gensia Sicor shall be notified promptly of any cancellation or notice of cancellation received in connection with such insurance policy.

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

SEATTLE GENETICS, INC.		GENSIA SICOR PHARMACEUTICALS, INC.	
By:	/s/ Clay Siegall	By:	/s/ Armand J. LeBlanc
Name:	Clay B. Siegall	Name:	Armand J. LeBlanc
Title:	President and CSO	Title:	President
Date:	10-10-02	Date:	10-9-02

GENSIA SICOR PHARMACEUTICAL SALES, INC.

By: /s/ Armand J. LeBlanc

Name: Armand J. LeBlanc
Title: President
Date: 10-09-02

Exhibit 10.28

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 27th day of November, 2002 (the "Effective Date"), by and between SEATTLE GENETICS, INC., a Delaware corporation ("Company"), and H. PERRY FELL ("Executive").

RECITALS:

A. The Company and Executive previously entered into an Executive Employment Agreement dated as of October 25, 2001.

B. Effective as of the Effective Date, Executive is resigning as the Company's Chief Executive Officer, but the Company desires that Executive continue his services as Chairman of the Board and Chief Strategy Officer of the Company, having been duly appointed to such positions by the Board of Directors of the Company.

C. Executive desires to continue in such engagement.

D. This Agreement contains other provisions applicable to the continued employment of Executive by the Company as Chairman of the Board and Chief Strategy Officer.

In consideration of the above Recitals and the provisions of this Agreement, the Company and Executive agree as follows:

I. DUTIES

1.1 Title and Responsibilities. As of the Effective Date, Executive hereby resigns as Chief Executive Officer of the Company. Executive and the Company agree that Executive shall continue to serve as Chairman of the Board and Chief Strategy Officer of the Company. Executive's responsibilities and duties shall include those inherent in Executive's position with the Company and shall further include such other managerial responsibilities and executive duties consistent with such position as may be assigned to him from time to time by the Board of Directors of the Company. Executive shall devote his best efforts and full business time to the business and interests of the Company. During the term of his employment with the Company, Executive may serve on the board of directors of other companies, manage personal investments, and engage in civic and charitable activities, provided that such activities shall not represent a conflict of interest with the Company and do not materially detract from fulfilling Executive's responsibilities and duties to the Company.

1.2 Board of Directors. The Board of Directors of the Company shall take whatever steps are necessary to continue to nominate Executive for election to the Board of Directors of the Company in every election of Executive's class of directors presented to stockholders following execution of this Agreement.

II. COMPENSATION

2.1 Base Salary. Executive shall continue to be paid a base salary ("Base Salary") by the Company during the term of Executive's employment with the Company at his current rate. Executive's Base Salary shall be reviewed annually by the Board of Directors and evaluated based on performance and salary levels of other executives of comparable position within the industry and geographic location of the Company. Based upon such evaluation and review, Executive's Base Salary may be increased from time to time as determined by the Board of Directors of the Company in its sole discretion.

2.2 Bonus. In addition to Base Salary, Executive may receive an annual bonus ("Bonus") based upon performance criteria and financial and operational results of the Company as determined by the Board of Directors of the Company.

2.3 Stock Options. Executive may be eligible to receive additional grants of stock options or purchase rights from time to time in the future, on such terms and subject to such conditions as the Board of Directors shall determine as of the date of any such grant and pursuant to the existing stock plans of the Company.

2.4 Other Benefits.

(i) Executive shall be entitled to such employee benefits generally available to the full-time salaried employees of the Company, including without limitation, health insurance, paid vacation of not less than four (4) weeks per year, retirement plans and other similar benefits.

(ii) The Company shall pay or reimburse Executive for all travel and entertainment expenses incurred by Executive in connection with his duties on behalf of the Company, subject to the reasonable approval of the Company. Executive shall only be entitled to reimbursement to the extent that Executive follows the reasonable procedures established by the Company for reimbursement of such expenses which will include, but will not be limited to, providing satisfactory evidence of such expenditures.

III. TERMINATION OF EMPLOYMENT AND SEVERANCE BENEFITS

3.1 Termination of Employment.

(a) Termination of Employment. This Agreement may be terminated upon the occurrence of any of the following events:

(i) The Company's determination in good faith that it is terminating Executive for Cause (as defined in Section 3.3 below) ("Termination for Cause");

(ii) The Company's determination that it is terminating Executive without Cause, which determination may be made by the Company at any time at the Company's sole discretion, for any or no reason ("Termination Without Cause");

(iii) The effective date of a written notice sent to the Company from Executive stating that Executive is electing to terminate his employment with the Company ("Voluntary Termination"); or

(iv) Following Executive's death.

3.2 Severance Benefits. Executive shall be entitled to receive severance benefits upon termination of employment only as set forth in this Section 3.2:

(a) Voluntary Termination, Termination Without Cause and Termination by Reason of Death. If Executive's employment is terminated either (i) under Section 3.1(a)(iii) (Voluntary Termination), (ii) under Section 3.1(a)(ii) (Termination Without Cause) or (iii) under Section 3.1(a)(iv) as a result of Executive's death, Executive or Executive's estate or representative will be entitled to receive payment of severance benefits equal to Executive's regular monthly salary for twelve (12) months (the "Severance Period"). Such payments shall be made, at Employee's or Employee's estate's or representative's option, in a lump sum within thirty (30) days after the effective date of termination or ratably over the Severance Period according to the Company's standard payroll schedule. Executive or Executive's estate or representative will also be entitled to receive payment on the date of termination of any bonus which has been earned under Section 2.2, but not yet paid, and the pro rata portion of any bonus based on achievement of the specific corporate and individual performance targets established for the fiscal year in which the termination occurs. Health insurance benefits with the same coverage provided to Executive prior to the termination (e.g. medical, dental, optical, mental health) and in all other respects significantly comparable to those in place immediately prior to the termination will be provided at the Company's cost over the Severance Period. In addition, the vesting of any unvested stock options or shares of restricted stock held by Executive as of the date of Executive's termination of employment shall accelerate such that the options or restricted securities shall become vested as to an additional twelve (12) months of vesting.

(b) Termination for Cause. If Executive's employment is terminated for Cause, then Executive shall not be entitled to receive payment of any severance benefits. Executive will receive payment(s) for all salary and unpaid vacation accrued as of the date of Executive's termination of employment and Executive's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the

date of termination and in accordance with applicable law.

3.3 Definition of Cause. For purposes of this Agreement, "Cause" for Executive's termination will exist at any time after the happening of one or more of the following events:

(a) An action or omission of the Executive which constitutes a willful and intentional material breach of this Agreement or the Confidentiality Agreement (defined below), including without limitation, Executive's theft or other misappropriation of the Company's proprietary information;

(b) Executive's commitment of fraud, embezzlement, misappropriation of funds or breach of trust in connection with his employment; or

(c) Executive's conviction of any crime which involves dishonesty or a breach of trust, or gross negligence in connection with the performance of the Executive's duties.

IV. CHANGE OF CONTROL

4.1 Accelerated Vesting. In the event of a Change of Control (as defined below), the vesting of all of Executive's stock options or shares of restricted stock then held by Executive at the time of such Change in Control shall be accelerated completely so that one hundred percent (100%) of the shares of Common Stock covered by the stock options or shares of restricted stock are fully vested and exercisable.

For purposes of this Agreement, "Change of Control" shall mean the occurrence of any of the following events: (i) an acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation but excluding any merger effected exclusively for the purpose of changing the domicile of the Company), or (ii) a sale of all or substantially all of the assets of the Company (collectively, a "Merger"), so long as in either case the Company's stockholders of record immediately prior to such Merger will, immediately after such Merger, hold less than 50% of the voting power of the surviving or acquiring entity.

V. RESTRICTIVE COVENANTS

5.1 Confidentiality Agreement. Executive shall sign, or has signed the Company's form of Proprietary Information and Inventions Agreement (the "Confidentiality Agreement") substantially in the form attached hereto as Exhibit A. Executive hereby represents and warrants to the Company that he has complied with all obligations under the Confidentiality Agreement and agrees to continue to abide by the terms of the Confidentiality Agreement and further agrees that the provisions of the Confidentiality Agreement shall survive any termination of this Agreement or of Executive's employment relationship with the Company, including the noncompetition provisions of the Confidentiality Agreement in Sections 11 and 12 thereof.

VI. OTHER PROVISIONS

6.1 Limitation on Stock Option Acceleration Benefits. In the event that any stock option acceleration benefits provided for in this Agreement to Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) but for this Section 6.1, would be subject to the excise tax imposed by Section 4999 of the Code, then Executive's acceleration benefits under Section 3.2(b) shall be payable either:

(a) in full, or

(b) as to such lesser amount which would result in no portion of such benefits being subject to excise tax under Section 4999 of the Code,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on

an after-tax basis, of the greatest amount of benefits under Section 3.2(b) notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. Unless the Company or Executive otherwise agree in writing, any determination required under this Section 6.1 shall be made in writing by independent public accountants appointed by Employee and reasonably acceptable to the Company (the "Accountants"), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section 6.1, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 6.1. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 6.1.

6.2 Indemnification. The Company hereby agrees to indemnify and hold the Executive harmless, to the fullest extent permitted by law and as set forth in the Amended and Restated Certificate of Incorporation of the Company, from and against any expenses, including legal fees, and all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings to which the Executive is made, or threatened to be made, a party by reason of the fact the Executive is or was a director or officer of the Company.

6.3 Entire Agreement. This Agreement contains the entire agreement and understanding of the parties with respect to Executive's employment by the Company and compensation payable to Executive by the Company and supersedes all prior understandings, agreements and discussions. This Agreement may only be amended or modified by a written instrument executed by Executive and the Chairman of the Board of the Company pursuant to authorization by the Board of Directors.

6.4 Notices. Any and all notices permitted or required to be given under this Agreement must be in writing. Notices will be deemed given (i) on the first business day after having been sent by commercial overnight courier with written verification of receipt, or (ii) on the third business day after having been sent by registered or certified mail from a location on the United States mainland, return receipt requested, postage prepaid, whichever occurs first, at the address set forth below or at any new address, notice of which will have been given in accordance with this Section 6.4:

If to the Company: Seattle Genetics, Inc.
21823 30th Dr. SE
Bothell, WA 98021
Attn: Chief Executive Officer

with a copy to: General Counsel

If to Executive: H. Perry Fell
c/o Seattle Genetics, Inc.
21823 30th Dr. SE
Bothell, WA 98021

6.5 Non-Waiver. Failure to enforce at any time any of the provisions of this Agreement shall not be interpreted to be a waiver of such provisions or to affect either the validity of this Agreement or the right of either party thereafter to enforce each and every provision of this Agreement.

6.6 Separability. If one or more provisions of this Agreement is finally determined to be invalid or unenforceable, such provision will not affect or impair the other provisions of this Agreement, all of which will continue to be in effect and will be enforceable, provided, however, that any such invalid provisions shall, to the extent possible, be reformed so as to implement insofar as practicable the intentions of the parties.

6.7 Term. The employment of Executive under this Agreement shall be for an

unspecified term. The Company and Executive acknowledge and agree that Executive's employment is and shall continue to be at-will, as defined under applicable law, and that Executive's employment with the Company may be terminated by either party at any time for any or no reason, and with or without notice. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages award or compensation other than as provided in this Agreement.

6.8 Law. This Agreement shall be interpreted in accordance with the laws of the State of Washington.

6.9 No Duty to Mitigate. Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor, except as otherwise provided in this Agreement, shall any such payment be reduced by any earnings that Executive may receive from any other source.

6.10 Legal Fees. In the event either party breaches this Agreement, the nonbreaching party shall be en entitled to recover from the breaching party any and all damages, costs and expenses, including without limitation, attorneys' fees and court costs, incurred by the nonbreaching party as a result of the breach.

6.11 Counterparts. This Agreement may be executed in counterparts which when taken together will constitute one instrument. Any copy of this Agreement with the original signatures of all parties appended will constitute an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

SEATTLE GENETICS, INC.

By: /s/ Clay B. Siegall

Name: Clay B. Siegall, Ph.D.

Title: President & Chief Executive Officer

EXECUTIVE

/s/ H. Perry Fell

H. PERRY FELL

Exhibit 10.29

[***] Confidential treatment requested

CONTRACT MANUFACTURING AGREEMENT

This CONTRACT MANUFACTURING AGREEMENT (the "Agreement") is entered into as of January 3, 2003 (the "Effective Date"), by and between ICOS Corporation ("ICOS"), a corporation organized and existing under the laws of the State of Delaware and having its principal place of business at 22021 20/th/ Avenue S E, Bothell, WA 98021 USA and Seattle Genetics, Inc. ("SGI"), a corporation organized and existing under the laws of the State of Delaware and having its principal place of business at 21823 30th Drive S.E., Bothell, WA 98021.

RECITALS

WHEREAS, ICOS is in the business of manufacturing and testing pharmaceutical products; and

WHEREAS, SGI is the proprietor of a certain DNA known as SGN-30 encoding a monoclonal antibody also known as SGN-30; and

WHEREAS, ICOS has expertise in the development, evaluation and production of monoclonal antibodies for therapeutic use using cell lines; and

WHEREAS, subject to the terms and conditions set forth in this Agreement, SGI wishes to have ICOS manufacture for SGI a pre-commercial pharmaceutical Product (hereinafter defined); and

WHEREAS, subject to the terms and conditions set forth in this Agreement, ICOS wishes to manufacture Product for SGI.

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions

For purposes of this Agreement, the following terms will have the meanings set forth below:

1.1 "Affiliates" means, with respect to any Person, another Person that, directly or indirectly, controls, is controlled by or is under common control with such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. The direct or indirect ownership of at least fifty percent (50%) or, if smaller, the maximum allowed by applicable law, of the voting securities of a business entity or of an interest in the assets, profits or earnings of a Person shall be deemed to constitute "control" of the Person.

[***] Confidential treatment requested

1.2 "Applicable Laws" means all ordinances, rules and regulations of any kind whatsoever of any governmental or regulatory authority, including, without limitation, the FDCA, that are applicable with respect to the context in which the term is used.

1.3 "Audit" means a [***] audit pursuant to which SGI or their appointed representatives (such representatives to be reasonably acceptable to ICOS) may (a) review the processes, procedures and documents of ICOS that are used or maintained by ICOS to provide the Services, (b) assess of ICOS' compliance with cGMP, Applicable Laws and quality assurance standards associated with performing the Services, and (c) discuss any related issues with ICOS' personnel and management involved in performing the Services.

1.4 "Calendar Quarter" means the three-month period ending on March 31, June 30, September 30 or December 31. The initial Calendar Quarter will be deemed to begin on the Effective Date and end on the first to occur of March 31, June 30, September 30 or December 31 of such same year.

1.5 "Calendar Year" means the twelve (12) month period ending on December 31. The initial Calendar Year will be deemed to begin on the Effective Date and end on December 31 of such same year.

1.6 "Cell Line" means a [***] known as [***], which has been [***] with a [***] containing certain SGI Materials as described in Appendix B, and will be used to provide the Services herein. Any cell bank provided containing the transfected cell line will always be subject to the license granted under Appendix G herein.

1.7 "cGMP" means Good Manufacturing Practices and General Biologics Products Standards as promulgated under the FDCA.

1.8 "Damages" means any and all [***] costs, losses, claims, actions, liabilities, fines, penalties, costs and expenses, court costs, and [***] fees and disbursements of counsel, consultants and expert witnesses incurred by a party hereto (including interest which may be imposed in connection therewith).

1.9 "FDA" means the United States Food and Drug Administration, any comparable agency in any Foreign Jurisdiction, and any successor agency or entity to any of the foregoing that may be established hereafter.

1.10 "FDCA" means the Federal Food, Drug and Cosmetic Act (21 U.S.C. (S).301 et seq.).

1.11 "Foreign Jurisdiction" means any jurisdiction, not governed by the United States or any political subdivision thereof, as agreed upon by the parties.

1.12 "ICOS Know-How" means unpatented and/or unpatentable technical information, including ideas, concepts, inventions, discoveries, data, designs, formulas, specifications, procedures for experiments and tests and other protocols, results of experimentation and testing, fermentation and purification techniques, and assay protocols owned by ICOS as of the Effective

Date which may be necessary for the performance of the Services. All ICOS Know-How shall be Confidential Information of ICOS.

1.13 "ICOS Patent Rights" mean the patent applications and patents listed on Exhibit A to Appendix G hereto and all divisions, continuations, continuations-in-part, and substitutions thereof; all foreign patent applications corresponding to the preceding applications; and all U.S. and foreign patents issuing on any of the preceding applications, including extensions, reissues, and re-examinations.

1.14 "IND" means an Investigation New Drug application or any comparable application required by a Foreign Jurisdiction filed for the Product by SGI with the FDA and all subsequent submissions, supplements or amendments related thereto.

1.15 "Manufacturing Specifications" means the specifications for manufacturing the Product. Prior to the initiation of the first cGMP manufacturing run, an Appendix C-1 signed by both parties setting forth the initial Manufacturing Specifications shall be appended to this Agreement and shall contain at a minimum a collection of documents containing certain specifications, procedures, assay methods (QC Release Tests), personnel contacts and any other information as may be needed and agreed by the parties relating to the manufacture of Product by ICOS for SGI. This Appendix C-1 shall also contain a statement to be agreed and acknowledged by ICOS and SGI that SGI adopts the initial Manufacturing Specifications as its own specification in conformance with Clause 6.7 herein. Any changes or additions to the Manufacturing Specifications shall be made by the written agreement of ICOS and SGI.

1.16 "NDA" means New Drug Application or any comparable application required by a Foreign Jurisdiction filed for the Product by SGI with the FDA and all subsequent submissions, supplements or amendments related thereto.

1.17 "Person" means a natural person, a corporation, a partnership, a trust, a joint venture, a limited liability company, any governmental authority

or any other entity or organization.

1.18 "Price" means the price specified in Appendix E for the Services.

1.19 "Process" means the process for the production of the Product from the Cell Line using the Manufacturing Specifications, including any improvements thereto from time to time made as a result of the Services.

1.20 "Product" means a monoclonal antibody derived from the Cell Line manufactured by ICOS utilizing the Process, and incorporating technology licensed to SGI from ICOS pursuant to the license agreement previously entered into by the parties in the form set forth in Appendix G.

1.21 "Product Specifications" means the product specifications listed under the column "Acceptance Criteria" as listed in Appendix C.

[***] Confidential treatment requested

1.22 "Services" means all or any part of the services to be provided by ICOS (or any permitted subcontractor) for the benefit of SGI pursuant to this Agreement as further described in Appendix A.

1.23 "SGI Patent Rights" means all patents and patent applications of any kind throughout the world relating to the Process which from time to time SGI is the owner of or is entitled to use.

1.24 "SGI Information" means all confidential and proprietary technical information not in the public domain relating to the Cell Line, the Process and the Product, from time to time supplied by SGI to ICOS, or arranged by SGI to be supplied by a third party (such as a prior manufacturer) to ICOS.

1.25 "SGI Materials" means the Materials supplied by SGI to ICOS (if any) and identified as such by Appendix B hereto.

1.26 "SGI Technology" means the SGI Patent Rights and SGI Information necessary to manufacture the Product.

1.27 "SGI Tests" means the tests to be carried out on the Product immediately following receipt of the Product by SGI, particulars of which are set out in Appendix C.

1.28 "Terms of Payment" means the terms of payment specified in Section 5 and Appendix E.

1.29 "Testing Laboratories" means any third party instructed by ICOS to carry out tests on the Cell Line or the Product.

1.30 "United States" means the fifty (50) states, the District of Columbia and all of the territories of the United States of America.

2. Supply by SGI

2.1 Prior to or immediately following the Effective Date of this Agreement SGI shall supply to ICOS SGI Information, together with full details of any known hazards relating to SGI Materials with respect to their storage and use. On review of this SGI Information and details SGI Materials shall be provided to ICOS at ICOS's request when ICOS has satisfactorily determined that SGI Materials do not pose a hazard to ICOS. SGI shall assist ICOS in making such determination, but [***]. All property rights in the SGI Technology and/or SGI Materials supplied to ICOS shall remain vested in SGI.

2.2 SGI hereby grants ICOS the non-exclusive right to use the SGI Materials and SGI Technology for the sole purpose of providing the Services. ICOS hereby undertakes not to use SGI Materials or SGI Technology (or any part thereof) for any other purpose.

2.3 ICOS shall:

2.3.1 at all times use all reasonable efforts to keep the SGI Materials secure and safe from loss or damage but in no case in a lesser manner than ICOS stores its own material of similar nature;

2.3.2 not transfer to a third party any part of the SGI Materials or the Product, except for the purpose of any tests at the Testing Laboratories, provided, that, SGI is given prior notification or if SGI has given prior written consent to such transfer; and

2.3.3 provide that such Testing Laboratories are subject to obligations of confidence materially in the form of those obligations of confidence imposed on ICOS under this Agreement.

2.4 SGI warrants to ICOS that SGI is and shall at all times throughout the duration of this Agreement remain entitled to supply the SGI Materials and SGI Technology to ICOS for the performance of the Services.

2.5 SGI warrants that the use by ICOS of SGI Materials and SGI Technology for the Services will not infringe or is not alleged to infringe any rights (including, without limitation, any intellectual or other proprietary rights) vested in any third party.

2.6 SGI shall indemnify, defend and hold harmless ICOS against any loss, damage, costs and expenses of any nature (including court costs and legal fees incurred by ICOS or ordered as payable by ICOS), whether or not foreseeable or in the contemplation of ICOS or SGI, that ICOS may suffer as a result of any third party claims, suits or actions arising out of or incidental to (a) any breach of the warranties given in Clauses 2.4 and 2.5 above, (b) the distribution or use of the Product, except to the extent such loss, damage, costs and expenses are caused by ICOS's gross negligence or willful misconduct, or (c) any claims by third parties alleging ICOS's use of the Cell Line, SGI Materials, SGI Technology or the Manufacturing Specifications infringes any rights (including, without limitation, any intellectual or other proprietary rights) vested in any third party (whether or not SGI knew or should have known about such alleged infringement) except to the extent ICOS infringes any rights of any third parties by application of its production techniques while performing the Services unless such application or production technique has been developed as part of the Services. For the purposes of Clauses 2.6 and 2.7, the term, production technique(s), is limited to all and any physical arrangement and use of plant and equipment in the provision of Services.

2.7 ICOS shall indemnify, defend and hold harmless SGI against any loss, damage, costs and expenses of any nature (including court costs and legal fees incurred by SGI or ordered as payable by SGI), whether or not foreseeable or in the contemplation of SGI or ICOS, that SGI may suffer as a result of any third party claims, suits or actions arising from ICOS's performance of the Services except to the extent the loss or damage is a result of (a) SGI's gross negligence or willful misconduct or (b) ICOS's use of an application or production technique that has been developed as part of the Services for SGI or is supplied by SGI. For the avoidance of doubt where ICOS's application or production techniques, existed prior to the Effective Date, are not

developed as part of the Services hereto and whether or not included in the Manufacturing Specifications, then they are covered by ICOS's undertaking of indemnity and hold harmless.

2.8 Notwithstanding the above, ICOS shall be at liberty to use SGI Information as it sees fit in providing the Services subject to nondisclosure pursuant to Section 7.

2.9 The obligations of each party under this Section 2 shall survive the termination of this Agreement for whatever reason.

3. Provision of the Services

3.1 ICOS shall diligently perform the Services as provided in Appendix A and shall use all reasonable commercial efforts to achieve the estimated schedules, specifications and amounts of Product. Furthermore, ICOS shall keep SGI regularly informed of any changes to the estimated schedules for performance of the Services and provide a monthly report, in a form agreed by the parties.

3.2 With respect to all services provided by ICOS from time to time that are agreed upon by the Parties but are listed on Appendix A as Additional Services ("Additional Services"), SGI shall pay to ICOS an [***] of [***]. ICOS will invoice SGI monthly for all Additional Services performed, with each such invoice containing a reference to the services performed and the personnel used. All such invoices will be payable under the terms described in Section 5.

3.3 Except as set forth in Section 8.2, due to the unpredictable nature of the biological processes involved in the Services, the schedules set down for the performance of the Services (including, without limitation, the dates for production and delivery of Product) set out in Appendix D are estimates only.

3.4 The parties acknowledge that ICOS will ship each batch of cGMP Product as soon as possible upon ICOS' completing the manufacture (including, without limitation, the completion of all QA/QC tests) of such batch. Risk of loss for Product shipped shall pass to SGI upon [***]; provided, however, that [***]. Unless the parties agree otherwise, ICOS shall on behalf of and in consultation with SGI (a) arrange for the transportation of Product, which shall be made at the sole risk and expense of SGI and (b) pay shipping costs and be reimbursed by SGI. In addition to reimbursing ICOS for the shipping costs, SGI shall be responsible to ICOS for the payment of fees for Additional Services (as set forth in Section 3.2) associated with arranging for the transportation of the Product.

3.5 Unless otherwise agreed, ICOS shall package and label Product for delivery in accordance with its standard operating procedures. It shall be the responsibility of SGI to provide prior written notice to ICOS of any special packaging and labeling requirements for Product. All additional costs and expenses (including reasonable profit) of whatever nature incurred by ICOS in complying with such special requirements shall be charged to SGI in addition to the Price.

3.6 Upon completion of the Services, or as soon thereafter as can be mutually agreed, ICOS will deliver to SGI a cell bank, generated by ICOS, comprised of the Cell Line and used to provide the Services herein.

[***] Confidential treatment requested

3.7 Joint Communication on Manufacturing: ICOS and SGI shall communicate and cooperate on a regular basis during the provision of Services herein and in the event that the parties observe the need for a regular and active committee, such body shall be established and meet regularly to discuss and communicate the progress of the Services.

3.8 ICOS shall provide SGI, at SGI's expense, with all documents SGI reasonably requests regarding ICOS' performance of the Services and conducting the Process of manufacturing the Product; provided, however, in the event that SGI requests any documentation beyond that which ICOS is expressly required to maintain pursuant to this Agreement, or which is otherwise already prepared by ICOS and related to the Products or the Process, SGI shall be responsible to ICOS for the payment of fees for Additional Services as set forth in Section 3.2.

3.9 Once during this Agreement upon at least [***] ([***]) [***] prior notice to ICOS, SGI shall have the right to have SGI representatives visit ICOS' manufacturing facilities during normal business hours to conduct an Audit. Notwithstanding the foregoing notice period, for purposes of confidentiality, safety and to avoid the possibility of contamination, if a third party's product is being produced during the time that SGI intends to conduct an Audit, such Audit may be reasonably delayed upon prior written notice to SGI. The form, participants and procedures of the Audit shall be subject to ICOS' reasonable approval. When conducting an Audit, each of SGI's representatives will (a) be subject to a nondisclosure obligation comparable in scope to Section 7, (b) follow such security and facility access procedures as are reasonably designated by ICOS, (c) be accompanied by an ICOS representative, (d) not enter areas of

any ICOS facility at times when any third party's products are being manufactured to assure protection of ICOS' or third party confidential information, and (e) use good faith efforts to avoid disrupting ICOS' operations. In addition to an Audit, ICOS agrees to reasonably cooperate with all regulatory authorities and shall submit to reasonable Product-specific inspections by such authorities ("Regulatory Inspection"). Any Audits by SGI or Regulatory Inspections in excess of one during this Agreement shall be [***] ([***]) [***] prior written notice. SGI shall pay to ICOS fees for all Audits by SGI and Regulatory Inspections as Additional Services pursuant to Section 3.2.

4. SGI Tests and Return Procedures

4.1 Except where SGI has accepted ICOS Product tests and provided written notice to ICOS of such acceptance, promptly following delivery of Product or a sample of Product (if such sample is requested by SGI), SGI shall carry out SGI Tests. If SGI Tests show that the Product fails to meet Product Specifications due to ICOS failing to meet its obligations hereunder, SGI shall give ICOS written notice thereof as soon as practicable but in no case later than [***] ([***]) [***] from the date SGI takes delivery of the Product (or sample of the Product, if applicable) and shall return such Product (or sample) to ICOS's premises for further testing. In the absence of such written notice Product shall be deemed to have been accepted by SGI as meeting Product Specifications. If ICOS agrees that Product is Nonconforming Product, it shall at SGI's discretion replace such Product at its own cost and expense, subject to Section 4.3. "Nonconforming Product" means any Product that has been delivered to SGI but fails to meet Product Specifications, and such failure is not due (in whole or in part) to (a) acts or omissions of SGI, (b) [***], or (c) any third party after delivery of such Product to SGI.

[***] Confidential treatment requested

FOR THE AVOIDANCE OF DOUBT, WHERE THE SPECIFICATION HAS NOT BEEN AGREED BY THE PARTIES HERETO ICOS SHALL BE OBLIGED ONLY TO USE ITS REASONABLE ENDEAVOURS TO PRODUCE PRODUCT THAT MEETS DRAFT PRODUCT SPECIFICATIONS.

4.2 If there is any dispute concerning whether Product is Nonconforming Product (as defined in Section 4.1), such dispute shall be referred for decision to an independent expert (acting as an expert and not as an arbitrator) to be appointed by agreement between ICOS and SGI.

The costs of such independent expert shall be borne by the parties equally; provided that the party that is determined to be incorrect in the dispute shall be responsible for all such costs and shall indemnify the correct party for its share of the costs incurred. The decision of such independent expert shall be in writing and shall be binding on both ICOS and SGI.

4.3 In the event Product is determined to be Nonconforming Product (whether by agreement of ICOS pursuant to Section 4.1 or by an independent expert pursuant to Section 4.2), ICOS shall replace such Product at its own cost and expense and shall use commercially reasonable efforts to replace such Product [***], provided that ICOS shall (a) [***] of such [***] within [***] from the date the [***] and (b) [***] within [***] from the date ICOS [***] of the [***]. If ICOS is [***] with the [***], then SGI shall [***] to a [***] of the [***] of such [***].

4.4 In the event that the parties hereto agree that a shipment or batch of Product fails to meet Product Specifications as a result of ICOS failing to meet its obligations hereunder, the entire shipment or batch of Product that failed to meet Product Specifications shall either be returned to ICOS or destroyed, at ICOS's option.

4.5 The provisions of this Clause 4 shall be the sole remedies available to SGI in respect of Product that fails to meet Product Specifications.

5. Price and Terms of Payment

5.1 SGI shall pay the Price in accordance with the Terms of Payment all as specified in Appendix E.

5.2 Unless otherwise indicated in writing by ICOS, all prices and

charges are exclusive of state sales tax or of any other applicable taxes, levies, duties and fees of whatever nature imposed by or under the authority of any government or public authority, which shall be paid by SGI (other than taxes on ICOS's income). All invoices are strictly net and payment must be made within [***] ([***]) [***] of date of invoice. Payment shall be made without deduction, deferment, set-off, lien or counterclaim of any nature.

5.3 In default of payment on due date interest shall accrue on a day to day basis with effect from the date which is [***] ([***]) [***] after the due date for payment on any amount overdue at the [***] or the maximum rate allowable under Washington law.

[***] Confidential treatment requested

6. Warranty and Limitation of Liability

6.1 ICOS warrants that:

6.1.1 the Services shall be performed in accordance with Clause 3.1; and

6.1.2 the Product when made available at ICOS' shipping docks shall meet Product Specifications, except where the Product Specifications has not been agreed between the parties hereto in which case ICOS shall be obliged only to use its reasonable commercial efforts to produce Product that meets draft Product Specifications.

6.1.3 the Product delivered to SGI pursuant to this Agreement shall conform to the Product Specifications and that such Product shall (i) be free from defects in material and workmanship, (ii) be manufactured in accordance with cGMP and Applicable Laws and (iii) be manufactured in accordance with Appendix C hereof.

6.2 Clause 6.1 is in lieu of all conditions, warranties and statements in respect of the Services and/or the Product whether expressed or implied by statute, custom of the trade or otherwise (including but without limitation any such condition, warranty or statement relating to the description or quality of the Product, its fitness for a particular purpose or use under any conditions whether or not known to ICOS) and any such condition, warranty or statement is hereby excluded. ICOS MAKES NO OTHER WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE PRODUCT. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE HEREBY DISCLAIMED BY ICOS. IN NO EVENT SHALL ICOS BE LIABLE FOR INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

6.3 Without prejudice or modification to the terms of Clauses 6.1 and 6.2 the liability of ICOS to SGI, its permitted assigns and successors in interest, for any loss suffered by SGI or its permitted assigns and successors in interest, arising as a direct result of a breach of this Agreement, or of any other liability, including without limitation, misrepresentation and negligence (whether active, passive or imputed), arising out of this Agreement and Services provided thereunder, including without limitation the production and/or supply of the Product, shall be limited to the payment of damages which shall not exceed in US Dollars THE PRICE FOR SERVICES PAID BY SGI UNDER THE AGREEMENT; provided, however, if and to the extent such damages are caused by ICOS's willful or intentional breach of this Agreement or willful or intentional misconduct in the performance of the Services, then the damage limitation in this Clause 6.3 shall not apply.

6.4 ICOS shall in no event be liable for the following loss or damage howsoever caused (even if foreseeable or in the contemplation of ICOS or SGI):

6.4.1 loss of profits, business or revenue suffered by SGI or any other person who may be subrogated to, or assigned rights in the loss or damage; or

6.4.2 special, indirect or consequential loss, whether suffered by SGI or any other person.

6.5 SGI shall indemnify, defend and hold harmless and maintain ICOS indemnified and held harmless against all Damages in respect of:

6.5.1 any product liability in respect of Product, except for ICOS's obligations to indemnify in Clause 2.7 above; and

6.5.2 any negligent (active, passive or imputed), gross negligence or intentional act or omission of SGI in relation to the use, processing, storage or sale of the Product.

6.6 SGI represents and warrants that unless already expressly agreed in a written and executed document immediately prior to the initiation of the first cGMP manufacturing run, SGI will adopt the initial Manufacturing Specifications as its own specification. Any changes or additions to the Manufacturing Specifications shall be made with the written approval of SGI.

6.7 The obligations of SGI under this Section 6 shall survive the termination for whatever reason of this Agreement.

7. Confidentiality

7.1 Each party agrees to keep the other party's Confidential Information (as defined in Clause 7.3) strictly confidential and to respect the other's proprietary rights therein and not at any time for any reason whatsoever to disclose or use the other party's Confidential Information for any purpose other than as expressly provided herein.

7.2 SGI and ICOS shall each ensure that all their respective employees, consultants and contractors having access to confidential ICOS Know-How or confidential SGI Materials or SGI Technology shall be subject to the same obligations of confidence as the principals pursuant to Clause 7.1 and shall be subject to written confidentiality agreements in support of such obligations.

7.3 For purposes of this Agreement, "Confidential Information" means any business or technical information, trade secrets, know-how, techniques, data or other information, disclosed by the disclosing party to the receiving party in writing or that is disclosed orally and confirmed in writing as confidential within [***] following such disclosure. The parties agree that SGI `s Confidential Information includes, without limitation, the SGI Materials and SGI Technology. The parties further agree that ICOS's Confidential Information includes, without limitation, ICOS Know-How.

7.4 The obligations of confidence referred to in this Section 7 shall not extend to any Confidential Information that:

7.4.1 is or becomes generally available to the public otherwise than by reason of a breach by the recipient party of the provisions of this Section 7;

7.4.2 is lawfully known to the recipient party prior to its receipt from the other;

[***] Confidential treatment requested

7.4.3 is subsequently disclosed to the recipient party without being made subject to an obligation of confidence by a third party that does not have a prior obligation of confidence to SGI or ICOS, as the case may be; or

7.4.4 which may be required to be disclosed under any statutory, regulatory or similar legislative requirement, subject to the imposition of obligations of confidentiality to the extent allowed and provided further that each party shall, unless prohibited by law, use reasonable efforts to notify the other party of such compelled disclosure prior to such disclosure in order to seek injunctive or any other relief provided in law or equity; or

7.4.5 is independently developed by the recipient party without reliance on the Confidential Information of the disclosing party as

shown by its written records.

7.5 SGI acknowledges that:

7.5.1 ICOS Know-How and ICOS Patent Rights are vested in ICOS; and

7.5.2 Except as expressly provided herein, SGI shall not at any time have any right, title, license or interest in or to ICOS Know-How, ICOS Patent Rights or any other intellectual property rights relating to the Process which are vested in ICOS or to which ICOS is otherwise entitled.

7.6 ICOS acknowledges that:

7.6.1 except as provided herein, all right, title and interest in the SGI Materials and SGI Technology are vested in SGI; and

7.6.2 except as provided herein, ICOS shall not at any time have any right, title, license or interest in or to SGI Technology or any other intellectual property rights vested in SGI or to which SGI is entitled.

7.7 The obligations of ICOS and SGI under this Section 7 shall survive the termination of this Agreement for whatever reason.

8. Termination

8.1 If it becomes apparent to either ICOS or SGI at any stage in the provision of the Services that it will not be possible to complete the Services for [***] reasons due solely to any [***] that are [***] from those [***] (the "[***]"), the parties will use good faith commercially reasonable efforts for up to a [***] ([***]) [***] period to mutually resolve such problems. If, after using the foregoing level of effort, the parties are unable to resolve such problems within the [***] ([***]) [***] period, ICOS and SGI shall each have the right to terminate this Agreement. In the event of such termination, SGI shall pay to ICOS a termination sum equal to the [***]; provided, however, that in the event ICOS is [***] the [***], ICOS and SGI shall [***] a [***], with consideration of the [***] in [***].

8.2 If, [***], it becomes apparent to either ICOS or SGI at any stage in the provision of the Services that it will not be possible to complete the Services (including delivery of all [***]

[***] Confidential treatment requested

cGMP clinical production runs of Product in compliance with this Agreement by [***]) based on [***] reasons other than those described in Section 8.1, the parties will use good faith commercially reasonable efforts for up to a [***] ([***]) [***] period to mutually determine the cause of the problems so as to permit ICOS to manufacture and deliver Product that conforms with the Product Specifications (even if the mutual determination and subsequent delivery of conforming Product [***]). If, after using the foregoing level of effort, the parties are unable to mutually determine the cause of such problems within the [***] ([***]) [***] period, ICOS and SGI shall each have the right to terminate this Agreement. In the event of such termination, SGI shall pay to ICOS a termination sum calculated by reference to [***] (including a [***] (as demonstrated by [***] in so far as they are applicable) of the [***] for any [***] which is [***]) and all [***] in [***], including the [***] under the Agreement, such termination sum not to exceed the [***]; provided, however, that if the termination sum is less than the amount of any advance payments made by SGI against the performance of the Services, ICOS will refund the residue of such advance payments to SGI.

8.3 SGI shall be entitled to terminate this Agreement at any time for any reason by [***] ([***]) [***] notice to ICOS in writing provided that for any termination under this Section 8.3 SGI shall be responsible to pay to ICOS the termination sum described in Section 8.1 (subject to any potential refund as described therein).

8.4 ICOS and SGI may each terminate this Agreement by notice in writing to the other upon the occurrence of any of the following events:

8.4.1 if the other commits a breach of this Agreement which (in the case of a breach capable of remedy) is not remedied within [***] ([***]) [***] of the receipt by the other of written notice identifying the breach with specificity and requiring its remedy; provided, however, if the breach is as a result of nonpayment of any amounts owing, the breaching party must remedy the breach within [***] ([***]) [***] after receiving such written notice; or

8.4.2 if the other ceases for any reason to carry on business or convenes a meeting of its creditors or has a receiver or manager appointed in respect of all or any part of its assets or is the subject of an application for an administration order or of any proposal for a voluntary arrangement or enters into liquidation (whether compulsorily or voluntarily) or undergoes any analogous act or proceedings under foreign law; provided, however, either party may merge with or into another equity pursuant to which the obligations of this Agreement will be assumed or effect the sale of all its assets or substantially all of its assets pursuant to which the acquiring party will assume such party's obligations under this Agreement without notice to or waiver by the other party.

If this Agreement is terminated due to SGI's breach (which SGI fails to cure as described in Section 8.4.1), then SGI shall be responsible to pay to ICOS the termination sum described in Section 8.1 (subject to [***] as described therein).

8.5 Unless terminated earlier pursuant to Sections 8.1 through 8.4, this Agreement shall terminate upon SGI's acceptance of [***] cGMP clinical production runs of Product in compliance with this Agreement.

[***] Confidential treatment requested

8.6 Upon the termination of this Agreement for whatever reason:

8.6.1 ICOS shall promptly return all SGI Information to SGI and shall dispose of or return to SGI all SGI Materials, and any materials therefrom, as directed by SGI;

8.6.2 SGI shall promptly return to ICOS all ICOS Know-How it has received from ICOS except as set forth in Section 8.6.3 below;

8.6.3 If, after expiration or termination of this Agreement, SGI determines to manufacture the Product, or have the Product manufactured by a third party, ICOS will supply to SGI and/or SGI's third party designee all reasonably available information and data relating to the Process and the Manufacturing Specifications. In addition, ICOS will [***] and/or its [***] a [***] to all [***], if any, [***] to [***] or its [***] to [***] in accordance with the [***]. ICOS [***] that SGI will not [***] to the [***], other than the [***] previously [***], to [***] or its [***] to [***] in accordance with the [***]. Except as permitted by the foregoing, following [***] shall not [***] the [***].

8.6.4 ICOS may thereafter use or exploit the ICOS Know-How and ICOS Patent Rights in any way whatsoever without restriction; and

8.6.5 ICOS and SGI shall do all such acts and things and shall sign and execute all such deeds and documents as the other may reasonably require to evidence compliance with this Clause 8.6.

8.6.6 The license agreement previously entered into by the parties in the form attached hereto as Appendix G shall remain in full force and effect regardless of any termination of this Agreement.

8.7 Termination of this Agreement for whatever reason shall not affect the accrued rights of either ICOS or SGI arising under or out of this Agreement and Sections 2, 3.8, 3.9, 6, 7, and 8 and any definitions in Section 1 required to interpret such surviving provisions, and all provisions which are expressly to survive this Agreement or have a continuing obligation shall remain in full force and effect.

9. Force Majeure

Neither ICOS nor SGI shall be deemed to be in default nor be liable for loss, damage, or delay in performance, when and to the extent due to causes

beyond its reasonable control or from fire, strike, labor difficulties, insurrection or riot, embargo, or inability to obtain materials from usual sources, or any other unforeseeable cause or causes beyond the reasonable control and without the fault or negligence of the party so affected, or from defects or delays in the performance of its suppliers or subcontractors due to any of the foregoing enumerated causes. If ICOS is prevented or delayed in the performance of any of its obligations under this Agreement by Force Majeure and shall give written notice thereof to SGI specifying the matters constituting Force Majeure together with such evidence as ICOS reasonably can give and specifying the period for which it is estimated that such prevention or delay will continue, ICOS shall be excused from the performance or the punctual performance of such obligations as the case may be from the date of such notice for so long as such cause of prevention or delay shall continue,

provided that within [***] ([***]) [***] from the date of such notice, ICOS shall provide SGI with written notice of the anticipated date of resumption of performance. In the event that the anticipated date of such resumption is greater than [***] ([***]) [***] from the date of the original notice, SGI may terminate this Agreement under Section 8.4.1 hereof.

10. Governing Law, Jurisdiction and Enforceability

10.1 This Agreement shall be governed and interpreted, and all rights and obligations of the parties shall be determined, in accordance with the laws of the State of Washington and the United States of America without regards to principles of conflicts of law.

10.2 No failure or delay on the part of either ICOS or SGI to exercise or enforce any rights conferred on it by this Agreement shall be construed or operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege or further exercise thereof operate so as to bar the exercise or enforcement thereof at any time or times thereafter of any other right.

10.3 The illegality or invalidity of any provision (or any part thereof) of this Agreement shall not affect the legality, validity or enforceability of the remainder of its provisions or the other parts of such provision as the case may be and this Agreement shall continue in full force and effect without such provision.

11. Miscellaneous

11.1 Assignment. Neither party shall be entitled to assign, or in any way transfer the benefit and/or the duties of this Agreement without the prior written consent of the other which consent shall not be unreasonably withheld or delayed, except that either party shall be entitled without the prior written consent of the other to assign transfer, charge, subcontract, deal with or in any other manner make over the benefit and/or burden of this Agreement to an Affiliate, or to any limited liability partner or to any 50/50 joint venture company of which the party in question is the beneficial owner of fifty percent (50%) of the issued share capital thereof or to any company with which the party in question may merge or to any company to which that party may transfer its assets and undertakings.

11.2 Publicity. The text of any press release or other communication to be published by or in the media concerning the subject matter of this Agreement shall require the prior written approval of ICOS and SGI.

11.3 Notices. All notices, requests, demands, waivers, consents, approval or other communications to any party hereunder shall be in writing and shall be deemed to have been duly given if delivered personally to such party or sent to such party by recorded electronic transmission (facsimile) or by registered or certified mail, postage prepaid, to its address as shown below:

SGI: Seattle Genetics, Inc.
21823 30/th/ Drive S.E.
Bothell, WA 98021
Attention: General Counsel

[***] Confidential treatment requested

ICOS: ICOS Corporation
22021 20/th/ Avenue S.E.
Bothell, WA 98021
Attention: Legal Department

or to such other address as the addressee may have specified in a notice duly given to the sender as provided herein. Such notice, request, demand, waiver, consent, approval or other communications will be deemed to have been given as of the date so delivered, telegraphed, telexed, or five (5) days after so mailed.

11.4 Independent Contractor. Each party shall be and shall act as the independent contractor of the other party. Neither party shall be the legal agent of the other for any purpose whatsoever and therefore has no right or authority to make or underwrite any promise, warranty or representation, to execute any contract or otherwise to assume any obligation or responsibility in the name of or on behalf of the other party, except to the extent specifically authorized in writing by the other party. Neither of the parties hereto shall be bound by or liable to any third persons for any act or for any obligation or debt incurred by the other toward such third party, except to the extent specifically agreed to in writing by the party so to be bound.

11.5 Headings. All section headings and numbering contained in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

11.6 Entire Agreement. The Agreement, and the attached appendixes, embodies the entire understanding of ICOS and SGI and there are no promises, terms, conditions or obligations, oral or written, expressed on implied, other than those contained in this Agreement, and the attached appendixes. The terms of this Agreement shall supersede all previous agreements (if any) which may exist or have existed between ICOS and SGI relating to the Services.

11.7 Modifications. Any and all modifications or amendments to this Agreement, or any Appendix hereto, shall be binding only if made in writing and signed by both parties.

11.8 Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one in the same agreement.

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

ICOS CORPORATION	SEATTLE GENETICS, INC.
By: /s/ Gary Wilcox	By: /s/ Clay Siegall
Name: Gary Wilcox	Name: Clay Siegall
Title: EVP, Operations	Title: President & CEO

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-50266) of Seattle Genetics, Inc. of our report dated January 24, 2003, except for Note 13, as to which the date is March 27, 2003, relating to the financial statements, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Seattle, WA
March 27, 2003

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 Annual Report on Form 10-K of Seattle Genetics, Inc. (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Clay B. Siegall, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. 1350, as adopted pursuant to (s) 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, as amended; and

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

Date: March 27, 2003

/s/ Clay Siegall
Clay B. Siegall
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.2

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 Annual Report on Form 10-K of Seattle Genetics, Inc. (the "Company") for the year ended December 31, 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 (s) 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, as amended; and

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

Date: March 27, 2003

/s/ Tim Carroll
Tim Carroll
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.