UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2001

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, WA 98021

(Address of principal executive offices, including zip code)

(425)-527-4000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)
22215 26th Avenue SE, Suite 3000
Bothell, Washington 98021
(425) 489-4990

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐ (1)

As of July 31, 2001, there were 29,296,897 shares of the registrant's Common Stock outstanding.

Seattle Genetics, Inc.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Seattle Genetics, Inc.
(a development stage company)
Balance Sheets

Assets	**June 30, 2001** (Unaudited)	**December 31, 2000**
Current assets		
Cash and cash equivalents	$ 4,330,636	$ 2,618,986
Short-term investments	39,292,504	21,711,460
Interest receivable	986,096	279,070
Prepaid expenses and reimbursable costs	2,371,166	759,339
Total current assets	46,980,402	25,368,855
Property and equipment, net	1,803,576	894,304
Restricted investments	969,023	3,421,247
Long-term investments	23,664,325	-
Other assets	28,391	189,419
Total assets	$ 73,445,717	$ 29,873,825
Liabilities, Mandatorily Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)		
Current liabilities		
Accounts payable	$ 1,847,346	$ 141,992
Accrued liabilities	1,989,446	668,698

Deferred revenue	141,667	-
Total current liabilities	3,978,459	810,690
Deferred rent	15,293	-
Deferred revenue, net of current portion	271,528	-
Total long-term liabilities	286,821	-
Commitments and contingencies		
Mandatorily redeemable convertible preferred stock, $0.001 par value, 17,450,000 (2000) shares authorized:		
Series A convertible preferred stock, 7,000,000 designated, 6,950,000 shares issued and outstanding (liquidation preference of $6,950,000)	-	6,924,550
Series B convertible preferred stock, 10,437,072 shares issued and outstanding (liquidation preference of $30,684,992)	-	30,631,457
Stockholders' equity (deficit)		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, no shares issued	-	-
Common stock, $0.001 par value, 100,000,000 shares authorized, 29,286,967 and 4,581,077 issued and oustanding, respectively	29,287	4,581
Additional paid-in capital	98,499,735	14,798,044
Notes receivable from stockholders	(405,288)	(408,384)
Deferred stock compensation	(7,016,387)	(10,193,778)
Accumulated other comprehensive income	191,895	69,196
Deficit accumulated during the development stage	(22,118,805)	(12,762,531)
Total stockholders' equity (deficit)	69,180,437	(8,492,872)
Total liabilities, mandatorily redeemable convertible preferred stock and stockholders' equity (deficit)	$ 73,445,717	$ 29,873,825

The accompanying notes are an integral part of these financial statements

Seattle Genetics, Inc.
(a development stage company)
Statements of Operations
(Unaudited)

	Three months ended June 30,		Six months ended June 30,		Cumulative from inception (January 1, 1998) to June 30,
	2001	2000	2001	2000	2001
Revenues					
License agreements	$ 34,584	$ -	$ 34,584	$ -	$ 1,034,584
Government grants	-	36,062	-	56,220	98,632
Total revenues	34,584	36,062	34,584	56,220	1,133,216
Expenses					
Research and development (excludes non-cash stock-based compensation expense of $517,788, $123,679, $1,030,031, $217,777 and $2,468,961, respectively)	3,519,105	966,174	6,375,104	1,762,248	15,122,557
General and administrative (excludes non-cash stock-based compensation expense of $1,161,923, $286,908, $1,892,051, $518,324 and $4,663,960, respectively)	832,179	345,222	1,557,501	618,098	4,959,812
Non-cash stock-based compensation expense	1,679,711	410,587	2,922,082	736,101	7,132,921
Total operating expenses	6,030,995	1,721,983	10,854,687	3,116,447	27,215,290

Loss from operations	(5,996,411)	(1,685,921)	(10,820,103)	(3,060,227)	(26,082,074)
Investment income, net	886,068	487,448	1,463,829	955,559	3,963,269
Net loss	(5,110,343)	(1,198,473)	(9,356,274)	(2,104,668)	$ (22,118,805)
Accretion on mandatorily redeemable preferred stock	-	(4,942)	(3,295)	(9,636)	
Net loss attributable to common stockholders	$ (5,110,343)	$ (1,203,415)	$ (9,359,569)	$ (2,114,304)	
Basic and diluted net loss per share	$ (0.18)	$ (0.38)	$ (0.49)	$ (0.68)	
Weighted-average shares used in computing basic and diluted net loss per share	28,625,420	3,186,573	19,005,967	3,126,385	

The accompanying notes are an integral part of these financial statements

Seattle Genetics, Inc.
(a development stage company)
Statements of Cash Flows
(Unaudited)

	Six months ended June 30,		Cumulative from inception (January 1, 1998) to June 30, 2001
	2001	2000	
Cash flows from operating activities			
Net loss	$ (9,356,274)	$ (2,104,668)	$ (22,118,805)
Adjustments to reconcile net loss to net cash used in operating activities			
Amortization of deferred compensation	2,922,082	736,101	7,085,901
Depreciation and amortization	160,590	65,437	506,298
Realized loss on sale of securities	15,872	-	22,619
Amortization/ accretion on investments	120,862	(1,641)	71,148
Common stock bonus provided to employees			47,020
Deferred rent	15,293	-	15,293
Changes in operating assets and liabilities			
Interest receivable	(707,026)	(384,678)	(986,096)
Prepaid expenses, reimbursable costs and other assets	(2,007,562)	(62,524)	(2,399,556)
Accounts payable	1,705,354	210,350	1,847,346
Accrued liabilities	1,320,749	31,277	1,989,447
Deferred revenue	413,195	-	413,195
Net cash used in operating activities	(5,396,865)	(1,510,346)	(13,506,190)
Cash flows from investing activities			
Purchases of investments	(50,150,679)	(25,695,445)	(80,259,638)
Proceeds from sale and maturities of investments	11,343,500	-	16,431,914
Purchase of property and equipment	(1,069,863)	(370,719)	(2,309,875)
Net cash used in investing activities	(39,877,042)	(26,066,164)	(66,137,599)
Cash flows from financing activities			
Net proceeds from issuance of common stock	46,982,461	956	46,445,977
Net proceeds from issuance of Series A preferred stock	-	-	6,907,052
Proceeds from subscription receivable	3,096	2,545,001	2,548,097
Net proceeds from issuance of Series B preferred stock	-	500,364	28,073,299
Book overdraft	-	(29,516)	-
Net cash provided by financing activities	46,985,557	3,016,805	83,974,425

Net increase (decrease) in cash and cash equivalents	1,711,650	(24,559,705)	4,330,636
Cash and cash equivalents, at beginning of period	2,618,986	30,362,568	-
Cash and cash equivalents, at end of period	$ 4,330,636	$ 5,802,863	$ 4,330,636
Supplemental disclosure of cash information			
Non-cash investing and financing activities			
Issuance of common stock in exchange for notes receivable	$ -	$ -	$ 408,384
Issuance of Series B preferred stock for subscription notes receivable	$ -	$ -	$ 2,545,001
Conversion of preferred stock to common stock	$ 37,559,302	$ -	$ 37,559,302

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

Seattle Genetics, Inc.
(a development stage company)
Notes to Financial Statements
(Unaudited)

1. Basis of Presentation

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

The balance sheet at December 31, 2000 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These financial statements should be read in conjunction with the audited financial statements and footnotes included in the Company's Registration Statement on Form S-1 (File No. 333-50266) as filed with the Securities and Exchange Commission and the related prospectus dated March 6, 2001.

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

2. Collaborative agreement with Eos Biotechnology

During June 2001, Seattle Genetics and Eos Biotechnology, Inc. entered into a collaboration to use Seattle Genetics' antibody-drug conjugate technology with Eos Biotechnology's proprietary monoclonal antibodies. Under the terms of the agreement, Seattle Genetics will provide access to its antibody-drug conjugate technology during the course of the collaboration. Eos Biotechnology has paid an upfront technology access fee and incurred service and reagent fees in the quarter. Eos Biotechnology may additionally pay service and reagent fees, milestone payments and royalties on net sales of any resulting products. The full amount of the up-front fee has been deferred and will be recognized as revenue as it is earned over the term of the agreement. Eos Biotechnology will be responsible for product development, manufacturing and marketing of any products generated through the collaboration.

3. Net Loss per Share

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

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

	Three months ended June 30, (Unaudited)		Six months ended June 30, (Unaudited)	
	2001	**2000**	**2001**	**2000**
Net loss attributable to common stockholders	$ (5,110,343)	$ (1,203,415)	$ (9,359,569)	$ (2,114,304)
Basic and diluted				

Weighted-average shares used in computing basic and diluted net loss per share	28,625,420	3,186,573	19,005,967	3,126,385
Basic and diluted net loss per share	$ (0.18)	$ (0.38)	$ (0.49)	$ (0.68)
Antidilutive securities not included in net loss per share calculation				
Options to purchase common stock	2,375,130	735,500	2,375,130	735,500
Restricted shares of common stock subject to repurchase	617,189	480,417	617,189	480,417
	2,992,319	1,215,917	2,992,319	1,215,917

4. Comprehensive Loss

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

	Three months ended June 30, (Unaudited)		Six months ended June 30, (Unaudited)		Cumulative from inception (January 1, 1998) to June 30, 2001
	2001	2000	2001	2000	
Net loss	$ (5,110,343)	$ (1,198,473)	$ (9,356,274)	$ (2,104,668)	$ (22,118,805)
Unrealized gain on securities available for sale	69,717	5,791	122,699	5,791	191,895
	$ (5,040,626)	$ (1,192,682)	$ (9,233,575)	$ (2,098,877)	$ (21,926,910)

5. Investments

Investments consist of the following:

	Fair Value June 30, 2001	Fair Value December 31, 2000
	(Unaudited)	
Mortgage-backed securities	$ 7,405,780	$ 8,653,418
U.S. corporate obligations	46,694,718	7,931,527
Municipal bonds	562,946	-
U.S. government and agencies	9,262,408	8,547,762
Total	$ 63,925,852	$ 25,132,707
Reported as:		
Short-term investments	$ 39,292,504	$ 21,711,460
Long-term investments	23,664,325	-
Restricted investments	969,023	3,421,247
Total	$ 63,925,852	$ 25,132,707

6. Prepaid expenses and reimbursable costs

Prepaid expenses and reimbursable costs consist of the following:

	June 30, 2001	December 31, 2000
	(Unaudited)	
Prepaid expenses	$ 710,433	$ 759,339
Reimburseable costs	1,660,733	-
	$ 2,371,166	$ 759,339

The Company entered into a ten-year lease for a new headquarters and operations facility in December 2000. Reimbursable costs represent a portion of leasehold improvement construction costs incurred, which are reimbursable from our landlord per terms of the lease agreement.

7. Accrued liabilities

Accrued liabilities consists of the following:

	June 30, 2001	December 31, 2000
	(Unaudited)	
Accrued contract manufacturing agreement	$ 1,090,278	$ 200,000
Accrued clinical trial costs	335,103	125,746
Accrued compensation and benefits	235,340	53,038
Accrued professional services	213,180	258,394
Other	115,545	31,520
	$ 1,989,446	$ 668,698

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

Forward–Looking Statements

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

Overview

We focus on the discovery and development of monoclonal antibody–based drugs to treat cancer and related diseases. Our objective is to utilize our expertise in cancer and in monoclonal antibody–based technologies to advance our product pipeline and discover new product candidates. Since our inception, we have incurred substantial losses. As of June 30, 2001, we had an accumulated deficit of $22.1 million. These losses and accumulated deficit have resulted from the significant costs incurred in the development of our monoclonal antibody–based technologies, clinical trial costs of SGN-15 and SGN-10, manufacturing expenses of preclinical materials, and general and administrative costs. We expect that our losses will increase for the foreseeable future as we continue to expand our research, development, clinical trial activities and to build additional infrastructure.

We do not currently have any commercial products for sale. To date, we have generated revenues of $1.1 million from our license agreements and a Small Business Innovative Research grant. 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 strategic current and future 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 even quarter-to-quarter.

Results of Operations

Three months ended June 30, 2001 and 2000

Revenues. Revenues were $35,000 for the three months ended June 30, 2001 and $36,000 for the three months ended June 30, 2000. Revenues were derived from the earned portion of a technology licensing fee and service and reagent fees from the Eos Biotechnology collaboration for the three months ended June 30, 2001 and from a Small Business Innovative Research grant for the three months ended June 30, 2000. The upfront licensing fee from Eos Biotechnology is being recognized as earned over the term of the agreement.

Research and development expenses. Research and development expenses, excluding non-cash stock–based compensation expenses, increased 264% to $3.5 million for the three months ended June 30, 2001 from $966,000 for the three months ended June 30, 2000. This increase was principally due to contract manufacturing expenses of approximately $1.6 million, increases in personnel expenses of approximately $391,000 and the proportionate increased usage of laboratory materials and supplies. The number of research and development personnel increased to 42 at June 30, 2001 from 24 at June 30, 2000. We anticipate that research and development expenses will continue to grow in the foreseeable future as we expand our research, development, contract manufacturing and clinical trial activities.

General and administrative expenses. General and administrative expenses, excluding non-cash stock–based compensation expenses, increased 141% to $832,000 for the three months ended June 30, 2001 from $345,000 for the three months ended June 30, 2000. This increase was primarily due to additional administrative personnel and other increases attributable to being a public company, including provisions for investor relations programs and directors' and officers' insurance. The number of general and administrative personnel increased to 13 at June 30, 2001 from 7 at June 30, 2000. We anticipate that general and administrative expenses will increase in the foreseeable future as the Company expands and incurs annualized costs related to being a public company.

Non-cash stock–based compensation expense. Non-cash stock–based compensation expense increased 309% to $1.7 million for the three months ended June 30, 2001 from $411,000 for the three months ended June 30, 2000. The increase is attributable to increasing levels of stock option grants, the difference between the deemed fair value as compared to the related exercise prices and by a year-to-date adjustment attributable to options subject to variable accounting.

Investment income, net. Investment income increased 82% to $886,000 for the three months ended June 30, 2001 from $487,000 for the three months ended June 30, 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.

Six months ended June 30, 2001 and 2000

Revenues. Revenues decreased to $35,000 for the six months ended June 30, 2001 from $56,000 for the six months ended June 30, 2000. Revenues were derived from the earned portion of a technology licensing fee and service and reagent fees from the Eos Biotechnology collaboration for the six months ended June 30, 2001 and from a Small Business Innovative Research grant for the six months ended June 30, 2000. The upfront licensing fee from Eos Biotechnology is being recognized as earned over the term of the agreement.

Research and development expenses. Research and development expenses, excluding non-cash stock–based compensation expenses, increased 262% to $6.4 million for the six months ended June 30, 2001 from $1.8 million for the six months ended June 30, 2000. The increase was principally due to contract manufacturing expenses of approximately $2.6 million, increases in personnel expenses of approximately $783,000, clinical trial expenses and the proportionate increased usage of laboratory materials and supplies. We anticipate that research and development expenses will continue to grow in the foreseeable future as we expand our research, development, contract manufacturing and clinical trial activities.

General and administrative expenses. General and administrative expenses, excluding non-cash stock–based compensation expenses, increased 152% to $1.6 million for the six months ended June 30, 2001 from $618,000 for the six months ended June 30, 2000. This increase was primarily due to additional administrative personnel, increases in professional service fees and other increases attributable to being a public company, including provisions for investor relations programs and directors' and officers' insurance. We anticipate that general and administrative expenses will increase in the foreseeable future as the Company expands and incurs annualized costs related to being a public company.

Non-cash stock-based compensation expense. Non-cash stock-based compensation expenses increased 297% to $2.9 million for the six months ended June 30, 2001 from $736,000 for the six months ended June 30, 2000. The increase is attributable to increasing levels of stock option grants, the difference between the deemed fair value as compared to the related exercise prices and by a year-to-date adjustment attributable to options subject to variable accounting.

Investment income, net. Investment income increased 53% to $1.5 million for the six months ended June 30, 2001 from $956,000 for the six months ended June 30, 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.

Liquidity and Capital Resources

From inception through June 30, 2001, we have funded our operations with the net proceeds of $46.4 million from our initial public offering on March 6, 2001 and concurrent private placement, $37.5 million from private equity financings, $1.5 million from license agreements and government grants and approximately $3.5 million from investment income, net. At June 30, 2001, cash, cash equivalents, short-term and long-term investments totaled $67.3 million and restricted investments amounted to $1.0 million. 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, municipal bonds, mortgage–backed securities, commercial paper and money market accounts.

In December 2000, we entered into a ten-year lease for a new headquarters and operations facility. In connection with this lease, we initially pledged $3.4 million of our investments as collateral for certain obligations of the lease. Based on the lease terms, in June 2001 we decreased the pledged amount to $1.0 million based upon our market capitalization.

Net cash used in operating activities for the six months ended June 30, 2001 was $5.4 million compared to $1.5 million for the six months ended June 30, 2000. Our net losses of $9.4 million for the six months ended June 30, 2001 and $2.1 million for the six months ended June 30, 2000 were adjusted for non-cash charges and changes in operating assets and liabilities, which were primarily related to amortization of deferred stock compensation. Prepaid expenses and other assets as of June 30, 2001 included leasehold improvement construction costs incurred, which are reimbursable from our landlord, to fund a portion of the construction costs of our new headquarters and operations facility per terms of the

lease agreement. This is offset by increased accounts payable balances related to construction contractor costs incurred through June 30, 2001. Accrued liabilities as of June 30, 2001 increased primarily due to contract manufacturing obligations. We expect cash used in operating activities to increase in the future as we increase our staff head count, expand our contract manufacturing initiatives and increase the patient enrollments of our clinical trials.

Net cash provided by investing activities for the six months ended June 30, 2001 was $39.9 million compared to $26.1 million for the six months ended June 30, 2000. Purchases of property and equipment were $1.1 million for the six months ended June 30, 2001 compared to $371,000 for the six months ended June 30, 2000. Capital expenditures for the six months ended June 30, 2001 included deposits and leasehold improvements in progress of approximately $811,000 in connection with our new headquarters and operations facility. We expect that our level of capital expenditures will increase in the future as we complete a build-out of this space and relocate our headquarters and operations to this new facility, which is anticipated to occur during the third quarter 2001.

Net cash provided by financing activities was $47.0 million for the six months ended June 30, 2001 compared to $3.0 million for the six months ended June 30, 2000. Financing activities included net proceeds of $44.4 million from our initial public offering and $2.0 million from our concurrent private placement. Financing activities during the six months ended June 30, 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 the result of the increased costs and expenses associated with clinical trials, regulatory approvals and commercialization of our product candidates.

We believe that our current cash and investment balances will be sufficient to enable us to meet our anticipated expenditures for at least the next 24 months, including, among other things:

- preclinical research and development activities;
- contract manufacturing activities;
- clinical trial activities; and
- general corporate purposes, including capital expenditures and working capital to fund anticipated operating losses.

However, we may need to sell additional equity or debt securities or obtain additional credit arrangements prior to that time. Additional financing may not be available on favorable terms or at all. If we are unable to raise additional funds should we need them, we may be required to delay, reduce or eliminate some of our development programs and some of our clinical trials which may adversely affect our business and operations.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Financial Instruments and for Hedging Activities, or SFAS No. 133, which provides a comprehensive and consistent standard for the recognition and measurement for derivatives and hedging activities. SFAS No. 133 became effective for fiscal years beginning after June 15, 2000. The adoption of SFAS No. 133 did not have a material impact on the Company's financial position or results of operations.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, “Business Combinations” (SFAS No. 141). SFAS No. 141 addresses financial accounting and reporting for business combinations and supersedes APB Opinion No. 16, “Business Combinations” and SFAS No. 38, “Accounting for Preacquisition Contingencies of Purchased Enterprises.” SFAS No. 141 requires that all business combinations be accounted for by the purchase method. The provisions of this Statement apply to all business combinations initiated after June 30, 2001. Management believes the adoption of this Statement will not impact the Company’s financial position or results of operations.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (SFAS No. 142). SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, “Intangible Assets.” SFAS No. 142 addresses how intangible assets that are acquired individually or with a group of other assets should be accounted for in the financial statements upon their acquisition. The Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The provisions of this Statement are required to be applied starting with fiscal years beginning after December 15, 2001. Management believes the adoption of this Statement will not impact the Company’s financial position or results of operations.

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

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

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

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

We are a development stage company incorporated in July 1997 and have a limited operating history upon which an investor may evaluate our operations and future prospects. We have incurred net losses since our inception, including net losses of approximately $7.8 million for the year ended December 31, 2000 and approximately $9.3 million for the six months ended June 30, 2001. As of June 30, 2001, we had an accumulated deficit of approximately $22.1 million. We expect to make substantial expenditures to further develop and commercialize our product candidates and expect that our rate of spending will accelerate as the result of the increased costs and expenses associated with clinical trials, regulatory approvals and commercialization of our potential products. In the near term, we expect revenues to be derived from milestone payments and sponsored research fees under existing and possible future collaborative arrangements. 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. Much of our efforts and expenditures over the next few years will be devoted to SGN-15, SGN-10, SGN-14, SGN-30, SGN-17/19, a novel BR96 monoclonal antibody-drug conjugate and a novel SGN-30 monoclonal antibody-drug conjugate. These are our only product candidates in preclinical development or clinical trials at the present time. We have no drugs that have received regulatory approval for commercial sale. We expect that none of our product candidates will be commercially available in the near term.

Our ability to commercialize our product candidates depends on first receiving FDA approval. The future commercial success of these product candidates will depend upon their acceptance by physicians, patients and other key decision–makers as therapeutic and cost-effective alternatives to currently available products. If we fail to gain approval from the FDA or to produce a commercially successful product, we may not be able to earn sufficient revenues to continue as a going concern.

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

Since our inception, we have used approximately $13.5 million of cash in operating activities and approximately $2.3 million of cash to purchase property and equipment. We expect capital outlays and operating expenditures to significantly increase over the next several years as we hire additional employees and expand our infrastructure and preclinical development and clinical trial activities. We believe that our existing cash and investment securities, milestone payments and research grants, will be sufficient to fund our operations for at least the next two years. 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 and 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 will be 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 a total of five 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.

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 varies significantly. To date, we have limited clinical data and have seen evidence of gastrointestinal toxicity with SGN-15 and SGN-10. Future trials may not show sufficient safety and efficacy to obtain the requisite regulatory approval for these product candidates or any other potential product candidates. Because SGN-15, SGN-10, SGN-14, SGN-30, SGN-17/19, a novel BR96 monoclonal antibody-drug conjugate and a novel SGN-30 monoclonal antibody-drug conjugate, are our only product candidates in clinical trials or preclinical development at the present time, any delays or difficulties we encounter may impact our ability to generate revenue and cause our stock price to decline significantly.

We may choose to, or may be required to, suspend, repeat or terminate our clinical trials if they 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 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. Clinical trials may be suspended by the FDA at any time if the FDA finds deficiencies in the conduct of these trials or it is believed that these trials expose patients to unacceptable health risks.

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

Furthermore, the process of obtaining and maintaining regulatory approvals for new therapeutic products is lengthy, expensive and uncertain. It can vary substantially, based on the type, complexity and novelty of the product involved. Accordingly, 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 our revenue and delay or terminate the potential commercialization of our product candidates.

We currently rely on third–party manufacturers 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 drug products that we need to conduct our clinical trials. For our two product

candidates in clinical trials, SGN-15 and SGN-10, we rely on drug products that were produced and vialed by Bristol–Myers Squibb and contract manufacturers retained by Bristol–Myers Squibb. In addition, we have contracted with ICOS Corporation to develop cell lines expressing the SGN-30 product candidate and to manufacture preclinical and clinical supplies of SGN-30.

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

Contract manufacturers have a limited number of facilities in which our product candidates can be produced. We currently rely on contract manufacturers to produce our product candidates under FDA 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 for 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 our collaborators do not perform as expected, we may not be able to commercialize our product candidates.

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

We have a license agreement with Genentech pursuant to which they are developing our lead CD40 targeted drug, SGN-14, to treat patients with hematologic malignancies or other types of cancer. Genentech is also responsible for gaining final approval through the required U.S. and international regulatory authorities to ultimately market the product. At any time, Genentech may terminate the agreement for any reason and return the rights to the CD40 program to us. If Genentech decides not to proceed and we fail to locate a substitute partner, we may not have sufficient capital resources to continue funding the project.

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

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

The defense and prosecution of intellectual property rights, U.S. Patent and Trademark Office interference proceedings and related legal and administrative proceedings in the United States and elsewhere involve complex legal and factual questions. These proceedings are costly and time-consuming.

If we become involved in any litigation, interference or other administrative proceedings, we will incur substantial expense and it will divert the efforts of our technical and management personnel. An adverse determination may subject us to significant liabilities or require us to seek licenses that may not be available from third parties on commercially reasonable terms, if at all. We may be restricted or prevented from developing and commercializing our product candidates in the event of an adverse determination in a judicial or administrative proceeding, or if we fail to obtain necessary licenses.

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

We are highly dependent on the efforts and abilities of the principal members of our managerial and scientific staff, particularly Dr. H. Perry Fell our Chief Executive Officer and Dr. Clay B. Siegall our President and Chief Scientific Officer. We do not have employment agreements with Dr. Fell or Dr. Siegall, but we do have key person insurance in the amount of $1.0 million each. However, the sum recovered under such insurance policies may not fully compensate us for any loss of their services. 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, biopharmaceutical 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, IDEC Pharmaceuticals and American Home Products market products that may compete with ours. Other potential competitors include large, fully integrated pharmaceutical companies and more established biotechnology companies, which have significant resources and expertise in research and development, manufacturing, testing, obtaining regulatory approvals and marketing. Also, academic institutions, government agencies and other public and private research organizations conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and marketing. It is possible that these competitors will succeed in developing technologies that are more effective than those being developed by us or that would render our technology obsolete or noncompetitive.

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

Our business may fail because we face intense competition from major pharmaceutical companies and specialized biotechnology companies engaged in the development of other products directed at cancer. Many of our competitors have greater financial and human resources and more experience. 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. Additionally, if the market does not accept our products or if reform in the healthcare industry does not provide adequate reimbursement for our products, we may not be able to generate sufficient revenues to maintain our business.

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.

In addition, 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.

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

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

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

Our executive officers and directors and greater than 5% stockholders, together with entities that may be deemed affiliates of or related to such persons or entities, beneficially own approximately 70% 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 acquiror from making a tender offer or otherwise attempting to obtain control, which might affect the market price of our common stock.

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

We may make additional acquisitions of businesses, products or technologies in the future. No assurance can be given as to our ability to successfully integrate additional businesses, products, technologies or personnel that might have been acquired or may be acquired in the future, and our failure to do so could significantly affect our business and operating results. Moreover, we may not be able to locate suitable acquisition opportunities and this inability could impair our ability to grow as quickly as possible or obtain access to technology or products that may be important to the development of our business.

Upon the expiration of a 180-day lock-up, a substantial number of our shares of common stock will become available for sale in the public market that may cause the market price of our stock to decline.

Within 180 days after the date of our initial public offering on March 6, 2001, approximately 22,000,000 shares held by existing stockholders will become available for sale. If these stockholders sell substantial amounts of our common stock (including shares issued upon the exercise of outstanding options and warrants) in the public market at concentrated times, the market price of our common stock could fall. These sales also might make it more difficult for us to sell equity or equity–related securities in the future at a time and price acceptable to us.

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

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

Item 3. Quantitative and Qualitative Disclosure of Market Risk

In accordance with our policy, we do not use derivative financial instruments in our investment portfolio. We invest in high quality interest-bearing instruments, consisting of U.S. government and agency securities, corporate obligations, 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 and therefore believe that our potential interest rate exposure is not material.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

(d) Use of Proceeds from Sale of Registered Securities

The Company's Registration Statement under the Securities Act of 1933 (File No. 333-50266) was declared effective by the SEC 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 aggregate gross proceeds of the shares offered and sold were $49.0 million which resulted in net proceeds to Seattle Genetics of approximately $44.4 million after deducting underwriting discounts and commissions and other offering expenses of $4.6 million. From the effective date of the offering through June 30, 2001, Seattle Genetics has used approximately $4.7 million of the proceeds in preclinical research and development activities, clinical trials, contract manufacturing and general corporate purposes. The remainder of the net proceeds from the offering are invested in a variety of interest–bearing instruments, consisting of U.S. government and agency securities, high-grade U.S. corporate bonds, municipal bonds, mortgage– backed securities, commercial paper and money market accounts in investments such as high-quality corporate issues and government obligations.

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

. None.

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

(a) Exhibits:

Exhibit Number

3.1* Amended and Restated Certificate of Incorporation of the Registrant

3.2* Bylaws of the Registrant

4.1* Form of Stock Certificate

4.2* Amended and Restated Investors Rights Agreement dated December 22, 2000 by and among the Registrant and certain holders of the Registrant's capital stock.

10.1† Collaboration Agreement dated June 4, 2001 between Seattle Genetics, Inc. and Eos Biotechnology, Inc.

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

† Confidential treatment requested.

(b) Reports on Form 8-K:

The Company did not file any reports on Form 8-K during the three months ended June 30, 2001.

SIGNATURES

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

Seattle Genetics, Inc

By: /s/ TIM CARROLL

Tim Carroll
Chief Financial Officer
(Principal Financial Officer and Authorized Officer)

Date: August 10, 2001

INDEX TO EXHIBITS

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† Confidential treatment requested.

EXHIBIT 10.1
Confidential treatment requested

COLLABORATION AGREEMENT

This Agreement is entered into as of June 4, 2001, by and between:

SEATTLE GENETICS, INC., a Delaware corporation, having its principal place of business at 22215 26th Avenue S.E., Suite 3000, Bothell, Washington 98021

(hereinafter referred to as "SGI")

and:

EOS BIOTECHNOLOGY, INC., a Delaware corporation, having its principal place of business at 225A Gateway Blvd, S. San Francisco, California 94080

(hereinafter referred to as "EOS").

WITNESSETH

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

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

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

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

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

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

ARTICLE I - DEFINITIONS AND INTERPRETATION

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

"ADC" means any Antibody or Control Antibody that incorporates or uses Drug Conjugation Technology.

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

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

Schedule A	-	Drug Conjugation Technology Field;
Schedule B	-	Licensed Patents;
Schedule C	-	Research Antigens;
Schedule D	-	ADC Preparation Terms; and
Schedule E	-	SGI In-Licenses

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

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

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

"Confidential Information" has the meaning ascribed to it in Section 10.1. of this Agreement.

"Control Antibody" shall have the meaning set forth in Section 3.5.

"Cost of Goods" shall mean with respect to Drug Conjugate Materials manufactured and supplied to EOS (i) if by Third-Parties, [*] in such manufacture and supply of Drug Conjugate Materials; and (ii) if by SGI or its Affiliates, [*] Percent ([*]%) of the consolidated fully burdened cost of providing such goods or services which shall be limited to the following factors: [*].

"Drug Conjugate Materials" means research grade small molecular weight cytotoxic drugs, [*], and linkers for attaching drugs to proteins, specifically monoclonal antibodies and fragments thereof.

"Drug Conjugation Technology" means drug conjugation chemistry owned or controlled by SGI, [*] and linker technology for attaching drugs to Antibodies that is the subject matter of the Licensed Patents and SGI Know-How.

"Effective Date" means the date of this Agreement.

"EOS Patents" shall have the meaning set forth in Section 11.2.2.

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

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

"Exclusive License" has the meaning ascribed to it in Section 4.2.1 of this Agreement.

"Field" means any and all [*], unless mutually agreed to by the Parties and set forth in Schedule A.

"First Commercial Sale" means, in each country of the Territory, the first commercial sale, where sale means when delivered, billed out, or invoiced, whichever comes first, of a Product by EOS, its Affiliates or Sublicensees to a Third-Party (other than a Sublicensee) following Regulatory Approval in the country in which the sale is to be made.

"Improvements" means all patentable or non-patentable inventions, discoveries, technology and information of any type whatsoever, including compositions, chemical compounds, biological materials, methods, processes, technical information, knowledge, experience and know-how which (i) [*], (ii) [*], or (iii) [*].

"Initial Research Program Fee" has the meaning ascribed to it in Section 3.4(a) hereof.

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

"Licensed Patents" means:

(i) any [*] patents and patent applications listed in Schedule B to this Agreement;

(ii) any patents and patent applications covering [*], and covering [*];

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

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

"Net Sales" means the gross amount received by EOS, its Affiliates and Sublicensees from the sale or other disposition of Products to Third-Parties (other than Sublicensees), less the sum of the following deductions for amounts actually incurred related to said sale or other disposition:

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

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

(iii) normal, customary wholesaler chargebacks and rebates (including rebates to government agencies and government mandates and managed healthcare negotiated rebates); and

(iv) retroactive price reductions; provided that no deduction for retroactive price reductions shall be taken for the sale or disposition of Products incorporating technology sublicensed under the [*].

"New Technologies" has the meaning ascribed in Section 4.3 hereof.

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

"Option Exercise Fee" has the meaning ascribed to it in Section 4.1.2 hereof.

"Option Period" means, with respect to each Research Antigen, the period commencing as of (i) the date that [*], or (ii) the date that [*], and continuing for a period of [*] ([*]) [*] unless terminated earlier pursuant to the provisions of Article 15 herein.

"Parties" means EOS and SGI, and "Party" means any one of them.

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

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

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

"Phase IV Clinical Trial" means human clinical trials conducted for inclusion in (i) that portion of the FDA submission and approval process which provides for continued trials of a Product after Regulatory Approval has been achieved (such trials may be designed to provide information that will optimize or expand use of the Product, provide information from additional drug interaction, dose-response and safety

studies, or provide pharmacoeconomic, epidemiological, comparative efficacy or other data from studies in a therapeutic use environment) and (ii) foreign equivalents thereof.

"Product" means any and all products where the manufacture, sale or use of such products would have constituted a misappropriation of Drug Conjugation Technology, SGI Know-How, Improvements or New Technologies, and/or an infringement of the Licensed Patents but for the licenses granted in this Agreement.

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

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

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

"Research Program Term" shall mean the term of the Research Program set forth in Section 3.3.

"Royalty Term" means, on a Product-by-Product and country-by-country basis, the period of time equal to the longer of (a) [*] ([*])[*] from the date of First Commercial Sale of the Product in such country or (b) the term for which a Valid Patent Claim directly relating to the Product in such country remains in effect.

"Second Research Program Fee" has the meaning ascribed to it in Section 3.4(b) hereof.

"SGI In-Licenses" means the following agreements between SGI and the indicated Third-Parties: (i) the License Agreement between [*] ("[*]") and SGI dated [*], as amended (the "[*]"), (ii) the License Agreement between [*] ("[*]") and SGI dated [*], as amended (the "[*]"), and (iii) [*].

"SGI Know-How" means any and all technical information, processes, formulae, data, engineering, inventions, chemical compounds, know-how and trade secrets, in each case that is Confidential Information according to Article 10, that relate to the Drug Conjugation Technology and which have been, or hereafter are during the term of this Agreement, either developed by SGI or its Affiliates, or have been acquired by SGI or its Affiliates with the right to grant licenses, immunities or other rights thereon.

"SGI Technology" means the Licensed Patents, the SGI Know-How, Improvements to the extent included in this Agreement pursuant to Section 4.3.1 and New Technologies to the extent included in this Agreement pursuant to Section 4.3.2.

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

"Term" has the meaning ascribed to it in Article 15

"Territory" means all countries in the world.

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

"Third Research Program Fee" has the meaning ascribed to it in Section 3.4(c) hereof.

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

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

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

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

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

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

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

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

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

ARTICLE 2 – RESEARCH ANTIGENS

2.1. **Designation of Research Antigens.**

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

(a) Upon payment of the Initial Research Program Fee set forth in Section 3.4(a), EOS may acquire Options for up to [*] ([*]) Research Antigens for evaluation in the Research Program.

(b) Upon payment of the Second Research Program Fee set forth in Section 3.4(b), EOS may acquire Options for up to an additional [*] ([*]) Research Antigens for evaluation in the Research Program.

(c) Upon payment of the Third Research Program Fee set forth in Section 3.4(c), EOS may acquire Options for up to an additional [*] ([*]) Research Antigens for evaluation in the Research Program.

EOS may acquire an Option for an Antigen by notifying SGI of the identity of, and to the extent available the genetic sequence for, the Antigen for which EOS wishes to acquire an Option. Within [*] ([*])[*] following receipt of such EOS notice, SGI will notify EOS whether the Option requested by EOS is available pursuant to Section 2.3.

Upon notice by SGI to EOS that an Option is available for such Antigen pursuant to Section 2.3, such Antigen shall be deemed to be a "Research Antigen" under this Agreement for the duration of the Option Period. Schedule C to this Agreement will be amended from time to time to list the Research Antigens (including a description thereof) under this Agreement.

2.2. **Research License to EOS.**

Subject to the provisions of this Agreement, SGI hereby grants to EOS and its Affiliates, for the term of the Research Program, an exclusive license in the Territory under the SGI Technology solely for the purpose of conducting research and development activities on the Research Antigens and evaluating EOS's interest to exercise the Options. The research license granted to EOS under this Section 2.2 shall not include (i) the right to use SGI Technology for any commercial purpose whatsoever, (ii) the right to grant sublicenses thereto to any Affiliate or Third-Party, (iii) the right to initiate any human clinical trial in any country, or (iv) the right to make, have made, use or sell a Product or the Drug Conjugation Technology for any purpose other than the foregoing evaluation, including for any commercial purpose.

2.3. **Availability of an Antigen.**

It is understood and agreed that SGI may be unable to grant an Option or Exclusive License to an Antigen if, prior to EOS's request for an Option for such Antigen pursuant to Section 2.1, (i) [*] or (ii) [*] EOS's written request for an Option for the Antigen.

ARTICLE 3 - RESEARCH PROGRAM

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

3.2. **Conduct of Research Program.** EOS and SGI shall use all reasonable efforts to complete research works in accordance with the stated objective of the Research Program. Any research work performed by EOS and SGI pursuant hereto shall be performed in a good scientific manner and in compliance with all applicable laws.

3.3. **Term of the Research Program.** The initial term of the Research Program shall be for a period of [*] ([*])[*] from the Effective Date (the "Initial Research Program Term"), unless terminated earlier upon termination of this Agreement in accordance with Article 15 hereof. Subject to the written approval of SGI and to payment of the fee by EOS to extend, as set forth in Section 3.4(d) below, the Research Program will be extended for [*] ([*]) additional period of [*] ([*])[*] upon EOS's request by giving written notice to SGI not less than [*] ([*])[*] prior to the expiration of the Initial Research Program Term (collectively with the Initial Research Program Term, the "Research Program Term").

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

(a) Upon execution and delivery of this Agreement by both Parties, EOS shall pay to SGI a payment in the sum of [*] dollars ($[*]) by wire transfer of immediately available funds, which payment shall be nonrefundable and non-creditable (the "Initial Research Program Fee").

(b) If EOS elects to [*] ([*]) [*] [*] ([*]) [*] pursuant to Section 2.1(b), EOS shall pay a second payment in the sum of [*] Dollars ($[*]) by wire transfer of immediately available funds, which payment shall be nonrefundable and non-creditable (the "Second Research Program Fee").

(c) If EOS elects to [*] ([*]) [*] ([*]) [*] pursuant to Section 2.1(c), EOS shall pay a third payment in the sum of [*] Dollars ($[*]) by wire transfer of immediately available funds, which payment shall be nonrefundable and non-creditable (the "Third Research Program Fee").

(d) If EOS and SGI agree to extend the Research Program for an additional [*] ([*])[*] period pursuant to Section 3.3, EOS shall pay an additional payment in the sum of [*] Dollars ($[*]) by wire transfer of immediately available funds, which payment shall be nonrefundable [*].

3.5. **SGI Preparation of ADCs.**

At the request of EOS during the Research Program Term, SGI will use reasonable commercial efforts to prepare ADC's for (i) [*] and (ii) [*] [*] ([*]) [*]. The terms and conditions applicable to SGI's ADC preparation are set forth on Schedule D. EOS shall pay SGI the amount set forth in Schedule D within [*] ([*])[*] of receipt of an invoice from SGI for such amounts. The Parties acknowledge and agree that SGI will prepare [*]. If SGI is unable to prepare an ADC within [*] ([*]) [*] following EOS's delivery of the required quantity of Antibody material (and if applicable, Control Antibody material), EOS will have the option to designate a replacement Antibody to the same Research Antigen (including a replacement Control Antibody, if applicable) at any time during the Research Program Term and SGI will use reasonable commercial efforts to prepare an ADC for such replacement Antibody (and replacement Control Antibody, if applicable) for no additional charge. EOS's right to designate a replacement

Antibody (and replacement Control Antibody, if applicable) is EOS's sole and exclusive remedy for any failure by SGI to prepare any ADC contemplated by this Section 3.5.

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

3.6. **Confidentiality.** In order to facilitate the Research Program, either Party may disclose confidential or proprietary information owned or controlled by it to the other. It is hereby understood and agreed that such information shall be deemed "Confidential Information" as defined in Article 10 and treated as such.

ARTICLE 4 – OPTIONS AND LICENSES

4.1. **Option Grant.**

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

4.1.2. Exercise of the Option. At any time during the Option Period with respect to a particular Research Antigen, EOS may provide notice to SGI that it wishes to acquire an Exclusive License for the SGI Technology solely for use with Products containing ADC's directed against the specified Research Antigen. Upon the exercise of each Option, EOS shall make a payment to SGI in the sum of [*] Dollars ($[*]) by wire transfer of immediately available funds, which payment shall be nonrefundable and non-creditable (the "Option Exercise Fee").

4.1.3. Non-Exercise of the Option. At the end of an Option Period for a particular Research Antigen and in exchange for a payment to SGI in the sum of $[*], EOS may be granted a [*] ([*])[*] extension of the Option Period for such Research Antigen. If by the end of an Option Period (including its extension, as above) for any Research Antigen, EOS has not exercised its Option, all rights related to the use of SGI Technology in connection with the Antigen shall revert back to SGI.

4.2. **Exclusive License Grant to EOS.**

4.2.1. Grant. If (i) EOS elects to exercise its option to acquire an Exclusive License with respect to a particular Research Antigen pursuant to Section 4.1.2, and (ii) EOS pays the Option Exercise Fee pursuant to Section 4.1.2, then subject to the terms and conditions of this Agreement, and commencing as of the date that SGI has received the Option Exercise Fee from EOS, SGI is automatically deemed to grant, and in such event hereby grants, to EOS, on a Research Antigen-by-Research Antigen basis, a worldwide, exclusive (even as to SGI), non-transferable, royalty-bearing license under the SGI Technology, with the right to sublicense as permitted in Section 4.2.2, to discover, have discovered, to develop, have developed, make, have made, import, have imported, export, have exported, use, sell and have sold Products directed toward such Research Antigen within the Field in the Territory (an "Exclusive License"), whereupon the Research Antigen shall thereafter be deemed to be an "Exclusive Antigen". EOS may obtain an Exclusive License for each Research Antigen pursuant to this Section 4.2.1 until the expiration of the term of the Option Period for such Research Antigen. Upon expiration of the term of the last Option Period hereunder, no further Exclusive Licenses shall be granted under the terms of this Agreement.

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

4.2.2. **Rights to Sublicense.**

(a) EOS shall have the right to sublicense the rights granted to EOS pursuant to this Agreement to any Affiliate or any Third-Party for any Exclusive Antigen or Product developed by EOS subject to the terms and conditions of the SGI In-Licenses attached hereto as Schedule E.

(b) [*] due to SGI by reason of completion of any milestones or Net Sales of any Products by any such Sublicensee and its compliance with all terms of this Agreement applicable to EOS (including all terms of this Agreement identified as applicable to Sublicensee); and any such Sublicensee agrees [*] (i) to keep books and records and permit SGI to review the information concerning such books and records that EOS has in its possession in accordance with the terms of this Agreement and (ii) to comply with all other terms of this Agreement applicable to EOS (including all terms of this Agreement identified as applicable to a Sublicensee).

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

4.3. **Improvements and New Technologies.**

4.3.1. Improvements. In the event that, during the Research Program Term, SGI conceives, develops or reduces to practice an Improvement [*] [*].

4.3.2. New Technologies. Subject to the bona fide rights of Third-Parties that may exist, [*]. SGI shall [*] under this Agreement; provided that [*]. For the purposes of clarity, the Parties acknowledge and agree that EOS shall not [*]. Schedule B shall be amended from time to time to add the patents and patent applications covering New Technologies and may be amended from time to time to add any new patents or patent applications covering New Technologies and Improvements related thereto and the specific terms of the SGI In-Licenses covering such New Technologies and Improvements related thereto with which EOS shall comply.

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

4.4.1. EOS, its Affiliates and Sublicensees agree to comply with those covenants and conditions of the SGI In-Licenses disclosed to EOS by SGI in advance and attached hereto in Schedule E, as if they were a party to the SGI In-Licenses. The Parties agree that [*] are Third-Party beneficiaries to this Agreement with respect to SGI Technology that includes technology sublicensed under the [*] and/or the [*].

4.4.2. SGI will not enter into any amendment to an SGI In-License that imposes additional obligations on EOS, or diminishes EOS's rights, without the prior written consent of EOS. In the event of any amendment or termination of any SGI In-License set forth on Schedule

E that relates to technology sublicensed to EOS under such SGI In-License, **SGI shall notify EOS** no later than [*] ([*])[*] before the execution of any proposed **amendment to or termination of an** SGI In-License. In the case of an amendment, such notification will include disclosure of the material terms of the proposed amendment to an SGI In-License, including all terms applicable to EOS. [*].

4.4.3 SGI will use commercially reasonable efforts to comply with, and exercise its rights under, the SGI In-Licenses so as to ensure compliance by SGI of its obligations under this Agreement. [*].

ARTICLE 5 – TECHNOLOGY DISCLOSURE AND SUPPLY

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

SGI shall disclose to EOS such Drug Conjugation Technology, SGI Know-How, New Technologies and Improvements as is necessary to enable EOS to use the Drug Conjugation Technology, SGI Know-How, New Technologies and Improvements at its own facilities on the terms and subject to the conditions of this Agreement. In addition, during the term of this Agreement, SGI shall, upon EOS's reasonable request and with adequate notice to SGI, make available to EOS at SGI's facilities, SGI's personnel to provide a reasonable amount of technical assistance and training to EOS's personnel. [*].

5.2. **Identification of Technology.**

The Parties agree that all Drug Conjugation Technology, SGI Know-How and Drug Conjugate Materials to be transferred to EOS pursuant to this Agreement ("Transferred Technology, Know-How and Materials") shall be so transferred in the form of written memoranda marked confidential in the case of such Technology and Know-How and, in the case of such Materials, by clearly marked containers. When presented in this manner, these shall be deemed to be "Confidential Information" in accordance with Section 10.1. EOS will take reasonable and appropriate measures to ensure that the confidentiality of all Transferred Technology, Know-How and Materials is preserved and that the Transferred Technology, Know-How and Materials are only used for the purposes authorized under the Agreement and in compliance with this Agreement. Failure by SGI to transfer such Transferred Technology, Know-How and Materials in the manner contemplated in this Section 5.2 will not be construed to limit the license granted to EOS under such SGI Technology pursuant to Sections 2.2 or 4.2 hereof.

5.3. **Supply of Drug Conjugate Materials.**

During the term of the Research Program and any subsequent portion of the Option Period related to a specific Research Antigen, SGI will provide reasonable quantities of Drug Conjugate Materials to EOS [*].

If at any time during the term of this Agreement, [*].

[*].

[*].

5.4. **Communication Among Parties.**

Each of EOS and SGI shall appoint a specific individual who shall be available and shall act as a liaison person to facilitate the day-to-day communications among the Parties. The names of the initial liaison persons who shall act on behalf of each of the Parties shall be Richard Murray for EOS and Peter Senter for SGI. Each of EOS and SGI agrees to notify the other in accordance with the terms of Section 21.1 of this Agreement in the event of a change in liaison person.

ARTICLE 6 - DEVELOPMENT AND COMMERCIALIZATION

EOS shall use its commercially reasonable efforts and diligence in developing and commercializing Product(s) related to Exclusive Antigen(s) in accordance with its business, legal, medical and scientific judgment, and in undertaking investigations and actions required to obtain appropriate Regulatory Approval(s) necessary to market such Products that EOS determines in its sole discretion to pursue in the Territory, such reasonable efforts and diligence to be in accordance with the efforts and resources EOS would use for product(s) owned by it or to which it has rights, which is of similar market potential at a similar stage in development as the Products directed towards the applicable Exclusive Antigen taking into account the competitiveness of the marketplace, the proprietary position of the Product(s) that EOS determines in its sole discretion to pursue, the relative potential safety and efficacy of such Product(s), the regulatory requirements involved in such Products' development, commercialization and Regulatory Approval, the Cost of Goods and availability of capacity to manufacture and supply such Product(s) at commercial scale, the profitability of such Product(s), and other relevant factors including technical, legal, scientific or medical factors.

As to between the Parties, EOS shall be solely responsible for funding all costs of the development and commercialization of each Product EOS determines in its sole discretion to pursue. EOS shall keep SGI informed in a timely manner as to the progress of the development of Products EOS determines, from time to time, to pursue. Beginning on [*] and thereafter within [*] ([*])[*] following the end of each calendar year, EOS shall provide SGI with a written report summarizing EOS's activities related to research and development of Products and status of clinical trials and government approvals necessary for marketing Products. Beginning on [*] and thereafter within [*] ([*]) [*] following the end of each calendar year, SGI shall provide EOS with a written report summarizing SGI's activities related to preparing ADCs and developing new Drug Conjugation Technology.

ARTICLE 7 – MAINTENANCE FEES, ROYALTIES AND MILESTONES.

7.1. **Maintenance Fees**

7.1.1. EOS shall pay to SGI an annual maintenance fee in the amount of [*] Dollars ($[*]) for each Exclusive Antigen [*] for each Exclusive Antigen. [*]. SGI shall [*]: (a) [*] for a Product related to such Exclusive Antigen, (b) [*] for a Product related to such Exclusive Antigen [*] ([*]) [*] of the [*] for such Product, (c) the [*] for a Product related to such Exclusive Antigen, and (d) the [*] of the [*] for a Product related to such Exclusive Antigen. Notwithstanding the foregoing, [*]: (y) [*] Dollars ($[*]) if EOS [*] ([*]) [*] and (z) [*] Dollars ($[*]) if EOS [*] ([*]) [*].

7.1.2. EOS may terminate the Exclusive License for any Exclusive Antigen for any reason and at any time upon [*] ([*]) [*] prior notice to SGI, in which event no maintenance fees shall accrue to SGI under Section 7.1.1 for such Research Antigen following the

termination date; provided that [*]. The Exclusive License for such Exclusive Antigen shall terminate effective as of such termination date. All rights related to the use of SGI Technology in connection with the Exclusive Antigen shall revert back to SGI after a waiting period of [*] ([*]) [*] after such termination date.

7.1.3. Notwithstanding anything to the contrary in this Section 7.1, EOS may reinstate the Exclusive License for such former Exclusive Antigen within [*] ([*])[*] following the termination date by notifying SGI and making an additional payment in the sum of $[*] to SGI.

7.2. **Royalties Payable by EOS.**

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

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

(b) [*]% of incremental aggregate Net Sales of the Product up to [*] Dollars ($[*]) in each calendar year; and

(c) [*]% of incremental aggregate Net Sales of the Product in excess of [*] Dollars ($[*]) in each calendar year.

7.3. **Third-Party Royalties.**

7.3.1. EOS shall pay any Third-Party royalties owed on account of its sales of Product in the Licensed Territory, including royalties owed due to use of the SGI Technology; [*]. All current Third-Party royalties known to SGI are set forth on Schedule B and the terms of such royalties have been disclosed to EOS and are set forth in Schedule E.

7.3.2. [*]:

(a) [*];

(b) [*]; and

(c) [*].

7.4. **Non-Royalty Sales.**

No royalty shall be payable under this Article 7 with respect to sales of Products among EOS and its Affiliates or its Sublicensees or among Sublicensees and their Affiliates, but a royalty shall be due upon the subsequent sale of the Product to a Third-Party.

7.5. **Milestone Payments.**

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

(a) Upon [*] for each Product, [*] Dollars ($[*]);

(b) Upon [*] for each Product, [*] Dollars ($[*]);

(c) Upon [*] for each Product, [*] Dollars ($[*]);

(d) Upon [*] for each Product in either the [*] (each, a "Major Market"), [*] Dollars ($[*]);

(e) Upon [*] for each Licensed Product in a second Major Market, [*] Dollars ($[*]); and

(f) Upon [*], said indication to be the result of an [*] for each Product in a Major Market, [*] Dollars ($[*]).

EOS will only be required to pay each of the above milestones (other than the milestone set forth in Section 7.5(f)) to SGI for the [*] Product for each Exclusive Antigen to complete the milestone event. EOS will only be required to pay the milestone set forth in Section 7.5(f) to SGI for the [*] Product for each Exclusive Antigen that completes such milestone event.

ARTICLE 8 - ROYALTY REPORTS AND ACCOUNTING

8.1. **Reports, Exchange Rates.**

8.1.1. During the term of this Agreement following the First Commercial Sale and during the Royalty Term, EOS shall furnish to SGI, with respect to each Calendar Quarter, a written report showing on a consolidated basis in reasonably specific detail and on a country-by-country basis, (a) the gross sales of Products sold by EOS, its Affiliates and its Sublicensees in the Territory during the corresponding Calendar Quarter and the calculation of Net Sales from such gross sales; (b) the royalties payable in US dollars, if any, which shall have accrued hereunder based upon Net Sales of Products; (c) the withholding taxes, if any, required by law to be deducted in respect of such royalties; (d) the dates of the First Commercial Sale of each Product in each country in the Territory if it has occurred during the corresponding Calendar Quarter; and (e) the exchange rates (as determined pursuant to Section 8.1.4 herein) used in determining the royalty amount expressed in US dollars (collectively, "Reports").

8.1.2. EOS shall include in each permitted sublicense granted by it pursuant to this Agreement a provision requiring its Sublicensees to make Reports to EOS within [*] ([*])[*] of the close of each Calendar Quarter, to keep and maintain records of sales made pursuant to such sublicense and to grant access to such Reports by SGI's independent accountant to the same extent required with respect to

EOS's Reports under this Agreement.

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

8.1.4. With respect to sales (if any) of Products invoiced in US dollars, the gross sales, Net Sales, and royalties payable shall be expressed in US dollars. With respect to sales of Products invoiced in a currency other than US dollars, the gross sales, Net Sales and royalties payable shall be expressed in the currency of the invoice issued by the Party making the sale together with the US dollars equivalent of the royalty payable, calculated using the following rates: (i) [*], or (ii) [*].

8.2. **Audits.**

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

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

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

8.3. **Confidential Financial Information.**

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

ARTICLE 9 - PAYMENTS. LATE PAYMENTS

9.1. **Payment Terms.**

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

9.2. **Payment Method.**

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

9.3. **Exchange Control.**

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

9.4. **Withholding Taxes.**

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

ARTICLE 10 - CONFIDENTIALITY

10.1. **Non-Disclosure Obligations.**

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

10.2. **Permitted Disclosures.**

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

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

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

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

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

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

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

10.3. **Terms of the Agreement.**

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

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

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

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

No Party may publish, present or announce results of the Research Program either orally or in writing (the "Publication") without obtaining the written consent of the other Party. The other Party shall have [*] ([*]) [*] from receipt of the proposed Publication to provide comments and/or proposed changes to the disclosing Party. The disclosing Party shall take into account the comments and/or proposed changes made by the other Party on any Publication and shall agree to have employees or others acting on behalf of the other Party be mentioned as co-authors on any Publication describing results to which such persons have contributed. If the other Party reasonably determines the Publication would amount to the public disclosure of such Party's Confidential Information and/or of a patentable invention upon which a patent application should be filed prior to any such disclosure, submission of the concerned Publication to Third-Parties shall be delayed for a [*] ([*])[*] period from the date of said notice, or for such longer period which may appear necessary for appropriately deleting Confidential Information from the proposed Publication and/or drafting and filing a patent application covering such invention.

ARTICLE 11 - INVENTIONS AND PATENTS

11.1. **Ownership of Inventions.**

11.1.1. **Inventorship.** Subject to the terms of this Article 11, inventorship of any inventions arising out of the Research Program or under this Agreement shall be determined according to U.S. law. Any inventions or other intellectual property invented solely by one Party shall be owned by that Party.

11.1.2. **Ownership of SGI Technology and Jointly-Invented Inventions Related Thereto.**

All right, title and interest to the SGI Technology shall (subject to any licenses explicitly granted hereunder) at all times remain with and be vested in SGI. Any invention or other intellectual property made, and data derived, by jointly EOS or its respective employees, consultants or agents and SGI or its respective employees, consultants or agents that relate to the SGI Technology shall be owned [*]. EOS shall promptly notify SGI of any such invention or other intellectual property, and cooperate with SGI at SGI's request and expense, in the preparation, filing, prosecution, and defense of patent applications and patents relating thereto. Subject to the terms of this Article 11, [*] that relate to the SGI Technology, and shall in a reasonably timely manner execute those documents, as requested by SGI, necessary to document and/or perfect the assignment of such inventions and intellectual property.

11.1.3. **Ownership of Antibodies, Research Antigens, Exclusive Antigens,and Jointly-Invented Inventions Related Thereto.** Subject to Section 11.1.2, all right, title and interest to the Antibodies, Research Antigens and Exclusive Antigens shall at all times remain with and be vested in EOS. Any invention or other intellectual property made, and data derived, by jointly SGI or its respective employees, consultants or agents and EOS or its respective employees, consultants or agents that relate to the Antibodies, the Research Antigens, the Exclusive Antigens or any Antibody included in the ADC, shall be owned [*]. SGI shall promptly notify EOS of any such invention or other intellectual property, and cooperate with EOS at EOS's request and expense, in the preparation, filing, prosecution, and defense of patent applications and patents relating thereto. Subject to the terms of this Article 11, [*] that relate to the above noted technology as well as any invention or other intellectual property made, and data derived as it directly relates, and only insofar as it directly relates, to an ADC licensed under this Agreement regardless of inventorship, and shall in a reasonably timely manner execute those documents, as requested by EOS, necessary to document and/or perfect the assignment of such inventions and intellectual property.

11.2. **Patent Prosecution and Maintenance.**

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

11.2.2. Subject to Section 11.2.1, EOS shall be responsible for and shall control the preparation, filing, prosecution, grant and maintenance, of any patents and patent applications having as subject matter an ADC, Antibody, Research Antigen or Exclusive Antigen Invention (the "EOS Patents"). EOS shall have the right, but not the obligation, at its sole discretion and expense, prepare, file, prosecute and maintain such patent rights in good faith consistent with its customary patent policy and its reasonable business judgment.

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

11.3. **Enforcement of Licensed Patents.**

11.3.1. SGI shall have the obligation in Major Markets and the right in all other markets, at its sole expense, to determine the appropriate course of action to enforce the Licensed Patents or otherwise abate the infringement thereof, to take (or refrain from taking) appropriate action to enforce the Licensed Patents, to control any litigation or other enforcement action and to enter into, or permit, the settlement of any such litigation or other enforcement action with respect to the Licensed Patents, and in good faith shall consider the interests of EOS in so doing; provided that nothing herein shall be construed to obligate SGI to take any action that would be commercially unreasonable or would subject SGI to undue business risk. All monies recovered upon the final judgment or settlement of any such suit to enforce any Licensed Patents shall be retained by SGI. EOS and SGI shall fully cooperate with each other in any action to enforce the Licensed Patents. If SGI fails to take any action to enforce the Licensed Patents or control any litigation with respect to the licensed Patents within a period of [*] ([*])[*] after reasonable notice of the infringement of the Licensed Patents, then EOS shall have the right to bring and control any such action by counsel of its own choice, and in such case, all monies recovered upon the final judgment or settlement of any such suit to enforce any Licensed Patents shall be retained by EOS. In such a case, SGI shall cooperate fully with EOS, at EOS's expense, in its efforts to enforce the Licensed Patents, including being joined as a party to such action if necessary.

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

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

ARTICLE 12 - INFRINGEMENT ACTIONS BY THIRD-PARTIES

If EOS, SGI or their respective Affiliates, or EOS's Sublicensees, is sued by a Third-Party for infringement of a Third-Party's patent because of the use of the Drug Conjugation Technology, the Party which has been sued shall promptly notify the other Party no event later than [*] ([*])[*] of the institution of such suit. The notice shall set forth the facts of such infringement and provide evidence of such infringement that is within the notifying Party's control. SGI shall have the right, in its sole discretion, to control the defense of such suit at its own expense, in which event EOS shall have the right to be represented by advisory counsel of its own selection, at its own expense, and shall cooperate fully in the defense of such suit and furnish to SGI all evidence and assistance in its control. If SGI does not elect within [*] ([*])[*] after receipt of such notice to so control the defense of such suit, EOS may undertake such control at its own expense, and SGI shall then have the right to be represented by advisory counsel of its own selection and at its own expense, and SGI shall cooperate fully in the defense of such suit and furnish to EOS all evidence and assistance in SGI's control. The Party controlling the suit shall keep the other Party reasonably informed of the status of the suit under this Article 12. In no event may the Party controlling the suit settle or otherwise consent to an adverse judgment in such suit that diminishes the rights or interests of the non-controlling Party without the express written consent of the non-controlling Party. Any judgments, awards, settlements or damages payable with respect to legal proceedings covered by this Article 12 shall be paid by or to the Party which controls the litigation; provided, however, that if the other Party has elected to be represented by advisory counsel, the other Party shall receive the actual reasonable cost of its legal fees for such advisory counsel.

ARTICLE 13 - REGULATORY ASSISTANCE

Should EOS develop an ADC for clinical development, SGI will provide to a reasonable extent, at EOS's request, technical information required for EOS to file for and obtain permission to commence human clinical trials. This information will include, as available, Chemistry Manufacturing and Controls documentation, other toxicity and safety data, access to any drug master files on record with the FDA and any other relevant materials. EOS shall reimburse SGI for any out-of-pocket costs incurred by SGI in providing such information plus an amount equal to SGI's fully burdened FTE rate, which rate shall not exceed $[*] per year.

ARTICLE 14 – REPRESENTATIONS AND WARRANTIES

14.1. **Representations and Warranties.**

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

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

(c) SGI has not, and during the term of the Agreement will not, grant any right to any Third-Party relating to the Licensed

Patents and SGI Know-how which would conflict with the rights granted to EOS hereunder.

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

(e) SGI represents and warrants that all Drug Conjugate Materials manufactured under SGI's authority will be in conformity with the agreed upon specifications upon delivery to EOS.

14.2. **Performance by Affiliates.**

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

ARTICLE 15 – TERM AND TERMINATION

15.1. **Term**

Unless earlier terminated pursuant to this Article 15, the term of this Agreement shall commence on the Effective Date and shall remain in full force and effect until the earlier of (i) the expiration of the last to expire Option Period unless EOS exercises at least [*] ([*]) Option prior to such date; or (ii) the expiration of the last to expire Royalty Term.

15.2. **Termination by EOS.**

EOS shall have the right, at any time in its sole discretion, to terminate this Agreement as a whole, either forthwith upon written notice to SGI if such notice is sent before the end of the Research Program Term, or by providing not less than [*] ([*]) [*] prior notice to SGI of such termination; provided, however if EOS elects to terminate this Agreement as a result of an amendment to an SGI In-License as set forth in Section 7.3.1, EOS shall have to provide only [*] ([*])[*] prior notice to SGI of such termination.

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

EOS shall promptly give SGI notice if EOS intends to abandon permanently the commercial development of any Exclusive Antigen whereupon any Exclusive License with respect to such Exclusive Antigen shall automatically terminate and all rights related to the use of SGI Technology in connection with the Exclusive Antigen shall revert back to SGI.

15.4. **Termination for Cause.**

Either Party may terminate this Agreement for material breach by the other Party (the "Breaching Party") of any material provision of the Agreement, if the Breaching Party has not cured such breach within [*] ([*])[*] after notice thereof; provided, however, that neither Party shall be deemed to be in material breach of this Agreement for purposes of a termination hereunder during any period in which a good faith dispute between the Parties exists regarding performance of breach of its obligations hereunder, and provided further, however, that in the event EOS fails to timely pay SGI the annual maintenance fees, royalty payments and milestone payments set forth in Article 7, the Research Program Fee(s) set forth in Section 3.4 or the Option Exercise Fee(s) set forth in Section 4.1.2, EOS shall have only [*] ([*])[*] to cure such material breach.

15.5. **Termination Upon Insolvency.**

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

15.6. **Termination of SGI In-Licenses.** All rights and obligations under an SGI In-License sublicensed under this Agreement shall terminate upon [*] ([*])[*] prior written notice by SGI if EOS breaches any material provision of such SGI In-License Agreement and fails to cure such breach within such [*] ([*]) [*] period; provided, however such cure period may be extended by consent of the Parties. All rights and obligations under the [*] shall automatically terminate if EOS fails to maintain the insurance required under the [*]. All rights and obligations under an SGI In-License sublicensed under this Agreement shall terminate upon termination of such SGI In-License; subject to EOS's right, if any, under such SGI In-License to enter into a direct license with licensor upon the terms and conditions set forth in such SGI In-License.

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

15.7.1. Except where explicitly provided within this Agreement, termination of this Agreement for any reason, or expiration of this Agreement, with not affect any: (i) obligations, including payment of any royalties or other sums which have accrued as of the date of termination or expiration, and (ii) rights and obligations which, from the context thereof, are intended to survive termination or expiration of this Agreement, including provisions of Articles 10, 11, 12, 16 and 22, and Sections 8.2, 8.3 and 15.7, which shall survive the expiration or termination of the Agreement. Notwithstanding the foregoing, all licenses granted by SGI to EOS hereunder, including all Exclusive Licenses, will immediately terminate upon termination of this Agreement pursuant to Section 15.2 or Section 15.4 or Section 15.5.

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

ARTICLE 16 - INDEMNITY.

16.1. **Direct Indemnity.**

16.1.1. Each Party shall indemnify and hold harmless, and hereby forever releases and discharges the other Party from and against all claims, demands, liabilities, damages and expenses, including attorneys' fees and costs (collectively, the "Liabilities") arising out of (i)

the breach of any material provision of this Agreement by the indemnifying Party (or the inaccuracy of any representation or warranty made by such Party in this Agreement), except to the extent such Liabilities resulted from the gross negligence, recklessness or willful misconduct of the other Party; or (ii) the gross negligence, recklessness or willful misconduct of the indemnifying Party.

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

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

16.2. **Procedure.**

A Party (the "Indemnitee") that intends to claim indemnification under this Article 16 shall promptly provide notice to the other Party (the "Indemnitor") of any Liability or action in respect of which the Indemnitee intends to claim such indemnification, which notice shall include a reasonable identification of the alleged facts giving rise to such Liability, and the Indemnitor shall have the right to participate in, and, to the extent the Indemnitor so desires, jointly with any other Indemnitor similarly noticed, to assume the defense thereof with counsel selected by the Indemnitor; provided, however, that the Indemnitee shall have the right to retain its own counsel, with the fees and expenses to be paid by the Indemnitor, if representation of such Indemnitee by the counsel retained by the Indemnitor would be inappropriate due to actual or potential differing interests between such Indemnitee and any other Party represented by such counsel in such proceedings. Any settlement of a Liability for which any Indemnitee seeks to be reimbursed, indemnified, defended or held harmless under this Article 16 shall be subject to prior consent of such Indemnitee, such consent shall be withheld unreasonably

ARTICLE 17- FORCE MAJEURE

No Party (or any of its Affiliates) shall be held liable or responsible to the other Party (or any of its Affiliates) nor be deemed to have defaulted under or breached the Agreement for failure or delay in fulfilling or performing any term of the Agreement when such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party (or any of its Affiliates) including fire, floods, embargoes, war, acts of war (whether war be declared or not), insurrections, riots, civil commotions, acts of God or acts, or omissions or delays in acting by any governmental authority (collectively, "Events of Force Majeure"); provided, however, that the affected Party shall exert all reasonable efforts to eliminate, cure or overcome any such Event of Force Majeure and to resume performance of its covenants with all possible speed. Notwithstanding the foregoing, to the extent that an Event of Force Majeure continues for a period in excess of six (6) months, the affected Party shall promptly notify in writing the other Party of such Event of Force Majeure and within four (4) months of the other Party's receipt of such notice, the Parties agree to negotiate in good faith either (i) to resolve the Event of Force Majeure, if possible, (ii) to extend by mutual agreement the time period to resolve, eliminate, cure or overcome such Event of Force Majeure, (iii) to amend this Agreement to the extent reasonably possible, or (iv) to terminate this Agreement.

ARTICLE 18 - ASSIGNMENT

This Agreement may not be assigned or otherwise transferred, nor, except as expressly provided hereunder, may any right or obligations hereunder be assigned or transferred to any Third-Party by either Party without the consent of the other Party, such consent not to be unreasonably withheld; provided, however, that either Party may, without such consent but with notification, assign this Agreement and its rights and obligations hereunder to any of its Affiliates or in connection with the transfer or sale of all or substantially all of its business, or in the event of its merger or consolidation (such merger or consolidation shall be hereinafter referred to as a "Change in Control"). Any permitted assignee shall assume all rights and obligations of its assignor under this Agreement; provided, however, that an acquiror of SGI in connection with a Change of Control shall not be obligated, but shall have the right, to disclose or offer to EOS pursuant to Section 4.3 any Improvements or New Technologies owned or controlled by such acquiror prior to the Change of Control, or any Improvements or New Technologies owned or controlled by acquiror or SGI after a Change of Control; provided, however, to the extent that SGI continues to exist as a separate entity, Improvements derived from the SGI Technology will continue to be subject to the terms and conditions of this Agreement.

ARTICLE 19 - SEVERABILITY

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

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

ARTICLE 20 – INSURANCE

During the term of this Agreement and thereafter for the period of time required below, each Party shall maintain an [*] insurance in the [*] and [*] and [*]; and commencing not later than [*] of the [*] and thereafter for the [*], EOS shall [*] on an ongoing basis [*] in the [*] and [*]. All of such [*] shall be maintained [*] and an [*].

[*] than the [*] of [*] with respect to the [*], and not later than [*], EOS shall [*] to [*] a [*]. Thereafter EOS shall [*] and [*].

EOS [*] shall [*] on [*] hereunder and shall [*] that [*] shall [*] of [*] in the [*].

ARTICLE 21 – EXCLUSIVITY

[*].

ARTICLE 22 - MISCELLANEOUS

22.1. **Notices.**

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

If to Seattle Genetics:
22215 26th Avenue SE
Suite 3000
Bothell, WA 98021
Attention: Chief Executive Officer

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

If to EOS Biotechnology:
225A Gateway Blvd
S. San Francisco, CA 94080
Attention: Chief Executive Officer

With copy to:
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103
Attention: Manya S. Deehr

22.2. **Applicable Law.**

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

22.3. **Dispute Resolution.**

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

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

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

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

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

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

22.4. **Entire Agreement.**

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

22.5. **Independent Contractors.**

SGI and EOS each acknowledge that they shall be independent contractors and that the relationship between the two Parties shall not

constitute a partnership, joint venture or agency. Neither SGI nor EOS shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior consent of the other Party to do so.

22.6. **Affiliates**

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

22.7. **Waiver.**

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

22.8. **Counterparts.**

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

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

SEATTLE GENETICS, INC.

By: /s/ CLAY B. SIEGALL

Name: CLAY B. SIEGALL

Title: PRESIDENT and CSO

EOS BIOTECHNOLOGY, INC.

By: /s/ DAVID W. MARTIN, JR.

Name: DAVID W. MARTIN, JR.

Title: PRESIDENT and CEO

[*] Confidential Treatment Requested