**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 September 30, 2008

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

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

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 ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| Large Accelerated filer ☐ | Accelerated filer ☒ | Non-accelerated filer ☐ (Do not check if a smaller reporting company) | Smaller reporting company ☐ |
|---|---|---|---|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES ☐ NO ☒

As of November 6, 2008, there were 79,775,584 shares of the registrant's common stock outstanding.

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**Seattle Genetics, Inc.**

**For the quarter ended September 30, 2008**

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**Seattle Genetics, Inc.**
**Condensed Consolidated Balance Sheets**
**(Unaudited)**
**(In thousands, except par value)**

| | September 30, 2008 | December 31, 2007 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 24,413 | $ 59,644 |
| Short-term investments | 80,113 | 51,717 |
| Interest receivable | 2,069 | 758 |
| Accounts receivable | 6,595 | 5,988 |
| Prepaid expenses and other current assets | 6,753 | 1,244 |
| Total current assets | 119,943 | 119,351 |
| Property and equipment, net | 11,013 | 10,294 |
| Long-term investments | 82,568 | 18,223 |
| Other non-current assets | 476 | 662 |
| Total assets | $ 214,000 | $ 148,530 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | $ 14,917 | $ 10,475 |
| Current portion of deferred revenue | 23,126 | 18,873 |
| Total current liabilities | 38,043 | 29,348 |
| Long-term liabilities | | |
| Deferred revenue, less current portion | 68,771 | 64,786 |
| Deferred rent and other long-term liabilities | 1,378 | 410 |
| Total long-term liabilities | 70,149 | 65,196 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Preferred stock, $0.001 par value, 5,000 shares authorized; none issued | — | — |
| Common stock, $0.001 par value, 150,000 shares authorized at September 30, 2008 and 100,000 authorized at December 31, 2007; 79,772 shares issued and outstanding at September 30, 2008 and 67,524 shares issued and outstanding at December 31, 2007 | 80 | 68 |
| Additional paid-in capital | 391,256 | 282,324 |
| Accumulated other comprehensive gain (loss) | (2,103) | 115 |
| Accumulated deficit | (283,425) | (228,521) |
| Total stockholders' equity | 105,808 | 53,986 |
| Total liabilities and stockholders' equity | $ 214,000 | $ 148,530 |

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

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**Seattle Genetics, Inc.**
**Condensed Consolidated Statements of Operations**
**(Unaudited)**
**(In thousands, except per share amounts)**

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Revenues from collaboration and license agreements | $ 8,079 | $ 4,637 | $ 25,168 | $ 14,584 |
| Operating expenses | | | | |
| Research and development | 27,711 | 17,735 | 73,362 | 44,719 |
| General and administrative | 3,687 | 3,297 | 11,716 | 8,931 |
| Total operating expenses | 31,398 | 21,032 | 85,078 | 53,650 |
| Loss from operations | (23,319) | (16,395) | (59,910) | (39,066) |
| Investment income, net | 1,555 | 1,782 | 5,006 | 5,075 |
| Net loss | $(21,764) | $(14,613) | $(54,904) | $(33,991) |
| Net loss per share – basic and diluted | $ (0.27) | $ (0.22) | $ (0.70) | $ (0.57) |
| Shares used in computation of net loss per share – basic and diluted | 79,559 | 65,957 | 78,369 | 59,228 |

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

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**Seattle Genetics, Inc.**
**Condensed Consolidated Statements of Cash Flows**
**(Unaudited)**
**(In thousands)**

| | Nine months ended September 30, | |
|---|---|---|
| | 2008 | 2007 |
| **Operating activities** | | |
| Net loss | $ (54,904) | $ (33,991) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Share-based compensation expense | 7,400 | 5,417 |
| Depreciation and amortization | 2,488 | 1,879 |
| Amortization on investments | 1,035 | (649) |
| Deferred rent and other long-term liabilities | 968 | (28) |
| Changes in operating assets and liabilities | | |
| Interest receivable | (1,311) | (410) |
| Accounts receivable | (607) | (4,490) |
| Prepaid expenses and other current assets | (5,509) | (641) |
| Accounts payable and accrued liabilities | 5,209 | 2,802 |
| Deferred revenue | 8,238 | 64,441 |
| Net cash (used in) provided by operating activities | (36,993) | 34,330 |
| **Investing activities** | | |
| Purchases of securities available for sale | (154,336) | (162,420) |
| Proceeds from maturities of securities available for sale | 51,528 | 127,507 |
| Proceeds from sales of securities available for sale | 7,000 | 2,250 |
| Purchases of property and equipment | (3,974) | (2,326) |
| Net cash used in investing activities | (99,782) | (34,989) |
| **Financing activities** | | |
| Net proceeds from issuance of common stock | 97,628 | — |
| Proceeds from exercise of stock options and employee stock purchase plan | 3,916 | 4,921 |
| Net cash provided by financing activities | 101,544 | 4,921 |
| Net (decrease) increase in cash and cash equivalents | (35,231) | 4,262 |
| Cash and cash equivalents, at beginning of period | 59,644 | 9,137 |
| Cash and cash equivalents, at end of period | $ 24,413 | $ 13,399 |

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

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

## 1. Basis of presentation

The accompanying unaudited condensed consolidated financial statements reflect the accounts of Seattle Genetics, Inc. and its wholly-owned subsidiary, Seattle Genetics UK, Ltd. (collectively "Seattle Genetics" or the "Company"). These financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, or SEC, and generally accepted accounting principles for unaudited condensed consolidated financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. These financial statements reflect all adjustments consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair statement of the Company's financial position and results of its operations, as of and for the periods presented. Management has determined that the Company operates in one segment: the development of pharmaceutical products on its own behalf or in collaboration with others.

Unless indicated otherwise, all amounts presented in financial tables are presented in thousands, except for per share amounts.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 as filed with the Securities and Exchange Commission.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates. The results of the Company's operations for the three month and nine month periods ended September 30, 2008 are not necessarily indicative of the results to be expected for a full year.

## 2. Recent Accounting Pronouncements

Effective January 1, 2008, the Company adopted EITF Issue No. 07-3 , *"Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities."* Under EITF 07-3, nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities are capitalized and recognized as expense as the related goods are delivered or the related services are performed. The Company's adoption of EITF Issue No. 07-3 results in the temporary deferral of charges to expense of amounts incurred for research and development activities from the time payouts are made until the time goods or services are provided.

In March 2008, the FASB issued SFAS No. 161 *"Disclosures about Derivative Instruments and Hedging Activities"* which requires enhanced disclosures about (a) how and why derivative instruments are used, (b) how derivative instruments and related hedged items are accounted for and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 will be effective for the Company beginning in January 2009. The Company's adoption of SFAS No.161 is not expected to have a material effect on its financial statements since it currently does not have any derivative instruments or hedging activities.

In November 2007, the Emerging Issues Task Force Board ratified *EITF Issue No. 07-1, "Accounting for Collaborative Arrangements Related to the Development and Commercialization of Intellectual Property."* Under EITF 07-1, the Company will disclose the nature and purpose of its co-development collaborative arrangements in the annual financial statements, its rights and obligations under collaborative arrangements, the stage of the underlying endeavor's life cycle, the Company's accounting policies for the arrangements and the statement of operations classification and significant financial statement amounts related to the collaborative arrangements. EITF 07-1 will be effective for the Company beginning in January 2009 and will require the Company to apply EITF 07-1 as a change in accounting principle through retrospective application to all prior periods for all collaborative arrangements existing as of the effective date of EITF 07-1. The Company is currently assessing the impact of EITF 07-1 on its results of operations, cash flows and financial condition.

## 3. Net loss per share

Basic and diluted net loss per share has been computed using the weighted-average number of shares of common stock outstanding during the period. The Company has excluded all previously outstanding shares of convertible preferred stock and warrants and options to purchase common stock from the calculation of diluted net loss per share as such securities are antidilutive for all periods presented.

The following table presents the weighted-average shares that have been excluded from the number of shares used to calculate basic and diluted net loss per share (in thousands):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Convertible preferred stock | — | 807 | — | 7,193 |
| Warrants to purchase common stock | 1,925 | 2,050 | 1,925 | 2,050 |
| Options to purchase common stock | 8,007 | 7,249 | 7,679 | 6,934 |
| Total | 9,932 | 10,106 | 9,604 | 16,177 |

**4. Comprehensive loss**

Comprehensive loss includes certain changes in equity that are excluded from net loss. Specifically, unrealized gains or losses in available-for-sale investments are included in comprehensive loss. Comprehensive loss and its components were as follows (in thousands):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Net loss | $(21,764) | $(14,613) | $(54,904) | $(33,991) |
| Unrealized loss on securities available for sale | (1,477) | 187 | (2,218) | 88 |
| Comprehensive loss | $(23,241) | $(14,426) | $(57,122) | $(33,903) |

**5. Investments**

Investments consisted of available-for-sale securities as follows (in thousands):

| | Amortized cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| September 30, 2008 | | | | |
| U.S. corporate obligations | $ 98,166 | $ 30 | $ (1,679) | $ 96,517 |
| Auction rate securities | 14,450 | | (445) | 14,005 |
| U.S. government and agencies | 29,433 | | (100) | 29,333 |
| Taxable municipal bonds | 23,036 | 107 | (16) | 23,127 |
| Total | $165,085 | $ 137 | $ (2,240) | $162,982 |
| Contractual Maturities: | | | | |
| Due in one year or less | $ 80,957 | | | $ 80,414 |
| Due in one to three years | 69,678 | | | 68,563 |
| Due in 2017 | 14,450 | | | 14,005 |
| Total | $165,085 | | | $162,982 |
| Reported as: | | | | |
| Short-term investments | | | | $ 80,113 |
| Long-term investments | | | | 82,568 |
| Other non-current assets | | | | 301 |
| Total | | | | $162,982 |

The Company's holdings in auction rate securities, or ARS, have stated final maturities in 2017, but are subject to interest rate resets and sale over time intervals of 28 days. Investments in ARS valued at approximately $14.0 million have failed at auction. As a result of the failed auctions, these investments are currently illiquid and the interest rate on the investments is no longer determined by auction, but is set according to the terms of the issue (112.5 to 175 basis points above the one-month London Interbank Offering Rate (LIBOR) as of September 30, 2008). Liquidity of these investments is subject to either a successful auction process, redemption of the investment, or a sale of the security in a secondary market. As of September 30, 2008, the failed ARS were rated "AAA" by Standard & Poors and were rated "A" by Fitch, and continued to pay interest according to the stated terms on a monthly basis. ARS are presented at fair value which is based on a probability-weighted discounted cash flow analysis that relies upon certain estimates, including the probability-weighted term to settle and the discount rate applied to future cash flows. Based on the Company's available cash, expected operating cash requirements, its belief that its holdings in ARS can be liquidated in approximately one to three years at par and its ability and intent based on the current assessment of the Company's future operating plans to hold such investments until liquidation, the Company believes that the current illiquidity of these investments is temporary. Due to the uncertainty in the liquidation period, investments in ARS are presented as long-term investments in the accompanying financial statements. The Company periodically reviews the assumptions used to determine fair value and classification of these securities based on several factors, including the continued failure of future auctions, failure of the investment to be redeemed, the credit rating of the investment, market risk and other factors. Future assessment of these assumptions may change the balance sheet classification of the investments or result in a conclusion that the unrealized losses on these investments are other than temporary which would result in a write down in the fair value of these investments and a corresponding loss that would be recognized in the Company's operating results.

The Company has determined that unrealized losses are temporary and insignificant as to the extent of the decline and the Company has the ability and intent to hold its investments until it recovers substantially all of the cost of the investment. As of September 30, 2008, the period of continuous unrealized losses is less than twelve months.

The Company holds short term and long term available-for-sale securities that are measured at fair value which is determined on a recurring basis under Statement of Financial Accounting Standards (SFAS ) No. 157, " *Fair Value Measurement.* " SFAS 157 establishes a fair value hierarchy that prioritizes the inputs and assumptions used, and the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2: Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly;
Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

In October 2008, the FASB issued FASB Staff Position (FSP) FAS 157-3, "Determining the Fair Value of a Financial Asset when the Market for that Asset is not Active," which clarifies the application of FASB Statement No. 157, "Fair Value Measurements," in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP was effective upon issuance, including prior periods for which financial statements have not been issued.

The determination of a financial instrument's level within the fair value hierarchy is based on an assessment of the lowest level of any input that is significant to the fair value measurement. The following table presents the Company's available-for-sale securities by level within the fair value hierarchy of FAS No. 157 as of September 30, 2008 (in thousands):

| | Fair Value Measurement at September 30, 2008 Using: | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Available-for-sale securities | $ 301 | $148,676 | $ 14,005 | $162,982 |

Level 1 investments, which include investments that are valued based on quoted market prices in active markets, include most U.S. government and agency securities. Level 2 investments, which include investments that are valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency,

include most investment-grade corporate bonds, U.S. agency obligations, taxable municipal bonds and commercial paper. Level 3 investments consist of auction rate securities and account for 9% of total assets measured at fair value.

Due to the overall instability in the global credit and financial markets, the time to liquidation input used in the Company's probability-weighted discounted cash flow model used to value ARS has been extended and is no longer considered observable. Accordingly, the ARS were reclassified as Level 3 investments during the quarter ended September 30, 2008. The following table contains a roll-forward of the fair value of the Company's ARS where fair value is determined using Level 3 inputs:

| | Fair Value |
|---|---|
| Balance as of December 31, 2007 | $ — |
| Fair value transferred in from Level 2 available-for-sale-securities | 14,450 |
| Unrealized loss reflected as a component of other comprehensive income | (445) |
| Balance as of September 30, 2008 | $14,005 |

For the three and nine months ended September 30, 2008, the Company recognized in other comprehensive income unrealized losses of $410,000 and $447,000, respectively.

**6. Collaborative agreements**

On July 2, 2008, the Company entered into an antibody-drug conjugate, or ADC, collaboration agreement with Daiichi Sankyo Co., Ltd. Under the terms of the multi-year agreement, the Company received a $4.0 million upfront fee for an exclusive license to its ADC technology to a single antigen target. Daiichi Sankyo is obligated to pay the Company progress-dependent milestones, annual maintenance fees and support fees as its ADC product candidates progress through development and royalties on product sales. The upfront fee and other payments received will be recorded as revenue over the three year development term of the collaboration agreement using a time-based approach.

**7. Commitments**

In December 2000, the Company leased an approximately 63,900 square foot facility used for its laboratory, discovery, research and development and general and administrative purposes. In July 2008, the Company entered into a lease amendment to extend and modify the terms of this lease. The lease amendment provides for a reduction in the base rent, an extension of the lease term to June 2018 and a reduction in level of security pledged by the Company under the lease. The Company is also entitled to receive a tenant improvement allowance which will be used to offset the cost of improvements to be made to the facility to accommodate the Company's anticipated growth. The Company has two renewal options of five years each and has the option to terminate the lease effective June 2013 or June 2015 upon providing notice of its intent to accelerate the termination date of the lease and payment of a termination fee.

In June 2007, the Company entered into an operating lease for approximately 25,000 square feet of additional office space. The lease expires in June 2018 with two extension options, the first option for three years and the second option period for seven years. The lease allows for options to terminate the lease effective June 2011 or June 2014. In July 2008, the Company amended this lease to include an additional 25,000 square feet of office space under the same terms as the original lease.

Future minimum lease payments under all noncancelable operating leases, and not assuming the exercise by the Company of any termination or extension options, are as follows (in thousands):

| Year ending December 31, | |
|---|---|
| Remainder of 2008 | $ 606 |
| 2009 | 2,648 |
| 2010 | 2,703 |
| 2011 | 2,745 |
| 2012 | 2,827 |
| Thereafter | 17,198 |
| | $28,727 |

## 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, might, will, should, expect, plan, anticipate, project, believe, estimate, predict, potential, intend or continue, the negative of terms like these or other comparable terminology, and other words or terms of similar meaning in connection with any discussion of future operating or financial performance. These statements are only predictions. 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. Any or all of our forward-looking statements in this document may turn out to be wrong. Actual events or results may differ materially. Our forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. In evaluating these statements, you should specifically consider various factors, including the risks outlined under the caption "Risk Factors" set forth in Item 1A. of Part I of our Form 10-K for the fiscal year ended December 31, 2007, as updated in Item 1A. of Part II of this Form 10-Q, as well as 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

Seattle Genetics is a clinical-stage biotechnology company developing monoclonal antibody-based therapies for the treatment of cancer and autoimmune disease. Our business strategy is focused on advancing our portfolio of product candidates in diseases with unmet medical need and significant market potential. We have a worldwide collaboration agreement with Genentech to develop and commercialize our product candidate dacetuzumab (SGN-40). In addition, we currently have three other proprietary product candidates in ongoing clinical trials, lintuzumab (SGN-33), SGN-35 and SGN-70, as well as several lead preclinical product candidates, including SGN-75 and SGN-19A. Our pipeline of product candidates is based upon two technologies: engineered monoclonal antibodies and monoclonal antibody-drug conjugates, or ADCs. These technologies enable us to develop monoclonal antibodies that can kill target cells on their own as well as to increase the potency of monoclonal antibodies by linking them to a cell-killing payload to form an ADC. In addition to our internal pipeline, we have ADC license agreements with a number of leading biotechnology and pharmaceutical companies, including Genentech, Inc., Bayer Healthcare, AG, CuraGen Corporation, Progenics Pharmaceuticals, Inc., Daiichi Sankyo Co., Ltd., and MedImmune, Inc., a wholly-owned subsidiary of AstraZeneca PLC, as well as an ADC co-development agreement with Agensys, Inc., a wholly-owned subsidiary of Astellas Pharma.

We do not currently have any commercial products for sale. All of our product candidates are in relatively early stages of development and significant further research and development, financial resources and personnel will be required to develop commercially viable products and obtain regulatory approvals. As of September 30, 2008, we had an accumulated deficit of $283.4 million. Over the next several years, we expect to incur substantial expenses as we continue to invest in research, development and manufacturing and move towards commercialization of our product candidates. Our commitment of resources to research and the continued development and potential commercialization of our product candidates will require substantial additional funds and resources. Our operating expenses will also likely increase as we invest in research or acquire additional technologies, as additional product candidates are selected for clinical development and as some of our earlier stage product candidates move into later stage clinical development. In addition, we may incur significant milestone payment obligations as our product candidates progress through clinical trials towards commercialization. We expect that a substantial portion of our revenues for the next several years will be the result of amortization of payments already received and expected to be received from Genentech under our dacetuzumab collaboration agreement. Our revenues for the foreseeable future will also depend on the achievement of development and clinical milestones under our existing collaboration and license agreements, particularly our dacetuzumab collaboration with Genentech, as well as entering into new collaboration and license agreements. Our results of operations may vary substantially from year to year and from quarter to quarter and, as a result, we believe that period to period comparisons of our operating results may not be meaningful and you should not rely on them as indicative of our future performance.

*Financial summary*

To date, we have generated revenues principally from our collaboration and license agreements. These revenues reflect upfront technology access fees, milestone payments and reimbursement for support and materials supplied to our collaborators. For the nine months ended September 30, 2008, revenues increased 73% to $25.2 million, compared to $14.6 million for the same period in 2007. Operating expenses increased 59% to $85.1 million, compared to $53.7 million for the same period in 2007. Our net loss for the nine month period ended September 30, 2008 was $54.9 million, or $0.70 per share, compared to $34.0 million, or $0.57 per share, for the same period in 2007. As of September 30, 2008, we had $187.1 million in cash, cash equivalents and short-term and long-term investments, and $105.8 million in total stockholders' equity.

## Results of Operations

### Three months and nine months ended September 30, 2008 and 2007

**Revenues.**

Total revenues increased 74% to $8.1 million in the third quarter of 2008 and increased 73% to $25.2 million in the first nine months of 2008 from the comparable periods in 2007. Revenues by collaborator are summarized as follows:

| Collaboration and license agreement revenue by collaborator ($ in thousands) | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | % change | 2008 | 2007 | % change |
| Genentech | $6,850 | $3,766 | 82% | $20,488 | $10,720 | 91% |
| MedImmune | 436 | 249 | 75% | 1,316 | 777 | 69% |
| CuraGen | 50 | 25 | 100% | 1,137 | 75 | 1416% |
| Bayer | 63 | 215 | (71)% | 981 | 827 | 19% |
| Progenics | 52 | 182 | (71)% | 468 | 1,215 | (61)% |
| Daiichi Sankyo | 354 | — | N/A[1] | 354 | — | N/A[1] |
| Other | 274 | 200 | 37% | 424 | 970 | (56)% |
| Total | $8,079 | $4,637 | 74% | $25,168 | $14,584 | 73% |

[1] No comparable data for prior period.

Genentech revenues increased 82% to $6.9 million in the third quarter of 2008 and increased 91% to $20.5 million for the first nine months of 2008 compared to the comparable periods in 2007. These increases are primarily the result of revenues earned under the dacetuzumab collaboration agreement with Genentech entered into in January 2007. Under the terms of this agreement, we perform research and development activities over the six-year development period of the agreement, the costs of which are reimbursed by Genentech. We are also entitled to receive milestones as dacetuzumab progresses through development and royalties on future product sales. The $60 million upfront payment received in 2007 and all reimbursement and milestone payments received are deferred and recognized as revenue over the development period of the agreement using a time-based method. Genentech revenues also reflect the earned portion of payments received under our ADC collaboration agreement. Revenues earned during the first nine months of 2008 under our collaboration with CuraGen increased by $1.1 million over the amount earned in the first nine months of 2007. The increase in 2008 reflects a $1.0 million phase II clinical trial initiation milestone payment received from CuraGen in the second quarter. Revenues earned under our Bayer collaboration decreased 71% in the third quarter of 2008 compared to the third quarter of 2007 due to lower requirements for research materials by Bayer in the 2008 third quarter. Bayer revenue increased 19% for the first nine months of 2008 from the comparable period in 2007 and reflects the earned portion of a $1.0 million collaboration extension payment received from Bayer in May 2008. Revenues earned under our MedImmune collaboration increased 75% to $436,000 in the third quarter and increased 69% to $1.3 million for the first nine months of 2008 from the comparable periods in 2007. The increase for both periods results from the earned portion of a $1.5 million fee paid by MedImmune to exercise an option to license a second antigen target in October 2007. Revenues earned under our Progenics collaboration decreased 71% to $52,000 in the third quarter and decreased 61% to $468,000 for the first nine months of 2008 from the comparable periods in 2007. The decrease in the third quarter of 2008 was due to the completion of the research term of the agreement in June 2008. In addition, revenue for the first nine months of 2008 was lower due to a preclinical milestone earned during the first nine months of 2007. Daiichi Sankyo revenue reflects the earned portion of a $4.0 million upfront payment received by us in the third quarter of 2008, and reimbursable support and research materials provided to Daiichi Sankyo by us under the ADC collaboration agreement we entered into with Daiichi Sankyo in July 2008.

Our revenue is impacted by progress-dependent milestones, annual maintenance fees and reimbursement and support fees as our collaborators advance product candidates through the development process. We expect future collaboration and license agreement revenue to trend higher in the near term. However, revenue may vary substantially from quarter to quarter depending on the progress made by our collaborators with their product candidates, the level of support we provide to our collaborators, the timing of milestones achieved and our ability to enter into additional collaboration agreements. In addition, we have a significant balance in deferred revenue representing prior payments from collaborators. This deferred revenue will be recognized as revenue in the future using a time-based approach.

**Research and development.**

Research and development expenses increased 56% to $27.7 million in the third quarter of 2008 and increased 64% to $73.4 million in the first nine months of 2008 from the comparable periods in 2007. Our research and development expenses are summarized as follows:

| Research and Development ($ in thousands) | Three months ended September 30, 2008 | 2007 | % change | Nine months ended September 30, 2008 | 2007 | % change |
|---|---|---|---|---|---|---|
| Research | $ 3,431 | $ 3,358 | 2% | $11,252 | $10,691 | 5% |
| Development and contract manufacturing | 10,673 | 5,551 | 92% | 26,222 | 15,690 | 67% |
| Clinical | 12,107 | 7,556 | 60% | 31,321 | 14,483 | 116% |
| Stock compensation expense | 1,500 | 1,270 | 18% | 4,567 | 3,855 | 18% |
| Total research and development expenses | $27,711 | $17,735 | 56% | $73,362 | $44,719 | 64% |

Research expenses increased moderately during 2008 from the comparable periods in 2007 and primarily reflect an increase in laboratory supply expenses and service costs during the periods. Development and contract manufacturing costs increased 92% to $10.7 million in the third quarter of 2008 and increased 67% to $26.2 million in the first nine months of 2008 from the comparable periods in 2007. These increases reflect higher compensation related to increased staffing levels, laboratory supply expenses and increased manufacturing costs associated with supplying dacetuzumab, lintuzumab and SGN-35 for the Company's clinical trials. Clinical costs increased 60% to $12.1 million in the third quarter of 2008 and increased 116% to $31.3 million in the first nine months of 2008 from the comparable periods in 2007. These increases reflect expanded clinical trial activities for dacetuzumab, lintuzumab and SGN-35 as well as higher compensation costs related to increased staffing levels to support ongoing clinical trials. Share-based compensation expense increased 18% for both the three month and nine month periods ended September 30, 2008 from the comparable periods in 2007, reflecting the increase in the number of options outstanding associated with increased staffing levels and a higher per share value of options granted due to an increase in our common stock price.

The following table shows expenses incurred for preclinical study support, contract manufacturing for clinical supplies and clinical trial services provided by third parties as well as milestone payments for in-licensed technology for each of our product candidates. The table also presents unallocated costs which consist of personnel, facilities and other costs not directly allocable to development programs:

| Product Candidates ($ in thousands) | Three months ended September 30, 2008 | 2007 | Nine months ended September 30, 2008 | 2007 | Five years ended September 30, 2008 |
|---|---|---|---|---|---|
| dacetuzumab (SGN-40) | $ 4,002 | $ 2,853 | $12,021 | $ 5,043 | $ 27,615 |
| lintuzumab (SGN-33) | 4,620 | 2,574 | 10,215 | 5,891 | 21,759 |
| SGN-35 | 3,862 | 839 | 7,835 | 1,515 | 17,863 |
| SGN-75 | 924 | 100 | 1,889 | 374 | 2,623 |
| SGN-70 | 511 | 1,314 | 1,136 | 2,953 | 8,731 |
| Total third party costs | 13,919 | 7,680 | 33,096 | 15,776 | 78,591 |
| Unallocated costs and overhead | 12,292 | 8,785 | 35,699 | 25,088 | 163,475 |
| Stock compensation expense | 1,500 | 1,270 | 4,567 | 3,855 | 13,367 |
| Total research and development expenses | $27,711 | $17,735 | $73,362 | $44,719 | $ 255,433 |

Our third party costs for dacetuzumab increased in both the three months and nine months ended September 30, 2008 and reflect phase I and II clinical trial costs and higher contract manufacturing costs for additional clinical supply. We expect third party costs associated with dacetuzumab to increase as we continue to enroll patients into multiple ongoing clinical trials and contract with outside firms to manufacture additional drug for clinical supply. Under our dacetuzumab collaboration agreement, Genentech reimburses us for development activities that we perform under the agreement. Expenses that we incur under the dacetuzumab collaboration are included in our research and development expense, while reimbursements of those expenses by Genentech are recognized as revenue over the six year development period of the agreement. Our third party costs for lintuzumab increased in both the three months and nine months ended September 30, 2008, and reflect costs associated with our phase I and II clinical studies. We expect our third party costs for lintuzumab to increase from amounts incurred in 2007 as clinical activities expand and as manufacturing resupply activities continue. Our third party costs for SGN-35 increased in both the three months and nine months ended September 30, 2008 and reflects our phase I clinical trial and contract manufacturing activities. We expect third party costs for SGN-35 to increase as we expand our clinical trials, including pivotal trials planned to begin in 2009, and pursue contract

manufacturing activities for additional clinical supply. Our third party costs for SGN-70 decreased in both the three months and nine months ended September 30, 2008 primarily due to completion of manufacturing activities conducted during 2007 to perform scale-up and GMP manufacturing of drug product to support clinical trials. We expect third party costs for SGN-70 to continue to decrease from amounts incurred in 2007, reflecting lower manufacturing and preclinical development activities which we expect will be partially offset by increasing clinical trial costs as clinical activities expand in 2008. SGN-75 third party costs in the three months and nine months ended September 30, 2008 have increased over 2007 levels and reflect IND-enabling activities that are underway. We expect third party costs for SGN-75 to increase during 2008 compared to 2007 as these activities continue in preparation for the potential filing of an IND and the initiation of clinical trials.

Our expenditures on current and future preclinical and clinical development programs are subject to numerous uncertainties in timing and cost of completion. In order to advance our product candidates toward commercialization, the product candidates are tested in several preclinical safety, toxicology and efficacy studies. We then conduct clinical trials for those product candidates that may take several years or more to complete. The length of time varies substantially based upon the type, complexity, novelty and intended use of a product candidate. The cost of clinical trials may vary significantly over the life of a project as a result of a variety of factors, including:

- the number of patients who participate in the trials;
- the length of time required to enroll trial participants;
- the number of sites included in the trials;
- the costs of producing supplies of the product candidates needed for clinical trials and regulatory submissions;
- the safety and efficacy profile of the product candidate;
- the use of clinical research organizations to assist with the management of the trials; and
- the costs and timing of, and the ability to secure, regulatory approvals.

Furthermore, our strategy may include entering into additional collaborations with third parties to participate in the development and commercialization of some of our product candidates. In these situations, the preclinical development or clinical trial process for a product candidate and the estimated completion date may largely be under the control of that third party and not under our control. We cannot forecast with any degree of certainty which of our product candidates will be subject to future collaborations or how such arrangements would affect our development plans or capital requirements.

We anticipate that our research, development, contract manufacturing and clinical expenses will continue to grow in the foreseeable future as we expand our discovery and preclinical activities and advance new product candidates into clinical trials. These expenses will fluctuate based upon many factors including the degree of collaborative activities, timing of manufacturing campaigns, numbers of patients enrolled in our clinical trials and the outcome of each clinical trial event.

The risks and uncertainties associated with our research and development projects are discussed more fully in the section entitled “Risk Factors” that appears in our periodic reports filed with the SEC, including in our annual Form 10-K for the year ended December 31, 2007 as updated by this quarterly report on Form 10-Q. As a result of the uncertainties discussed above, we are unable to determine with any degree of certainty the anticipated completion dates or completion costs of our research and development projects or when and to what extent we will receive cash inflows from the commercialization and sale of our product candidates.

**General and administrative.**

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| General and administrative ($ in thousands) | 2008 | 2007 | % change | 2008 | 2007 | % change |
| General and administrative, excluding share-based compensation expense | $2,761 | $2,565 | 8% | $ 8,883 | $7,369 | 21% |
| Share-based compensation expense | 926 | 732 | 27% | 2,833 | 1,562 | 81% |
| Total general and administrative expenses | $3,687 | $3,297 | 12% | $11,716 | $8,931 | 31% |

General and administrative expenses increased 12% to $3.7 million in the third quarter of 2008 and increased 31% to $11.7 million for the first nine months of 2008 from the comparable periods in 2007. General and administrative expenses, excluding share-based compensation expense, increased 8% to $2.8 million in the third quarter and 21% to $8.9 million for the first nine months of 2008 from the comparable periods in 2007 primarily due to compensation expenses related to higher staffing levels. Share-based compensation expense included in general and administrative expenses increased 27% to $926,000 during the third quarter of 2008 and 81% to $2.8 million for the first nine months of 2008 from the comparable periods in 2007 reflecting additional stock option awards related to employee additions and higher per share value of options granted due to an increase in our common stock price. We anticipate that general and administrative expenses will continue to increase in 2008 as a result of increased costs related to adding personnel in support of the anticipated growth of our operations.

**Investment income, net.**

Investment income, net decreased 13% to $1.6 million in the third quarter of 2008 and decreased by 1% to $5 million for the first nine months of 2008 from the comparable periods in 2007. Higher average investment balances in both 2008 periods were offset by lower average yields on investments.

**Liquidity and capital resources.**

| Liquidity and capital resources ($ in thousands) | September 30, 2008 | December 31, 2007 |
|---|---|---|
| Cash, cash equivalents and investments | $ 187,094 | $ 129,584 |
| Working capital | $ 81,900 | $ 90,003 |
| Stockholders' equity | $ 105,808 | $ 53,986 |

| | Nine months ended September 30, | |
|---|---|---|
| | 2008 | 2007 |
| Cash provided by (used in): | | |
| Operating activities | $ (36,993) | $ 34,330 |
| Investing activities | $ (99,782) | $ (34,989) |
| Financing activities | $ 101,544 | $ 4,921 |

We have financed the majority of our operations through the issuance of equity securities, supplemented by funding received from our collaboration and license agreements. To a lesser degree, we have also financed our operations through interest earned on cash, cash equivalents and investments. These financing sources have historically allowed us to maintain adequate levels of cash and investments.

Our combined cash, cash equivalents and investment securities increased to $187.1 million at September 30, 2008, compared to $129.6 million at December 31, 2007. This increase reflects cash provided by financing activities, which included net proceeds of $97.6 million from our public offering of common stock in January 2008. Our working capital was $81.9 million at September 30, 2008, compared to $90.0 million at December 31, 2007. We have structured our investment portfolio to align scheduled maturities of investment securities with our working capital needs. Our cash, cash equivalents and investments are held in a variety of interest-bearing instruments and subject to investment guidelines allowing for investments in U.S. government and agency securities, high-grade U.S. corporate bonds, taxable municipal bonds, mortgage-backed securities, ARS, commercial paper and money market accounts. As of September 30, 2008 we held ARS valued at approximately $14.0 million that have failed at auction and are currently illiquid. Liquidity of these investments is subject to either a successful auction process, redemption of the investment, or a sale of the security in a secondary market. As of September 30, 2008, each of the failed ARS carried a "AAA" Standard & Poors rating and an "A" Fitch rating, and continued to pay interest according to the stated terms. In October 2008, holdings in ARS valued on the September 30, 2008 balance sheet at $6.9 million were downgraded by Fitch to "BBB." As a result of the downgrade, the interest rate on these ARS will increase to 200 basis points above the one-month LIBOR. Based on our available cash, expected operating cash requirements, our belief that our holdings in ARS can be liquidated in approximately one to three years at par and our ability and intent based on the current assessment of the Company's future operating plans to hold such investments until liquidation, we believe that the current illiquidity of these investments is temporary. However, we will reassess this conclusion in future reporting periods based on several factors, including the continued failure of future auctions, failure of the investment to be redeemed, further deterioration of the credit rating of the investment, market risk and other factors. Any such future reassessment that results in a conclusion that the unrealized losses on these investments are other than temporary would result in a write down in the fair value of these investments. Such a write down would be recognized in our operating results.

The global credit and financial markets have recently experienced a period of unusual volatility and illiquidity. Unless and until this resolves, it may be difficult for us to liquidate investments prior to their maturity without incurring a loss. As of September 30, 2008, our cash, cash equivalents and investment securities are presented net of a $2.1 million unrealized loss. This amount represents the difference between our amortized cost and the fair market value of the investments and is included in accumulated other comprehensive gain (loss). As of September 30, 2008, we had $104 million held in cash reserves or investment-grade debt securities that will mature within the next twelve months. We believe that this provides us with adequate liquidity over this period to fund our planned operations. Our investment portfolio is structured to provide for investment maturities and access to cash that aligns with our anticipated working capital needs. However, if our liquidity needs should be accelerated for any reason in the near term, or investments do not pay at maturity, we may be required to sell investment securities in our portfolio prior to their scheduled maturities, which may result in a loss.

Included in net cash used in investing activities in 2008 are capital expenditures related to the purchase of laboratory equipment in support of our research and development activities and for leasehold improvements, furniture and fixtures in support of our

expansion into a new building which we began to occupy in December 2007. We expect that our 2008 capital expenditures will increase compared to 2007, reflecting additional leasehold improvements and equipment purchases planned in connection with further expansion of our facilities to accommodate our anticipated growth.

At our currently planned spending rate, we believe that our current financial resources in addition to the expected fees and milestone payments earned under the dacetuzumab collaboration agreement with Genentech and other existing collaboration and license agreements will be sufficient to fund our operations into 2010. However, changes in our spending rate may occur that would consume available capital resources sooner, such as increased manufacturing and clinical trial expenses preceding commercialization of a product candidate. We may seek additional funding through some or all of the following methods: corporate collaborations, licensing arrangements, public or private equity or debt financings. However, the global credit markets and the financial services industry have recently been experiencing a period of unusual volatility and upheaval characterized by the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the U.S. government. These events have generally made equity and debt financing more difficult to obtain. As a result of these recent events and other factors, we do not know whether additional capital will be available when needed, or that, if available, we will obtain financing on terms favorable to us or our stockholders. 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, which may adversely affect our business and operations.

***Fair Value Inputs***

We adopted SFAS No. 157, Fair Value Measurements on January 1, 2008. Fair value measurements reflect the assumptions that market participants would use in pricing an asset or liability based on the best information available. See Note 5 to the Condensed Consolidated Financial Statements.

***Commitments***

Some of our manufacturing, license and collaboration agreements provide for periodic maintenance fees over specified time periods, as well as payments by us upon the achievement of development and regulatory milestones and the payment of royalties based on commercial product sales. We do not expect to pay any royalties on net sales of products under any of these agreements for at least the next several years. The amounts set forth below could be substantially higher if we make certain development achievements that require us to make milestone payments or if we receive regulatory approvals or achieve commercial sales and are required to pay royalties earlier than anticipated.

The following table reflects our future minimum contractual commitments for the periods subsequent to September 30, 2008 (in thousands):

| | Total | Remainder of 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter |
|---|---|---|---|---|---|---|---|
| Operating leases | $28,727 | $ 606 | $2,648 | $2,703 | $2,745 | $2,827 | $ 17,198 |
| Manufacturing, license & collaboration agreements | 19,874 | 14,920 | 4,264 | 225 | 230 | 235 | — |
| Total | $48,601 | $ 15,526 | $6,912 | $2,928 | $2,975 | $3,062 | $ 17,198 |

Operating lease obligations do not assume the exercise by us of any termination or extension options. The minimum payments under manufacturing, license and collaboration agreements primarily represent contractual obligations related to performing scale-up and GMP manufacturing for monoclonal antibody and ADC products for use in our clinical trials. The above table excludes royalties on potential future product sales and payments of up to approximately $9.5 million in potential future milestone payments to third parties under manufacturing, license and collaboration agreements for our current development programs, which generally become due and payable only upon achievement of certain developmental, regulatory and/or commercial milestones. Because the achievement of these milestones is neither probable nor reasonably estimable with respect to timing, such contingent payments have not been included in the above table and will not be included until the event triggering such payment has occurred.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our market risks at September 30, 2008 have not changed significantly from those discussed in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2007 filed with the SEC. As of September 30, 2008 and December 31, 2007, we had short-term investments of $80.1 million and $51.7 million, respectively, and long-term investments of $82.6 million and $18.2 million, respectively. However, included in such long-term investments as of September 30, 2008 are auction-rate securities valued at approximately $14.0 million that have failed at auction and are currently illiquid. Liquidity of these investments is subject to either a successful auction process, redemption of the investment, or a sale of the security in a secondary market. Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. In accordance with our investment policy, we do not have any derivative financial instruments in our investment portfolio. We invest in high quality interest-bearing instruments, including U.S. government and agency securities, high-grade U.S. corporate bonds, taxable municipal bonds, adjustable mortgage-backed securities, auction-rate securities, commercial paper and money market accounts. We have estimated the effect on our

investment portfolio of a hypothetical increase in interest rates by one percent to be a reduction of $1.7 million in the fair value of our investments as of September 30, 2008.

## Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Our Chief Executive Officer and the Chief Financial Officer have evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) prior to the filing of this quarterly report. Based on that evaluation, they have concluded that, as of the end of the period covered by this quarterly report, our disclosure controls and procedures were, in design and operation, effective.

(b) *Changes in internal control over financial reporting.* There have not been any changes in the Company's internal control over financial reporting during the quarter ended September 30, 2008 which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Part II. Other Information

## Item 1A. Risk Factors

Certain factors may have a material adverse effect on our business, financial condition and results of operations and you should carefully consider them. It is not possible to predict or identify all such factors, and additional risks and uncertainties not currently known to us or that we currently deem immaterial also may adversely affect our business, financial condition and results of operations. For discussion of some of our potential risks or uncertainties, refer to Part I, Item 1A., Risk Factors, included in our Form 10-K for the fiscal year ended December 31, 2007 as filed with the SEC. The information presented below updates and should be read in conjunction with the risk factors and information disclosed in that Form 10-K.

***Current global credit and financial market conditions may negatively impact or impair the value of our current portfolio of cash equivalents, short-term investments or auction rate securities and our ability to fund our planned operations.***

Our cash, cash equivalents and investments are held in a variety of interest-bearing instruments and subject to investment guidelines allowing for investments in U.S. government and agency securities, high-grade U.S. corporate bonds, taxable municipal bonds, mortgage-backed securities, auction rate securities, or ARS, commercial paper and money market accounts. As of September 30, 2008 we held ARS valued at approximately $14.0 million that have failed at auction and are currently illiquid. As of September 30, 2008, each of the failed ARS carried a "AAA" Standard & Poors rating and an "A" Fitch rating; however, in October 2008, holdings in ARS valued on our September 30, 2008 balance sheet at $6.9 million were downgraded by Fitch to "BBB." As a result of the downgrade, the interest rate on these ARS will increase to 200 basis points above the one-month LIBOR. While, as of the date of this filing, we are not aware of any other downgrades, losses, failed auctions or other significant deterioration in the fair value of our cash equivalents, short-term or long-term investments or ARS, no assurance can be given that further deterioration in the global credit and financial markets, which have recently experienced a period of unusual volatility and illiquidity, would not negatively impact or impair our current portfolio of cash equivalents, short-term or long-term investments or ARS and our ability to fund our planned operations. Further, unless and until the current global credit and financial market crisis has been sufficiently resolved, it may be difficult for us to liquidate our investments prior to their maturity without incurring a loss.

## Item 6. Exhibits

| Number | Description |
|---|---|
| 3.1 | Fourth Amended and Restated Certificate of Incorporation of Seattle Genetics, Inc. |
| 3.2(4) | Certificate of Amendment of Fourth Amended and Restated Certificate of Incorporation of Seattle Genetics, Inc. |
| 3.4(3) | Amended and Restated Bylaws of Seattle Genetics, Inc. |
| 4.1(1) | Specimen Stock Certificate. |
| 4.2(2) | Form of Common Stock Warrant. |
| 4.3 | Investor Rights Agreement dated July 8, 2003 among Seattle Genetics, Inc. and certain of its stockholders. |
| 10.1† | Second Amendment to Lease dated July 1, 2008 between Seattle Genetics, Inc. and B&N 141-302, LLC. |
| 10.2† | Collaboration Agreement dated July 2, 2008 between Seattle Genetics, Inc. and Daiichi Sankyo Co., Ltd. |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a). |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a). |

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| Number | Description |
|---|---|
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350. |

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

(2) Previously filed as an exhibit to the Registrant's current report on Form 8-K filed with the Commission on May 15, 2003.

(3) Previously filed as an exhibit to the Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference.

(4) Previously filed as an exhibit to the Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.

† Confidential Treatment Requested

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## SIGNATURES

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

SEATTLE GENETICS, INC.

By: /s/ Todd E. Simpson
Todd E. Simpson
*Duly Authorized and Chief Financial Officer*

Date: November 7, 2008

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## EXHIBIT INDEX

**Item 6. Exhibits**

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(3) Previously filed as an exhibit to the Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference.

(4) Previously filed as an exhibit to the Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.

† Confidential Treatment Requested

**Exhibit 3.1**

**FOURTH AMENDED AND RESTATED**
**CERTIFICATE OF INCORPORATION**
**OF**
**SEATTLE GENETICS, INC.**

The undersigned, Clay B. Siegall hereby certifies that:

1. He is the duly elected and acting President of Seattle Genetics, Inc., a Delaware corporation.

2. The Certificate of Incorporation of this corporation was originally filed with the Secretary of State of Delaware on July 15, 1997.

3. The Certificate of Incorporation of this corporation shall be amended and restated to read in full as follows:

"ARTICLE I

The name of this corporation is Seattle Genetics, Inc. (the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

(A) The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is One Hundred Five million (105,000,000) shares, each with a par value of $0.001 per share. One hundred million (100,000,000) shares shall be Common Stock and five million (5,000,000) shares shall be Preferred Stock.

(B) The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, by filing a certificate pursuant to the applicable laws of the state of Delaware and within the limitations and restrictions stated in this Certificate of Incorporation, to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V

The number of directors of the Corporation shall be fixed from time to time by a bylaw or amendment thereof duly adopted by at least 66 2/3% of the Board of Directors.

ARTICLE VI

On or prior to the date on which the Corporation first provides notice of an annual meeting of the stockholders, the Board of Directors of the Corporation shall divide the directors into three classes, as nearly equal in number as reasonably possible, designated Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders or any special meeting in lieu thereof, the terms of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders or any special meeting in lieu thereof, the terms of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders or any special meeting in lieu thereof, the terms of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders or special meeting in lieu thereof, directors elected to succeed the directors of the class whose terms expire at such meeting shall be elected for a full term of three years.

Notwithstanding the foregoing provisions of this Article VI, each director shall serve until his or her successor is duly elected and qualified or until his or her death, resignation, or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal, or other causes shall be filled by either (i) the affirmative vote of the holders of a majority of the voting power of the then-outstanding shares of voting stock of the Corporation entitled to vote generally in the election of directors (the “Voting Stock”) voting together as a single class; or (ii) by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Subject to the rights of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such newly created directorship shall be filled by the stockholders, be filled only by the affirmative vote of the directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director’s successor shall have been elected and qualified.

In addition to the requirements of law and any other provisions hereof (and notwithstanding the fact that approval by a lesser vote may be permitted by law or any other provision thereof), the affirmative vote of the holders of at least 66 2/3% of the voting power of the then-outstanding stock shall be required to amend, alter, repeal or adopt any provision inconsistent with this Article VI.

ARTICLE VII

In the election of directors, each holder of shares of any class or series of capital stock of the Corporation shall be entitled to one vote for each share held. No stockholder will be permitted to cumulate votes at any election of directors.

ARTICLE VIII

If at any time this Corporation shall have a class of stock registered pursuant to the provisions of the Securities Exchange Act of 1934, as amended, for so long as such class is so registered, any action by the stockholders of such class must be taken at an annual or special meeting of stockholders, upon due notice and in accordance with the provisions of the Bylaws of this Corporation, and may not be taken by written consent.

ARTICLE IX

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE X

(A) Except as otherwise provided in the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least 66 2/3% of the voting power of all of the then-outstanding shares of the voting stock of the Corporation entitled to vote. The Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal Bylaws. In addition to any requirements of law and any other provisions hereof (and notwithstanding the fact that approval by a lesser vote may be permitted by law or any other provision hereof), the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the voting stock of the Corporation entitled to vote shall be required to amend, alter, repeal, or adopt any provision inconsistent with this Article X or Article V hereof.

(B) The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

(C) Advance notice of stockholder nominations for the election of directors or of business to be brought by the stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws.

ARTICLE XI

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE XII

The Corporation shall have perpetual existence.

ARTICLE XIII

(A) To the fullest extent permitted by the General Corporation Law of Delaware, as the same may be amended from time to time, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the General Corporation Law of Delaware is hereafter amended to authorize, with the approval of a corporation's stockholders, further reductions in the liability of a corporation's directors for breach of fiduciary duty, then a director of the Corporation shall not be liable for any such breach to the fullest extent permitted by the General Corporation Law of Delaware, as so amended.

(B) Any repeal or modification of the foregoing provisions of this Article XIII shall not adversely affect any right or protection of a director of the Corporation with respect to any acts or omissions of such director occurring prior to such repeal or modification.

ARTICLE XIV

(A) To the fullest extent permitted by applicable law, the Corporation is also authorized to provide indemnification of (and advancement of expenses to) such agents (and any other persons to which Delaware law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the General Corporation Law of Delaware, subject only to limits created by applicable Delaware law (statutory or non-statutory), with respect to actions for breach of duty to a corporation, its stockholders, and others.

(B) Any repeal or modification of any of the foregoing provisions of this Article XIV shall not adversely affect any right or protection of a director, officer, agent or other person existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director, officer or agent occurring prior to such repeal or modification."

* * *

The foregoing Amended and Restated Certificate of Incorporation has been duly adopted by this Corporation's Board of Directors and stockholders in accordance with the applicable provisions of Section 228, 242 and 245 of the General Corporation Law of the State of Delaware.

Executed at Bothell, Washington, on the 6th day of March, 2001.

/s/ Clay B. Siegall
Clay B. Siegall, President

**Exhibit 4.3**

# INVESTOR RIGHTS AGREEMENT

**among**

**SEATTLE GENETICS, INC**

**and**

**THE INVESTORS NAMED HEREIN**

Dated as of July 8, 2003

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**INVESTOR RIGHTS AGREEMENT** dated as of July 8, 2003, among **SEATTLE GENETICS, INC.** , a Delaware corporation (the " Company "), and the **INVESTORS** of the Company listed on Schedule I hereto, and their permitted assigns (collectively, the " Investors ").

**WHEREAS** , the Company proposes to issue up to an aggregate of 1,640,000 shares of its Series A Convertible Preferred Stock, par value $0.001 per shares (the " Series A Preferred Stock ") and warrants (the " Warrants ") to purchase up to 2,050,000 shares of common stock, par value $0.001 per share (the " Common Stock "), pursuant to a Securities Purchase Agreement dated as of May 12, 2003 (the " Purchase Agreement ") among the Company and the Investors.

**WHEREAS** , as a condition of entering into the Purchase Agreement, the Investors have requested that the Company extend to them certain registration rights, information rights and other rights, and the Company desires to extend such rights, on terms set forth below.

**NOW, THEREFORE** , in consideration of the mutual covenants and agreements contained in this Agreement, the sufficiency of which is hereby acknowledged, the parties agree as follows:

## ARTICLE I
## DEFINITIONS; RULES OF CONSTRUCTION

**1.1 Definitions .**

Capitalized terms used in this Agreement and not defined herein have the meanings ascribed to them in the Purchase Agreement. The following capitalized terms used in this Agreement have the meanings ascribed to them below:

" Accountants " has the meaning ascribed to it in Section 3.2(a)(iii) .

" BBI " means collectively, Baker/Tisch Investments, L.P., Baker Bros. Investments, L.P., Baker Bros. Investments II, L.P., Baker Biotech Fund I, L.P., Baker Biotech Fund II, L.P., Baker Biotech Fund II (Z), L.P. and/or any other entity controlled by, controlling or under common control with any of the preceding Persons at such time, to the extent such Persons hold shares of Series A Preferred Stock, Warrants or Common Stock issued upon conversion of the Series A Preferred Stock or exercise of the Warrants.

" BBI Director " has the meaning ascribed to it in Section 2.1(b)(ii) .

" Board " means the board of directors of the Company.

" BAVP " means BAVP, L.P.

" Bylaws " means the Bylaws of the Company, as amended, modified, supplemented or restated and in effect from time to time.

" Common Stock " has the meaning ascribed to it in the Recitals.

" Common Stock Equivalents " means all shares of Common Stock outstanding and all shares of Common Stock issuable (without regard to any present restrictions on such issuance) upon the conversion, exchange or exercise of all Securities of the Company that are convertible, exchangeable or exercisable for Common Stock.

" Company " has the meaning ascribed to it in the Caption and shall include any Subsidiary of the Company.

" Document(s) " means, individually or collectively, this Agreement, the Purchase Agreement, the Certificate of Designations, the Warrants, the Option Agreement, the Regulatory Sideletter and all other documents executed in connection with this transaction.

" Equity Incentive Plans " means, collectively, the Company's 1998 Stock Option Plan, the 2000 Directors' Stock Option Plan and the 2000 Employee Stock Purchase Plan, in each case, as amended, and any stock option, issuance, appreciation rights or other equity incentive plan for the independent directors, officers, and full time employees of, and consultants to, the Company which plan has been approved by the Board.

" Excluded Investors " means BAVP and T.Rowe.

" GAAP " means generally accepted accounting principles in the United States, as in effect from time to time, consistently applied.

" JPMP Director " has the meaning ascribed to it in Section 2.1(b)(i) .

" JPMP Entities " means, collectively, J.P. Morgan Partners (BHCA), L.P., JPMP Global, J.P. Morgan Partners Global Investors (Cayman), L.P., J.P. Morgan Partners Global Investors A, L.P., J.P. Morgan Partners Global Investors (Cayman) II, L.P. and/or any other entity controlled by, controlling or under common control with any of the preceding Persons at such time, including any entity controlled by JPMP Master Fund Manager, L.P., or any Affiliate thereof, or any entity managed or advised by J.P. Morgan Partners, LLC, JPMP Capital Corp. or any Affiliate thereof, to the extent such Persons hold shares of Series A Preferred Stock or Warrants, or Common Stock issuable upon conversion or exercise thereof.

" JPMP Global " means J.P. Morgan Partners Global Investors, L.P.

" Information " has the meaning ascribed to it in Section 4.4(a)(ix) .

" Inspectors " has the meaning ascribed to it in Section 4.4(a)(ix) .

" Investors' Counsel " has the meaning ascribed to such term in Section 4.4(a)(ii) .

" Material Sale " means (i) the sale (in one or a series of related transactions) of all or substantially all of the Company's assets to a Person or a group of Persons acting in concert (including, without limitation, the sale of a division of the Company or such assets of the Company that would materially change the nature or composition of the Company's business lines), (ii) the sale or transfer (in one or a series of related transactions) of a majority of the outstanding capital stock of the Company, to one Person or a group of Persons acting in concert, or (iii) the merger or consolidation of the Company with or into another Person that is not an Affiliate of the Company, in each case in clauses (ii) and (iii) above under circumstances in which the holders of a majority in voting power of the outstanding capital stock of the Company immediately prior to such transaction own less than a majority in voting power of the outstanding capital stock of the Company, or the surviving or resulting corporation or acquirer, as the case may be, immediately following such transaction; provided , however , that a debt or equity financing where (x) the Company is the surviving corporation and (y) individuals who served as members of the Board immediately prior to such financing constitute at least three-fourths (3/4) of the members of the Board (rounded up to the nearest whole number) after such financing, shall not be deemed a Material Sale. A sale (or multiple related sales) of one or more Subsidiaries (whether by way of merger, consolidation, reorganization or sale of all or substantially all assets or securities) which constitutes all or substantially all of the consolidated assets of the Company shall be deemed a Material Sale.

" Material Transaction " means any material transaction in which the Company or any of its Subsidiaries proposes to engage or is engaged, including a purchase or sale of assets or securities, financing, merger, consolidation, tender offer or any other transaction that would require disclosure pursuant to the Exchange Act, and with respect to which the Board has determined in good faith that compliance with this Agreement may reasonably be expected to either materially interfere with the Company's or such Subsidiary's ability to consummate such transaction in a timely fashion or require the Company to disclose material, non-public information prior to such time as it would otherwise be required to be disclosed.

" NASD " has the meaning ascribed to it in Section 4.4(a)(xiv) .

" NMS " has the meaning ascribed to it in Section 4.4(a)(xiv) .

" Observer " has the meaning ascribed to it in Section 2.1(f) .

" Other Shares " means at any time those shares of Common Stock that do not constitute Primary Shares or Registrable Shares.

" Preferred Directors " has the meaning ascribed to it in Section 2.1(b)(ii) .

" Preferred Stock " means, collectively, the Series A Preferred Stock and any other class or series of Preferred Stock issued by the Company in accordance with the Restated Certificate or any certificate of designations and this Agreement.

" Primary Shares " means, at any time, the authorized but unissued shares of Common Stock or Common Stock held by the Company in its treasury.

" Prospectus " means the prospectus included in a Registration Statement, including any prospectus subject to completion, and any such prospectus as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Shares and, in each case, by all other amendments and supplements to such prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

" Public Offering " means the closing of a public offering of Common Stock solely for cash pursuant to a Registration Statement declared effective under the Securities Act, except that a Public Offering shall not include an offering of securities to be issued as consideration in connection with a business acquisition pursuant to Rule 145 of the Securities Act, an offering of securities issuable pursuant to an Equity Incentive Plan, a registration in which the only stock being registered is Common Stock issuable upon conversion of debt securities which are also being registered or any registration on any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of Registrable Securities hereunder.

" Public Sale " means any sale, occurring simultaneously with or after a Public Offering, of Securities to the public pursuant to an offering registered under the Securities Act or to the public through a broker, dealer or market maker (pursuant to the provisions of Rule 144 or otherwise).

" Purchase Agreement " has the meaning ascribed to it in the Recitals.

" Records " has the meaning ascribed to it in Section 4.4(a)(ix) .

" Registrable Shares " means, at any time, (a) Common Stock issued or issuable upon conversion of the Series A Preferred Stock held, or hereafter acquired, by the Investors and their permitted assigns, (b) Common Stock issued or issuable upon exercise of the Warrants held, or hereafter acquired, by the Investors and their permitted assigns, and (c) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such above-described securities. Notwithstanding the foregoing, Registrable Shares shall not include any Securities sold by a Person to the public pursuant to a Registration Statement which has been declared effective, or Rule 144 or sold in a private transaction in which the Transferor's rights under Article IV of this Agreement are not assigned, in each case where the restrictive legends and transfer restrictions with respect to Common Stock are removed and the Common Stock in the hands of the purchaser is freely transferable without any restriction or registration under the Securities Act in any public or private transaction.

" Registration Statement " means any registration statement of the Company which covers any of the Registrable Shares, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

" Representative " of a Person shall be construed broadly and shall include such Person's partners, officers, directors, employees, agents, counsel, accountants and other representatives.

" Requisite Investors " means those Investors who hold in the aggregate at least sixty-six and two-thirds percent (66 2/3%) of the outstanding Series A Preferred Stock (including Common Stock issued upon conversion thereof) held by all Investors at the time of determination; provided , however , that in the event such determination is in connection with the required registration of Registrable Shares as set forth in Sections 4.1 hereof, Requisite Investors means those Investors who hold in the aggregate in excess of thirty-three and one-third percent (33 1/3%) of the then outstanding Series A Preferred Stock held by the Investors; provided , further , however , that in the event such determination is in connection with the required registration of Registrable Shares as set forth in Sections 4.3 hereof, Requisite Investors means those Investors who hold in the aggregate in excess of thirty-three and one-third percent (33 1/3%) of the then outstanding Series A Preferred Stock (including Common Stock issued upon conversion thereof) held by the Investors. In any situation where consent from or approval of the Requisite Investors is required, the Company may select the Investors constituting the Requisite Investors in its discretion and the requirement shall be deemed satisfied so long as the consent or approval is received from Investors who hold the requisite percentage of Series A Preferred Stock (including Common Stock issued upon conversion thereof) called for herein. In such case the Company shall promptly provide notice of such consent or approval to each of the Investors.

" Restated Certificate " means the Fourth Amended and Restated Certificate of Incorporation of the Company, as amended and in effect at the time of determination, including any certificates of designations filed with the Secretary of State of the State of Delaware pursuant to the terms thereof.

" Rule 144 " means Rule 144 (including Rule 144(k)) and all other subdivisions thereof) promulgated by the Commission under the Securities Act, as such rule may be amended from time to time, or any similar or successor rule then in force.

" Section 2.1 Notice " has the meaning set forth in Section 2.1(c) .

" Series A Preferred Stock " has the meaning ascribed to it in the Recitals.

" Stock " means the Preferred Stock, the Common Stock and any and all other capital stock or other equity Securities (including, without limitation, derivative Securities therefor) of the Company.

" Suspension Period " has the meaning ascribed to it in Sections 4.8 .

" T.Rowe " means T. Rowe Price Health Sciences Fund, Inc.

" Transfer " of Securities shall be construed broadly and shall include any issuance, sale, assignment, transfer, participation, gift, bequest, distribution, or other disposition thereof, or any pledge or hypothecation thereof, placement of a Lien thereon or grant of a security interest therein or other encumbrance thereon, in each case whether voluntary or involuntary or by operation of law or otherwise. " Transferor " means a Person engaging in a Transfer of Securities, and " Transferee " means a Person acquiring Securities through a Transfer.

" Warrants " has the meaning ascribed to it in the Recitals.

**1.2 Rules of Construction .**

The term this " Agreement " means this agreement together with all schedules and exhibits hereto, as the same may from time to time be amended, modified, supplemented or restated in accordance with the terms hereof. The use in this Agreement of the term "including" means "including, without limitation." The words " herein ," " hereof ," " hereunder " and other words of similar import refer to this Agreement as a whole, including the schedules and exhibits, as the same may from time to time be amended, modified, supplemented or restated, and not to any particular section, subsection, paragraph, subparagraph or clause contained in this Agreement. All references to sections, schedules and exhibits mean the sections of this Agreement and the schedules and exhibits attached to this Agreement, except where otherwise stated. The title of and the section and paragraph headings in this Agreement are for convenience of reference only and shall not govern or affect the interpretation of any of the terms or provisions of this Agreement. The use herein of the masculine, feminine or neuter forms shall also denote the other forms, as in each case the context may require or permit. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates. The language used in this Agreement has been chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party. Unless expressly provided otherwise, the measure of a period of one month or year for purposes of this Agreement shall be that date of the following month or year corresponding to the starting date, provided that if no corresponding date exists, the measure shall be that date of the following month or year corresponding to the next day following the starting date. For example, one month following February 18 is March 18, and one month following March 31 is May 1.

## ARTICLE II
## BOARD OF DIRECTORS

**2.1 Election of Board Members .**

(a) The number of directors constituting the Board, as fixed from time to time by the Board in accordance with the Bylaws, shall be nine (9). Notwithstanding any provision in the Bylaws, the number of directors constituting the Board shall not be increased to greater than eleven (11) without the prior written consent of the Requisite Investors for so long as both JPMP Global and BBI are entitled to designate a Preferred Director.

(b) At each annual meeting of the holders of any class of Stock, and at each special meeting of the holders of any class of Stock called for the purpose of electing directors of the Company, and at any time at which holders of any class of Stock shall have the right to, or shall, vote for or consent in writing to the election of directors of the Company, then, and in each such event, the Investors (other than the Excluded Investors) shall vote all of the shares of Series A Preferred Stock owned by them or their Affiliates, and their respective Transferees shall so vote for, or consent in writing with respect to such shares in favor of, the election of two

individuals to serve as directors to the Board pursuant to Article III(A)(3)(a) of the Certificate of Designations determined as follows:

(i) one individual designated by JPMP Global (the " JPMP Director "), for so long as the JPMP Entities collectively own at least fifty percent (50%) of the Series A Preferred Stock (or Common Stock issued upon conversion thereof) that they acquired on the Closing Date; and

(ii) one individual designated by BBI (the " BBI Director " and together with the JPMP Director, the " Preferred Directors "), for so long as BBI owns at least fifty percent (50%) of the Series A Preferred Stock (or Common Stock issued upon conversion thereof) that it acquired on the Closing Date;

provided , however , that, in the event that JPMP Global or BBI shall no longer have the right to designate an individual for election to the Board pursuant to clause (i) or (ii) above, respectively, the Board shall, upon the expiration of the term of the JPMP Director or BBI Director, as applicable, and for all times thereafter, be entitled to (x) fill the vacancy created thereby in accordance with the Bylaws, or (y) reduce the number of directors constituting the Board by eliminating the seat previously reserved for the JPMP Director or BBI Director as the case may be. The Company agrees to nominate for election to the Board as the JPMP Director and the BBI Director, or for the filling of any vacancies on the Board created by such nominees, the persons designated by JPMP Global or BBI, as applicable, pursuant to this Section 2.1 . The parties hereby agree that, effective immediately after the Closing, Srinivas Akkaraju shall be added as a member of the Board as the JPMP Director and Felix Baker shall be added as a member of the Board as the BBI Director. The obligation of each Investor to vote its shares as directed by this Section 2.1(b) (to the extent such obligation exists hereunder) shall cease, without any further action on the part of the Investors or the Company, at such time as neither JPMP Global nor BBI are entitled to designate a director pursuant to clause (i) or (ii) above.

(c) The Company shall give at least 30 days prior written notice of the date of the earliest estimated proposed mailing of proxy materials for election of directors of the Company. JPMP Global and BBI shall, within 10 Business Days of receipt of such notice from the Company, give written notice (a " Section 2.1 Notice ") to the Company of the name of each individual that JPMP Global and BBI intend to nominate for election or reelection to the Board and all information relating to each such individual that is required to be disclosed in any solicitation of proxies for election of directors, or as otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such individual's written consent to being named in the proxy statement as a nominee and to serving as a director if elected). At the request of the Board, any individual so nominated for election as a director shall furnish to the Secretary of the Company that information required to be set forth in the Section 2.1 Notice.

(d) Subject to the next sentence, the Investors (other than the Excluded Investors) shall vote their shares of Series A Preferred Stock (i) to remove any director whose removal is required by the party or parties with the power to designate such director and (ii) to fill any vacancy created by the removal, resignation or death of a director, in each case for the election of a new director designated and approved, in accordance with the provisions of this Section 2.1 ; provided , however , that the obligation of each Investor to vote its shares as directed by this Section 2.1(d) (to the extent such obligation exists hereunder) shall cease, without any

further action on the part of the Investors or the Company, at such time as neither JPMP Global nor BBI are entitled to designate a director pursuant to Sections 2.1(b)(i) or (ii) above. Each of the JPMP Director and the BBI Director shall only be removed by JPMP Global or BBI, respectively. At all times, the person serving as the JPMP Director or the BBI Director shall be either (i) an employee of one of the JPMP Entities or BBI, respectively, holding the position of "Principal" or any position senior thereto, or (ii) a person reasonably acceptable to a majority of the other members of the Board of Directors, provided , however , that in the case of clause (ii) such person must be qualified to serve as a member of the board of directors of a publicly traded company. Vacancies on the Board shall be filled within 30 days of the date such vacancy is created or immediately before the first action to be taken by the Board after the date such vacancy is created; provided , however , that if a vacancy on the Board is a result of JPMP Global or BBI no longer having the right to designate a director pursuant to Section 2.1(b) above, the Board may elect to reduce the number of directors constituting the Board by eliminating the seat previously reserved for the JPMP Director or BBI Director, as the case may be.

(e) The directors to be elected pursuant to this Section 2.1 shall serve for terms extending from the date of their election and qualification until their successors shall have been elected and qualified in accordance with this Section 2.1 .

(f) JPMP Global and BBI shall have the right to have that number of representatives (each such representative, an " Observer ") determined as hereinafter provided present at all meetings of the Board. Such right shall from time to time be exercisable by delivery to the Company of written notice from the Requisite Investors specifying the names of such Observers. The number of Observers shall at all times and from time to time be equal to the number of members of the Board that JPMP Global and BBI are then entitled to designate pursuant to Section 2.1(b)(i) or (ii) above, as applicable, but whose seats on the Board are at the time vacant. The Company will give each Observer reasonable prior notice (it being agreed that the same prior notice given to the Board shall be deemed reasonable prior notice) in any manner permitted in the Bylaws for notices to directors of the time and place of any proposed meeting of the Board. Each such Observer will be entitled (i) to receive true and complete copies of all documents furnished to any director in connection with such meeting and (ii) to be present in person as an Observer at any such meeting or, if a meeting is held by telephone conference, to participate therein for the purpose of listening thereto; provided , that in each case, the Observers may be excluded from access to any materials prepared for the Board or meeting or portion thereof if the Board reasonably believes, upon advice of counsel, that such exclusion is reasonably necessary to preserve the attorney-client privilege.

(g) Each of JPMP Global and BBI agree to use reasonable efforts to cause the individual serving as the JPMP Director or the BBI Director, respectively, to provide the Company, on a timely basis, with any information relating to such individual that the Company may be required to disclose pursuant to Applicable Law, including without limitation those rules or regulations promulgated by the NASD and the NMS.

**2.2 Board Meetings .**

The Company shall convene meetings of the Board at least four times each fiscal year at regular time intervals. The Company may use video conferencing capabilities or teleconference facilities for meetings of the Board and any committees thereof (" Committees ").

**2.3 Expenses .**

The Company shall pay or reimburse each of the Preferred Directors and any Observer for the reasonable out-of-pocket expenses incurred by such Preferred Director or Observer in connection with attending formal meetings of the Board, any Committee thereof (including any Subsidiary board or committee meetings), or attending any other activities in connection with the fulfillment of such Preferred Director's duties, including, but not limited to, reasonable travel and related expenses.

**2.4 Subsidiary Board .**

The Company shall cause the board of directors of each of its Subsidiaries (except for any Subsidiary that is formed in a jurisdiction other than the United States) to be constituted in a manner similar to the Board.

**2.5 Committees .**

The Board may, from time to time, establish and maintain certain Committees. To the extent allowed under Applicable Law, the Board shall, upon the request of the Preferred Directors, appoint at least one Preferred Director to serve on each Committee formed by the Board (other than the Option Committee that is solely responsible for granting stock options to employees of the Company below the level of "Director", for so long as such Committee is comprised solely of employee directors).

**2.6 Qualifications of Board Members .**

If at any time (a) the holders of Series A Preferred Stock shall be entitled to elect one or more individuals to serve as directors to the Board pursuant to Article III(A)(3)(a) of the Certificate of Designations and (b) Section 2.1 of this Agreement shall have been terminated or shall no longer be in effect, then each Person elected pursuant to the Certificate of Designations shall be a Person reasonably acceptable to a majority of the other members of the Board of Directors (it being understood and agreed by the parties hereto that an employee of an Investor holding the position of "Principal" or any position senior thereto shall be deemed acceptable); provided , however , that such Person must be qualified to serve as a member of the board of directors of a publicly traded company.

## ARTICLE III

## ADDITIONAL AGREEMENTS

**3.1 Inconsistent Agreements .**

The Company shall not enter into any agreement containing any provision which would (a) be violated or breached by the exercise or performance by the Company of any of its respective rights or obligations under any Document, or (b) impair the ability of the Company or any Subsidiary to comply with the terms of the Documents.

**3.2 Information Rights .**

(a) The Company shall furnish (x) each of the JPMP Director and the BBI Director or (y) if there is no JPMP Director or BBI Director then serving on the Board, the JPMP Entities or BBI, as applicable, ( provided that the Company shall be obligated to furnish such information to the JPMP Entities and BBI only for so long as JPMP Global and BBI continue to have the right to designate a director pursuant to Section 2.1(b) above) with the following:

(i) Quarterly Reports . As soon as available, but not later than 45 days after the end of each quarter in each fiscal year (other than the last quarter in each fiscal year) of the Company, a balance sheet of the Company and the related statements of income, stockholders' equity and cash flows, unaudited but prepared in accordance with GAAP consistently applied and certified by the President or the Chief Financial Officer of the Company, such balance sheet to be as of the end of such quarter and such statements of income, stockholders' equity and cash flows to be for such quarter and for the period from the beginning of the fiscal year to the end of such quarter, in each case with comparative statements for the prior fiscal year. The Company providing a copy of its Form 10-Q for the applicable quarter shall satisfy the requirements of this Section.

(ii) Annual Audit . As soon as available, but not later than 90 days after the end of each fiscal year of the Company, audited financial statements of the Company, which shall include a statement of cash flows and statement of operations for such fiscal year and a balance sheet as at the last day thereof, each prepared in accordance with GAAP consistently applied (except as set forth in the notes thereto), and accompanied by the report of a firm of independent certified public accountants of nationally recognized standing selected by the Board (the " Accountants "). The Company shall maintain a system of accounting sufficient to enable the Accountants to render the report referred to in this clause. The Company providing a copy of its Form 10-K for the applicable fiscal year shall satisfy the requirements of this Section.

(iii) Annual Operating Plan . Within 60 days after the beginning of each fiscal year of the Company, an annual operating plan, including a qualitative summary by the President of the Company and an updated consolidated budget, projected income statements, balance sheets and cash flow statements (setting forth in detail the

assumptions therefor) on a monthly basis for the Company and its Subsidiaries for such fiscal year of the Company.

(iv) Subsidiaries . If for any period the Company shall have any Subsidiary or Subsidiaries whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing clauses shall be consolidated (and consolidating if normally prepared by the Company) financial statements of the Company and all such consolidated Subsidiaries.

(v) GAAP Reporting . The financial statements and reports delivered under this subsection shall fairly present in all material respects the financial position and results of operations of the Company at the dates thereof and for the periods then ended and shall have been prepared in accordance with GAAP, in the case of unaudited financial statements, subject to normal year-end audit adjustments and the absence of footnotes.

(b) Access to Records and Properties . The Company shall afford the Preferred Directors, during normal business hours and with reasonable advance notice, reasonable access to (i) visit and inspect the assets, properties and information (financial or otherwise), (ii) examine upon reasonable advance notice, the books of accounts and records of the Company and (iii) make copies of such records and permit such Preferred Directors to discuss all aspects of the Company and each Subsidiary with any officers, employees or Accountants of the Company, in each case consistent with the highest level of access to information and inspection rights granted by the Company to other members of its Board; provided , however , that such investigation shall not unreasonably interfere with the operations of the Company. The Company will instruct the Accountants to discuss such aspects of the financial condition of the Company with any such Preferred Director as such Preferred Director may reasonably request, and to permit such Preferred Director to inspect, copy and make extracts from such financial statements, analyses, work papers and other documents and information (including electronically stored documents and information) prepared by the Accountants with respect to the Company as such Preferred Director may reasonably request.

(c) Other Reports; Miscellaneous . The Company shall promptly provide to each of the Investors:

(i) as soon as available, but not later than 45 days after the end of each quarterly accounting period, a Form 10-Q or, if the Company does not file quarterly reports with the Commission, the documents referred to in Section 3.2(a)(i) ;

(ii) as soon as available, but not later than 90 days after the end of each fiscal year, a Form 10-K or, if the Company does not file an annual report with the Commission, the audited consolidated financial statements referred to in Section 3.2(a)(ii) ;

(iii) simultaneously with any distribution of any document to holders of the Common Stock, any such document so distributed; and

(iv) copies of all financial statements, reports, press releases, notices, proxy statements and other documents sent by the Company or its Subsidiaries to its stockholders generally or released to the public and copies of all regular and periodic reports, if any, filed by the Company or its Subsidiaries with the Commission, any securities exchange or the NASD.

(d) Notice of Material Sale . The Company shall promptly provide to the JPMP Entities and BBI notice of any proposed Material Sale, and shall afford the Preferred Directors with reasonable time to review and comment on any agreement relating to such Material Sale, as applicable.

**3.3 Compliance .**

The Company (a) in carrying out its business shall comply in all material respects with Applicable Law and Orders of any Governmental Authority applicable to it, its business and the ownership of its assets and (b) shall obtain and maintain in full force and effect all Federal, state, local and foreign governmental licenses and permits material to and necessary in the conduct of its business.

**3.4 Insurance .**

All the insurable properties of the Company shall be insured for the benefit of the Company in the full amounts required to protect the Company against risks usually insured against by Persons operating similar properties in the localities in which such properties are located under policies in effect and issued by national insurers of recognized responsibility.

**3.5 Affirmative Covenants .**

The Company shall observe and perform the following, except to the extent waived upon the written consent of the Requisite Investors:

(a) Payment Under the Documents . The Company shall pay or accrue, as the case may be, any amounts payable under the Documents in accordance with the terms of the Documents.

(b) Payment of Taxes, etc . The Company shall pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all amounts of taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, could reasonably be expected by law to become a Lien upon its property; provided , however , that the Company shall not be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained.

(c) Preservation of Corporate Existence, etc. The Company shall preserve and maintain its corporate existence; provided , however , that any Subsidiary may merge or consolidate with any other Subsidiary or the Company. The Company shall preserve and maintain its rights (charter and statutory), and all material permits, licenses, approvals, privileges and franchises necessary or desirable in the normal conduct of its business.

(d) Keeping of Books . The Company shall keep proper books of record and account, in which entries that are full and correct in all material respects shall be made of all financial transactions and the assets and business of the Company and each such Subsidiary in accordance with GAAP.

(e) Maintenance of Properties, etc. The Company shall maintain and preserve all of its properties that are reasonably required in the conduct of its business in good working order and condition, ordinary wear, tear and depletion excepted.

(f) Transactions with Affiliates . The Company shall conduct all transactions otherwise permitted under the Documents with any of its Affiliates on terms that are fair and reasonable and no less favorable to the Company than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

(g) D&O Insurance; Indemnification . The Company shall maintain director and officer liability insurance, with coverage of at least $10 million, from a nationally recognized insurance company rated "A" or above, which insurance and amount thereof shall be acceptable to the Investors, and shall keep such insurance in full force and effect. The Company's Restated Certificate and Bylaws shall at all times provide for indemnification and exculpation of the Preferred Directors to the fullest extent permissible under Applicable Law.

(h) Performance of Documents . The Company shall perform and observe all of the terms and provisions of each Document to be performed or observed by it, maintain each such Document in full force and effect, and enforce such Document in accordance with its terms.

(i) Proprietary Information and Inventions Agreements . The Company shall require each employee of the Company as a condition to the employment of such individual, to execute and deliver a nondisclosure and proprietary assignment agreement in the Company's standard form.

(j) Material Indebtedness . The Company shall perform and observe any and all of its obligations with respect to material Indebtedness of the Company.

(k) Public Announcements . The Company shall consult with the Requisite Investors before issuing, and shall provide the Requisite Investors with the opportunity to review and comment upon, any press release or other public statements with respect to the transactions contemplated by the Purchase Agreement and shall not issue any such press release or make any such public statement without the prior written consent of the Requisite Investors, except to the extent expressly required by Applicable Law and, in such case, the Company shall first promptly notify the Requisite Investors of such obligation and allow such Requisite Investors to provide comment to any such disclosure prior thereto. Notwithstanding the foregoing, if any such press release or public statement specifically names or mentions any Investor, the consent of such Investor will be required prior to the issuance of such press release or public statement, except as may be expressly required by Applicable Law and, in such case, the Company shall first promptly notify such Investor of such obligation and allow such Investor to provide comment to any such disclosure prior thereto.

**3.6 Tax Treatment .**

(a) The Company shall treat the shares of Series A Preferred Stock held by the Investors as stock that participates in the corporate growth of the Company to a significant extent within the meaning of Treasury Regulation Section 1.305-5(a), and will not treat such shares as "preferred stock" for purposes of the Code.

(b) On or before January 31 of each year, the Company shall provide the Investors with a statement containing the Company's "Issuer Allocation Percentage" for New York State tax purposes if the Company files or is required to file a tax return in the State of New York for such year.

## ARTICLE IV
## REGISTRATION RIGHTS

**4.1 Required Registration .**

(a) If at any time the Company shall be requested by the Requisite Investors to effect the registration under the Securities Act of Registrable Shares having an aggregate gross offering price (before underwriters discounts and commissions) of at least $5,000,000, it shall promptly give written notice to the other Investors of its requirement to so register such Registrable Shares (which notice shall specify the number of Registrable Shares proposed to be included in such registration and the intended method of distribution, which may be pursuant to a shelf registration) and, upon the written request, delivered to the Company within 30 days after delivery of any such notice by the Company, of such other Investors to include in such registration Registrable Shares of such Investors (which request shall specify the number of Registrable Shares proposed to be included in such registration), the Company shall, subject to Section 4.1(b) below, promptly use its best efforts to effect such registration on an appropriate form, under the Securities Act of the Registrable Shares which the Company has been so requested to register.

(b) Anything contained in Section 4.1(a) to the contrary notwithstanding, the Company shall not be obligated to effect pursuant to Section 4.1(a) any registration under the Securities Act except in accordance with the following provisions:

(i) the Company shall not be obligated to use its best efforts to file and cause to become effective (A) more than two (2) Registration Statements initiated pursuant to Section 4.1(a) ; provided however , that if the Investors were unable to sell at least 90% of the Registrable Shares requested to be included in the last registration initiated by such group pursuant to Section 4.1(a) as a result of an underwriter's cutback, then additional registrations shall be added to this Section 4.1(b) until the foregoing condition is satisfied for such Investors, (B) any Registration Statement during the period starting with the date 60 days prior to the Company's good faith estimate of the date of filing of, and ending on the date 180 days after the effective date of, any other registration

statement (other than on Form S-4 or Form S-8 promulgated under the Securities Act or any successor forms thereto) pursuant to which Primary Shares are to be or were sold; provided , however , that in the case of clause (B) the Company is actively employing in good faith all reasonable efforts to cause such Registration Statement to become effective and the Investors were offered the right to have the Registrable Shares included in such registration pursuant to Section 4.2 below, or (C) more than one Registration Statement pursuant to Section 4.1(a) in any consecutive six-month period;

(ii) the Company may delay the filing or effectiveness of any Registration Statement for a period of up to 90 days after the date of a request for registration pursuant to Section 4.1(a) if at the time of such request the Company is engaged in a Material Transaction; provided , however , that the Company may only so delay the filing or effectiveness of a registration statement pursuant to this Section 4.1(b)(ii) on one occasion during any twelve-month period; and

(iii) with respect to any registration pursuant to Section 4.1(a) , the Company may include in such registration any Primary Shares or Other Shares; provided , however , that if the managing underwriter advises the Company that the inclusion of all Registrable Shares, Primary Shares and Other Shares proposed to be included in such registration would interfere with the successful marketing (including pricing) of all such Securities, then the number of Registrable Shares, Primary Shares and Other Shares proposed to be included in such registration shall be included in the following order:

(A) first , the Registrable Shares held by the Investors requesting that their Registrable Shares be included in such registration pursuant to Section 4.1(a) , pro rata based upon the number of Registrable Shares owned by each such Investor at the time of such registration;

(B) second , the Primary Shares; and

(C) third , the Other Shares.

(c) A requested registration under Section 4.1(a) may be rescinded prior to such registration being declared effective by the Commission by written notice to the Company from the Requisite Investors; provided , however , that such rescinded registration shall not count as a registration initiated pursuant to this Section 4.1 for purposes of subclause (A) of clause (i) of subsection (b) above if (x) the Company shall have been reimbursed ( pro rata by the Investors requesting registration or in such other proportion as they may agree) for all out-of-pocket expenses incurred by the Company in connection with such rescinded registration, provided that each registration that may be requested under this Section 4.1 may not be rescinded pursuant to clause (x) more than two times, provided , further that such rescission may not be made more than once in any 12-month period or (y) (1) the participating Investors reasonably believed that the registration statement contained an untrue statement of material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein not misleading, (2) notified the Company of such fact and requested that the Company correct such alleged misstatement or omission and (3) the Company has refused to correct such alleged misstatement or omission.

**4.2 Piggyback Registration .**

If the Company proposes for any reason to register Primary Shares or Other Shares under the Securities Act (other than on Form S-4 or Form S-8 promulgated under the Securities Act or any successor forms thereto), it shall promptly give written notice to each Investor of its intention so to register the Primary Shares or Other Shares and, upon the written request, given within 20 days after delivery of any such notice by the Company, of any such Investor to include in such registration Registrable Shares (which request shall specify the number of Registrable Shares proposed to be included in such registration), the Company shall use its best efforts to cause all such Registrable Shares to be included in such registration on the same terms and conditions as the Securities otherwise being sold in such registration; provided , however , that if the managing underwriter advises the Company that the inclusion of all Registrable Shares or Other Shares proposed to be included in such registration would interfere with the successful marketing (including pricing) of Primary Shares proposed to be registered by the Company, then the number of Primary Shares, Registrable Shares and Other Shares proposed to be included in such registration shall be included in the following order:

(i) first , the Primary Shares;

(ii) second , the Registrable Shares held by the Investors requesting their Registrable Shares be included in such registration pursuant to the terms of this Section 4.2 and the holders of registrable securities under the Existing Rights Agreement, pro rata based upon the number of Common Stock Equivalents owned by each such seller at the time of such registration; provided , however , that in no event shall the amount of securities requested to be included in such registration pursuant to the terms of this Section 4.2(ii) be reduced below fifty percent (50%) of the total amount of securities included in such registration; and

(iii) third , the Other Shares (excluding the registrable securities under the Existing Rights Agreement).

**4.3 Registrations on Form S-3 .**

(a) Anything contained in this Section 4.3 to the contrary notwithstanding, at such time as and for so long as the Company shall have qualified for the use of Form S-3 promulgated under the Securities Act or any successor form thereto, the Requisite Investors shall have the right to request in writing an unlimited number of registrations on Form S-3, or such successor form, of Registrable Shares, which request or requests shall (i) specify the number of Registrable Shares intended to be sold or disposed of, (ii) state the intended method of disposition of such Registrable Shares and (iii) relate to Registrable Shares having an aggregate gross offering price (before underwriting discounts and commissions) of at least $1,000,000, and upon receipt of such request, the Company shall use its best efforts promptly to effect the registration under the Securities Act of the Registrable Shares so requested to be registered. Whenever the Company is required by this Section 4.3(a) to use its best efforts to effect the registration of Registrable Shares, each of the procedures and requirements of Section 4.1 (including but not limited to the requirement that the Company notify all holders of Registrable Shares from whom notice has not been received and provide them with the opportunity to

participate in the offering) shall apply to such registration. A requested registration on Form S-3 or any such successor form in compliance with this Section shall not count as a registration demanded pursuant to Section 4.1(a) , but shall otherwise be treated as a registration initiated pursuant to and shall, except as otherwise expressly provided in this Section, be subject to Section 4.1(b) .

(b) Anything contained in Section 4.3(a) to the contrary notwithstanding, the Company shall not be obligated to effect pursuant to Section 4.3(a) any registration under the Securities Act except in accordance with the following provisions:

(i) the Company shall not be obligated to effect such registration if it is requested within six (6) months after a registered offering of the Company in which the Investors were given the opportunity to participate; and

(ii) the Company may delay the filing or effectiveness of any Registration Statement on Form S-3 for a period of up to 90 days after the date of a request for registration pursuant to this Section 4.3 if at the time of such request the Company is engaged in a Material Transaction; provided , however , that the Company may only so delay the filing or effectiveness of a registration statement pursuant to this Section 4.3(b)(ii) on one occasion during any twelve-month period.

(c) On the effective date of the conversion of the outstanding shares of Series A Preferred Stock into shares of Common Stock pursuant to Article V(B)(1) of the Certificate of Designations, the Company shall send written notice to the holders of such shares of their right to have such shares registered for sale to the public pursuant to the terms of this Agreement. Upon receipt of a request for registration of such shares from the holders of a majority thereof, the Company shall use its best efforts promptly to effect the registration under the Securities Act of all of the shares of Common Stock issued upon such conversion in accordance with the provisions of Section 4.3 (a) above; provided , that if the Company shall not be qualified to use Form S-3 (or any such successor form) at the time such shares of Series A Preferred Stock are converted into shares of Common Stock, the Company shall use its best efforts to register all such shares on an appropriate long-form registration statement under the Securities Act in accordance with Section 4.1 hereof. Notwithstanding anything to the contrary contained in this Agreement, registration of shares of Common Stock pursuant to this Section 4.3(c) shall be subject only to Section 4.3(b)(ii) above.

**4.4 Preparation and Filing .**

(a) If and whenever the Company is under an obligation pursuant to the provisions of this Article IV to use its best efforts to effect the registration of any Registrable Shares, the Company shall, as expeditiously as practicable:

(i) With respect to registrations pursuant to Sections 4.1, 4.2 and 4.3 , use its best efforts to cause a Registration Statement that registers such Registrable Shares to become and remain effective for a period of 150 days (excluding any period during which such effectiveness is suspended) or until all of such Registrable Shares have been disposed of (if earlier);

(ii) furnish, at least five Business Days before filing a Registration Statement that registers such Registrable Shares, a Prospectus relating thereto and any amendments or supplements relating to such Registration Statement or Prospectus, to one counsel selected by, in the case of a Registration initiated pursuant to Section 4.1(a) or 4.3 , the Requisite Investors (the " Investors' Counsel "), copies of all such documents proposed to be filed (it being understood that such five Business Day period need not apply to successive drafts of the same document proposed to be filed so long as such successive drafts are supplied to the Investors' Counsel in advance of the proposed filing by a period of time that is customary and reasonable under the circumstances);

(iii) prepare and file with the Commission such amendments and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for at least the period set forth in Section 4.4(a)(i) or until all of such Registrable Shares have been disposed of (if earlier) and to comply with the provisions of the Securities Act with respect to the sale or other disposition of such Registrable Shares;

(iv) notify the Investors' Counsel promptly in writing (A) of any comments by the Commission with respect to such Registration Statement or Prospectus, or any request by the Commission for the amending or supplementing thereof or for additional information with respect thereto, (B) of the issuance by the Commission of any stop order suspending the effectiveness of such Registration Statement or Prospectus or any amendment or supplement thereto or the initiation of any proceedings for that purpose (and the Company shall use its best efforts to prevent the issuance thereof or, if issued, to obtain its withdrawal) and (C) of the receipt by the Company of any notification with respect to the suspension of the qualification of such Registrable Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purposes;

(v) use its best efforts to register or qualify such Registrable Shares under such other securities or blue sky laws of such jurisdictions as any seller of Registrable Shares reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller of Registrable Shares to consummate the disposition in such jurisdictions of the Registrable Shares owned by such seller; provided , however , that the Company will not be required to qualify generally to do business, subject itself to general taxation or consent to general service of process in any jurisdiction where it would not otherwise be required so to do but for this clause (v);

(vi) furnish to each seller of such Registrable Shares such number of copies of a summary Prospectus or other Prospectus, including a preliminary Prospectus, in conformity with the requirements of the Securities Act, and such other documents as such seller of Registrable Shares may reasonably request in order to facilitate the public sale or other disposition of such Registrable Shares;

(vii) use its best efforts to cause such Registrable Shares to be registered with or approved by such other Governmental Authorities as may be necessary by virtue

of the business and operations of the Company to enable the seller or sellers thereof to consummate the disposition of such Registrable Shares;

(viii) notify on a timely basis each seller of such Registrable Shares at any time when a Prospectus relating to such Registrable Shares is required to be delivered under the Securities Act within the appropriate period mentioned in clause (i) of this Section 4.4(a) of the happening of any event as a result of which the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing and, at the request of such seller, prepare and furnish to such seller a reasonable number of copies of a supplement to or an amendment of such Prospectus as may be necessary so that, as thereafter delivered to the offerees of such shares, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(ix) make available for inspection by any seller of such Registrable Shares, any underwriter participating in any disposition pursuant to such Registration Statement and any attorney, accountant or other agent retained by any such seller or underwriter (collectively, the " Inspectors "), all pertinent financial, business and other records, pertinent corporate documents and properties of the Company (collectively, the " Records "), as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information (together with the Records, the " Information ") reasonably requested by any such Inspector in connection with such Registration Statement (and any of the Information which the Company determines in good faith to be confidential, and of which determination the Inspectors are so notified, shall not be used by such seller or such Inspector for any purpose other than exercise of such due diligence responsibility and shall not be disclosed by the Inspectors unless (A) the disclosure of such Information is necessary to avoid or correct a material misstatement or omission in the Registration Statement, (B) the release of such Information is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, (C) such Information has been made generally available to the public or (D) the seller of Registrable Shares agrees that it will, upon learning that disclosure of such Information is sought in a court of competent jurisdiction, give notice to the Company and allow the Company, at the Company's expense, to undertake appropriate action to prevent disclosure of the Information deemed confidential);

(x) use its best efforts to obtain from its independent certified public accountants a "cold comfort" letter in customary form and covering such matters of the type customarily covered by cold comfort letters;

(xi) use its best efforts to obtain, from its counsel, an opinion or opinions in customary form (which shall also be addressed to the Investors selling Registrable Shares in such registration);

(xii) provide a transfer agent and registrar (which may be the same entity and which may be the Company) for such Registrable Shares;

(xiii) issue to any underwriter to which any seller of Registrable Shares may sell Securities in such offering certificates evidencing such Registrable Shares;

(xiv) list such Registrable Shares on any national securities exchange on which any shares of the Common Stock are listed or, if the Common Stock is not listed on a national securities exchange, use its best efforts to qualify such Registrable Shares for inclusion on the automated quotation system of the National Association of Securities Dealers, Inc. (the " NASD "), National Market System (" NMS "), or such other national securities exchange as the Requisite Investors shall request if the Common Stock is not then eligible for trading on the NMS;

(xv) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its securityholders, as soon as reasonably practicable, earnings statements which need not be audited covering a period of 12 months beginning within three months after the effective date of the Registration Statement, which earnings statements shall satisfy the provisions of Section 11(a) of the Securities Act; and

(xvi) use its best efforts to take all other steps necessary to effect the registration of such Registrable Shares contemplated hereby.

(b) Each holder of Registrable Shares that sells Registrable Shares pursuant to a registration under this Agreement agrees that during such time as such seller may be engaged in a distribution of the Registrable Shares, such seller shall comply with Regulation M promulgated under the Exchange Act and pursuant thereto it shall, among other things: (i) not engage in any stabilization activity in connection with the Securities of the Company in contravention of such rules; (ii) distribute the Registrable Shares under the Registration Statement solely in the manner described in the Registration Statement; and (iii) cease distribution of such Registrable Shares pursuant to such Registration Statement upon receipt of written notice from the Company that the prospectus covering the Registrable Shares contains any untrue statement of a material fact or omits a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing.

**4.5 Expenses .**

All expenses incurred by the Company in complying with Section 4.4 , including, without limitation, all registration and filing fees (including all expenses incident to filing with the NASD), fees and expenses of complying with securities and blue sky laws, printing expenses, fees and expenses of the Company's counsel and accountants and reasonable fees and expenses of the Investors' Counsel, shall be paid by the Company; provided , however , that all underwriting discounts and selling commissions applicable to the Registrable Shares and all fees and expenses of counsel for the seller or sellers other than the Investors' Counsel, shall not be

borne by the Company but shall be borne by the seller or sellers thereof, in proportion to the number of Registrable Shares sold by such seller or sellers.

**4.6 Indemnification .**

(a) To the maximum extent permitted by law, in connection with any registration of any Registrable Shares under the Securities Act pursuant to this Article IV , the Company shall indemnify and hold harmless the seller of such Registrable Shares, each underwriter, broker or any other Person acting on behalf of such seller, each other Person, if any, who controls any of the foregoing Persons within the meaning of the Securities Act and each Representative of any of the foregoing Persons, against any losses, claims, damages or liabilities, joint or several, to which any of the foregoing Persons may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement under which such Registrable Shares were registered, any preliminary Prospectus or final Prospectus contained therein, any amendment or supplement thereto or any document incident to registration or qualification of any Registrable Shares, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or, with respect to any Prospectus, necessary to make the statements therein in light of the circumstances under which they were made not misleading, or any violation by the Company of the Securities Act or state securities or blue sky laws applicable to the Company and relating to action or inaction required of the Company in connection with such registration or qualification under such state securities or blue sky laws, and the Company shall promptly reimburse such seller, such underwriter, such broker, such controlling Person or such Representatives for any legal or other expenses incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or action; provided , however , that the Company shall not be liable to any such Person to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in said Registration Statement, preliminary Prospectus, amendment, supplement or document incident to registration or qualification of any Registrable Shares in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such Person, or a Person duly acting on their behalf, specifically for use in the preparation thereof; provided further , however , that the foregoing indemnity agreement is subject to the condition that, insofar as it relates to any untrue statement, allegedly untrue statement, omission or alleged omission made in any preliminary Prospectus but eliminated or remedied in the final Prospectus (filed pursuant to Rule 424 of the Securities Act), such indemnity agreement shall not inure to the benefit of any indemnified party from whom the Person asserting any loss, claim, damage, liability or expense purchased the Registrable Shares which are the subject thereof, if a copy of such final Prospectus had been timely made available to such Indemnified Person and such final Prospectus was not delivered to such Person with or prior to the written confirmation of the sale of such Registrable Shares to such Person.

(b) To the maximum extent permitted by law, in connection with any registration of Registrable Shares under the Securities Act pursuant to this Article IV , each seller of Registrable Shares shall indemnify and hold harmless (in the same manner and to the same extent as set forth in the paragraph (a) of this Section 4.6 ) the Company, each underwriter or

broker involved in such offering, each other seller of Registrable Shares under such Registration Statement, each Person who controls any of the foregoing Persons within the meaning of the Securities Act and any Representative of the foregoing Persons with respect to any statement or omission from such Registration Statement, any preliminary Prospectus or final Prospectus contained therein, any amendment or supplement thereto or any document incident to registration or qualification of any Registrable Shares, if such statement or omission was made in reliance upon and in conformity with written information furnished to the Company or such underwriter through an instrument duly executed by such seller or a Person duly acting on their behalf specifically for use in connection with the preparation of such Registration Statement, preliminary Prospectus, final Prospectus, amendment or supplement; provided , however , that the obligation to indemnify will be several, not joint and several, among the sellers of Registrable Shares, and the maximum amount of liability in respect of such indemnification shall be in proportion to and limited, in the case of each seller of Registrable Shares, to an amount equal to the proceeds actually received by such seller from the sale of Registrable Shares effected pursuant to such registration.

(c) Promptly after receipt by an indemnified party of notice of the commencement of any action involving a claim referred to in the preceding paragraphs of this Section 4.6 , such indemnified party will, if a claim in respect thereof is made against an indemnifying party, give written notice to the latter of the commencement of such action ( provided , however , that an indemnified party's failure to give such notice in a timely manner shall only relieve the indemnification obligations of an indemnifying party to the extent such indemnifying party is prejudiced by such failure). In case any such action is brought against an indemnified party, the indemnifying party will be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be responsible for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof; provided , however , that if any indemnified party shall have reasonably concluded that there may be one or more legal or equitable defenses available to such indemnified party which are in addition to or conflict with those available to the indemnifying party, or that such claim or litigation involves or could have an effect upon matters beyond the scope of the indemnity agreement provided in this Section 4.6 , the indemnifying party shall not have the right to assume the defense of such action on behalf of such indemnified party and such indemnifying party shall reimburse such indemnified party and any Person controlling such indemnified party for that portion of the reasonable fees and expenses of any counsel ( plus appropriate special and local counsel) retained by the indemnified party which are reasonably related to the matters covered by the indemnity agreement provided in this Section 4.6 . Notwithstanding the foregoing, the indemnity agreement set forth in Section 4.6(a) shall not apply to amounts paid in settlement if such settlement is effected without the written consent of the Company (which consent shall not be unreasonably withheld).

(d) If the indemnification provided for in this Section 4.6 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, claim, damage or liability referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amounts paid or payable by such

indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other hand in connection with the statements or omissions which resulted in such loss, claim, damage or liability as well as any other relevant equitable considerations; provided , however , that the maximum amount of liability in respect of such contribution shall be limited, in the case of each seller of Registrable Shares, to an amount equal to the proceeds actually received by such seller from the sale of Registrable Shares effected pursuant to such registration. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The indemnification and contribution provided for under this Article IV will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party and will survive the transfer of Securities.

(f) The indemnification required by this Section 4.6 will be made by periodic payments during the course of the investigation or defense, as and when bills are received or expenses incurred, subject to prompt refund in the event any such payments are determined not to have been due and owing hereunder.

**4.7 Underwriting Agreement .**

(a) Notwithstanding the provisions of Sections 4.4 and 4.6 , to the extent that the sellers of Registrable Shares in a proposed registration shall enter into an underwriting or similar agreement, which agreement contains provisions covering one or more issues addressed in such sections of this Article IV , the provisions contained in such sections of this Article IV addressing such issue or issues shall be of no force or effect with respect to such registration, but this provision shall not apply to the Company if the Company is not a party to the underwriting or similar agreement.

(b) If any registration pursuant to Section 4.1 or 4.3 is requested to be an underwritten offering, the Company shall negotiate in good faith to enter into a reasonable and customary underwriting agreement with the underwriters thereof. The Company shall be entitled to receive indemnities from lead institutions, underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, to the same extent as provided above with respect to information so furnished in writing by such Persons specifically for inclusion in any Prospectus or Registration Statement and to the extent customary given their role in such distribution.

(c) No holder of Registrable Shares may participate in any registration hereunder that is underwritten unless such holder agrees (i) to sell such holder's Registrable Shares proposed to be included therein on the basis provided in any underwriting arrangements acceptable to the Company and the Investors holding a majority of the Registrable Shares to be included in such registration and (ii) as expeditiously as possible, notify the Company of the

occurrence of any event concerning such holder as a result of which the Prospectus relating to such registration contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

**4.8 Suspension .**

Anything contained in this Article IV to the contrary notwithstanding, the Company may (not more than once with respect to each registration), by notice in writing to each holder of Registrable Shares to which a Prospectus relates, require such holder to suspend, for up to 90 days (the " Suspension Period "), the use of any Prospectus included in a Registration Statement filed under Section 4.1 , 4.2 or 4.3 if a Material Transaction exists that would require an amendment to such Registration Statement or supplement to such Prospectus (including any such amendment or supplement made through incorporation by reference to a report filed under Section 13 of the Exchange Act). The period during which such Prospectus must remain effective shall be extended by a period equal to the Suspension Period. The Company may (but shall not be obligated to) withdraw the effectiveness of any Registration Statement subject to this provision.

**4.9 Information by Holder .**

Each holder of Registrable Shares to be included in any registration shall furnish to the Company and the managing underwriter such written information regarding such holder and the distribution proposed by such holder as the Company or the managing underwriter may reasonably request in writing and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Article IV .

**4.10 Exchange Act Compliance .**

The Company shall comply with all of the reporting requirements of the Exchange Act (whether or not it shall be required to do so) and shall comply with all other public information reporting requirements of the Commission, which are conditions to the availability of Rule 144 for the sale of the Common Stock. The Company shall cooperate with each holder of Registrable Shares in supplying such information as may be reasonably necessary for such holder to complete and file any information reporting forms presently or hereafter required by the Commission as a condition to the availability of Rule 144.

**4.11 No Conflict of Rights .**

The Company represents and warrants to the Investors that the registration rights granted to the Investors hereby do not conflict with any other registration rights granted by the Company. The Company shall not, after the date hereof, grant any registration rights which conflict with or impair, or have any priority over, the registration rights granted hereby, without the prior consent of the Requisite Investors. In any underwritten public offering, the managing underwriter shall be a nationally recognized investment banking firm selected by the Company, and reasonably acceptable to the Requisite Investors.

**4.12 Transfer of Registration Rights .**

The registration rights provided in this Article IV may be Transferred by any Investor to (i) any principal, officer, or retired or principal officer of an Investor, (ii) to an Affiliate of an Investor, or (iii) to any Transferee of at least 100,000 shares of Common Stock held by such Investor, in each case so long as the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such Transferee and the securities with respect to which such registration rights are being assigned.

**4.13 Termination .**

This Article IV shall terminate and be of no further force or effect, as to any Investor, upon such time as Rule 144 or another similar exemption under the Securities Act is available for the sale of all such Investor's Registrable Shares in a single transaction without regard to volume limitations; provided , however , that Sections 4.5 and 4.6 shall survive the termination of this Article IV .

## ARTICLE V
## SECURITIES LAW COMPLIANCE; LEGENDS

**5.1 Restriction on Transfer .**

(a) Except for Transfers that constitute Public Sales and Transfers to Affiliates, no Investor shall Transfer any Registrable Shares to a Person not already a party to this Agreement, unless and until such Person executes and delivers to the Company a joinder agreement, pursuant to which such Person will thereupon become a party to, and be bound by and obligated to comply with the terms and provisions of, this Agreement, as an Investor hereunder. No Person who acquires Company Securities in a Public Sale shall be required to execute a joinder agreement

(b) In addition to any other restrictions on the Transfer of any Securities contained in this Agreement, the Investors shall not Transfer any Registrable Shares except in compliance with the conditions specified in this Article V .

**5.2 Restrictive Legends .**

(a) Each certificate evidencing Registrable Shares and each certificate issued in exchange for or upon the Transfer of any Registrable Shares (if such shares remain Registrable Shares as defined herein after such Transfer) shall be stamped or otherwise imprinted with a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO AN INVESTOR RIGHTS AGREEMENT DATED AS OF [_____] [__], 2003, AMONG THE ISSUER OF SUCH SECURITIES (THE "COMPANY") AND CERTAIN OF THE COMPANY'S STOCKHOLDERS, AS THE SAME

MAY BE AMENDED FROM TIME TO TIME. THE TERMS OF SUCH INVESTOR RIGHTS AGREEMENT INCLUDE, AMONG OTHER THINGS, RESTRICTIONS ON TRANSFERS. A COPY OF SUCH INVESTOR RIGHTS AGREEMENT WILL BE FURNISHED WITHOUT CHARGE BY THE COMPANY TO THE HOLDER HEREOF UPON WRITTEN REQUEST."

(b) The Company shall imprint such legends on certificates evidencing shares outstanding prior to the date hereof. The legend set forth above shall be removed from the certificates evidencing any shares that cease to be Registrable Shares in accordance with the terms of this Agreement.

## ARTICLE VI

## AMENDMENT AND WAIVERS

**6.1 Amendment .**

Except as expressly set forth herein, the provisions of this Agreement may only be amended or waived with the prior written consent of (i) the Company and (ii) the Requisite Investors; provided , however , that (A) any such amendment, modification, or waiver that would adversely affect the rights hereunder of any Investor, in its capacity as an Investor, without similarly affecting the rights hereunder of all Investors, shall not be effective as to such Investor without such Investor's prior written consent, (B) any such amendment, modification, or waiver of Section 2.1(b)(i) hereof shall require the prior written consent of the JPMP Entities, (C) any such amendment, modification, or waiver of Section 2.1(b)(ii) hereof shall require the prior written consent of the BBI Entities, (D) any such amendment, modification, or waiver the objective of which is to terminate Section 2.1 hereof shall only require the prior written consent of the JPMP Entities and BBI and (E) Schedule I to this Agreement shall be deemed to be automatically amended from time to time to reflect Transfers of Stock made in accordance with the terms of this Agreement, without requiring the consent of any party, and the Company will, from time to time, distribute to the Investors a revised Schedule I to reflect any such changes.

**6.2 Waivers; Extensions .**

No course of dealing between the Company and the Investors (or any of them) or any delay in exercising any rights hereunder will operate as a waiver of any rights of any party to this Agreement. The failure of any party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

## ARTICLE VII

## TERMINATION

The provisions of this Agreement, except as otherwise expressly provided herein, shall terminate upon the first to occur of (a) the consummation of a Liquidation (as such term is defined in the Certificate of Designations) or (b) the approval of such termination by (i) the Company and (ii) the Requisite Investors. Anything contained herein to the contrary notwithstanding, as to any particular Investor, this Agreement shall no longer be binding or of further force or effect as to such Investor, except as otherwise expressly provided herein, as of the date such Investor has Transferred all of such Investor's interest in the Company's Securities and the Transferees of such Securities have, if required by Section 5.1(a) hereof, executed joinder agreements.

## ARTICLE VIII

## MISCELLANEOUS

**8.1 Grant of Proxy .**

Each Investor (other than the Excluded Investors) hereby irrevocably grants to and appoints J.P. Morgan Partners (BHCA), L.P. ("JPMP-BHCA") (and any officer of JPMP-BHCA) and BBI (and any officer of BBI), as such Investor's proxy and attorney-in-fact (with full power of substitution), for and in the name, place and stead of such Investor, to vote, act by written consent or grant a consent, proxy or approval in respect of the shares of Series A Preferred Stock owned by such Investor, with respect to such vote or action by written consent exclusively as agreed by such Investor in this Agreement in the event that such Investor shall fail at any time to vote or act by written consent with respect to any of such Investor's shares of Series A Preferred Stock in favor of the JPMP Director or BBI Director, as the case may be, as agreed by such Investor in this Agreement. Each Investor (other than the Excluded Investors) hereby affirms that any such irrevocable proxy set forth in this Section 8.1 is given in connection with the Investors' purchase of Securities pursuant to the Purchase Agreement in order to secure the performance of the obligations of such Investor under this Agreement. Each such Investor hereby further affirms that any such proxy hereby granted shall be irrevocable, and shall be deemed coupled with an interest, in accordance with Section 212(e) of the Delaware General Corporation Law.

**8.2 Regulatory Matters .**

(a) Cooperation of Other Investors . Each Investor agrees to cooperate with the Company in all reasonable respects in complying with the terms and provisions of the letter agreement between the Company and the JPMP Entities, a duly executed copy of which is attached hereto as Exhibit A , regarding regulatory matters (the " Regulatory Sideletter "), including, without limitation, voting to approve an amendment to the Company's Fundamental Documents or this Agreement in a manner reasonably acceptable to the Company and each of

the JPMP Entities or any Affiliate of any of the JPMP Entities entitled to make such request pursuant to the Regulatory Sideletter in order to remedy a Regulatory Problem (as defined in the Regulatory Sideletter). Anything contained in this Section 8.2(a) to the contrary notwithstanding, no Investor shall be required under this Section 8.2(a) to take any action that would adversely affect in any material respect such Investor's rights, obligations or liabilities under this Agreement or as a stockholder of the Company.

(b) Covenant Not to Amend . The Company and each Investor (other than the JPMP Entities) agree to provide the JPMP Entities with at least twenty (20) Business Days prior notice of its or their intention to amend, or effectively amend by permanently foregoing its rights under, the voting or other provisions of any of the Company's Fundamental Documents or this Agreement and agree not to amend, or effectively amend by permanently foregoing its rights under, the voting or other provisions of any Fundamental Document or this Agreement prior to the earlier to occur of (i) the end of such twenty (20) Business Day period or (ii) the date that the JPMP Entities notify the Company and each other Investor that it will not have a Regulatory Problem as a result thereof. The JPMP Entities agree to notify the Company and each other Investor as to whether or not it would have a Regulatory Problem within ten (10) Business Days after the JPMP Entities have received notice of such proposed amendment or such effective amendment.

**8.3 Severability .**

It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the law and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, in the event that any provision of this Agreement would be held in any jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of this Agreement or such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

**8.4 Entire Agreement .**

This Agreement and the other agreements referred to herein and to be executed and delivered in connection herewith embody the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and thereof and supersede and preempt any and all prior and contemporaneous understandings, agreements, arrangements or representations by or among the parties, written or oral, which may relate to the subject matter hereof or thereof in any way. Other than this Agreement, the other Documents and the other agreements referred to herein and therein to be executed and delivered in connection herewith and therewith, there are no other agreements continuing in effect relating to the subject matter hereof.

**8.5 Independence of Agreements, Covenants, Representations and Warranties .**

All agreements and covenants hereunder shall be given independent effect so that if a certain action or condition constitutes a default under a certain agreement or covenant, the fact that such action or condition is permitted by another agreement or covenant shall not affect the occurrence of such default, unless expressly permitted under an exception to such initial covenant. In addition, all representations and warranties hereunder shall be given independent effect so that if a particular representation or warranty proves to be incorrect or is breached, the fact that another representation or warranty concerning the same or similar subject matter is correct or is not breached will not affect the incorrectness of or a breach of a representation and warranty hereunder. The exhibits and schedules attached hereto are hereby made part of this Agreement in all respects.

**8.6 Successors and Assigns .**

Except as otherwise provided herein, this Agreement will bind and inure to the benefit of and be enforceable by the Company and its successors and assigns and the Investors and any subsequent holders of Registrable Shares and the respective successors and assigns of each of them, so long as they hold Registrable Shares. None of the provisions hereof shall create, or be construed or deemed to create, any right to employment in favor of any Person by the Company or any of its Subsidiaries. This Agreement is not intended to create any third party beneficiaries.

**8.7 Counterparts; Facsimile Signatures .**

This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. Facsimile counterpart signatures to this Agreement shall be acceptable and binding.

**8.8 Remedies .**

(a) Each Investor shall have all rights and remedies reserved for such Investor pursuant to this Agreement and all of the rights that such holder has under any law or equity. Any Person having any rights under any provision of this Agreement will be entitled to enforce such rights specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law or equity.

(b) The parties hereto agree that if any parties seek to resolve any dispute arising under this Agreement pursuant to a legal proceeding, the prevailing parties to such proceeding shall be entitled to receive reasonable fees and expenses (including reasonable attorneys' fees and expenses) incurred in connection with such proceedings.

(c) It is acknowledged that it will be impossible to measure in money the damages that would be suffered by any party hereto if any Person also party hereto fails to comply with any of the obligations imposed on it upon them in this Agreement or in the Restated Certificate or Bylaws and that in the event of any such failure, the aggrieved party will be irreparably damaged and will not have an adequate remedy at law. Any such aggrieved party shall, therefore, be entitled to equitable relief, including specific performance, to enforce such

obligations, and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law.

**8.9 Notices .**

All notices or other communications which are required or otherwise delivered hereunder shall be deemed to be sufficient and duly given if contained in a written instrument (a) personally delivered or sent by telecopier, (b) sent by nationally-recognized overnight courier guaranteeing next Business Day delivery or (c) sent by first class registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(i) if to the Company, to:
Seattle Genetics, Inc.
21823 30th Drive S.E.
Bothell, WA 98021
Telephone: (425) 527-4114
Telecopier: (425) 527-4109
Attention: Chief Executive Officer

With a copy to:

Seattle Genetics, Inc.
21823 30th Drive S.E.
Bothell, WA 98021
Telephone: (425) 527-4126
Telecopier: (425) 527-4109
Attention: General Counsel

With an additional copy to:

Venture Law Group
4750 Carillon Point
Kirkland, WA 98033
Telephone: (425) 739-8700
Telecopier: (425) 739-8750
Attention: Sonya F. Erickson

(ii) if to an Investor, to him, her or it at the address set forth on Schedule I attached hereto;

or to such other address as the party to whom notice is to be given may have furnished to each other party in writing in accordance herewith. Any such notice or communication shall be deemed to have been received (i) when delivered, if personally delivered, (ii) when sent, if sent by telecopy on a Business Day (or, if not sent on a Business Day, on the next Business Day after

the date sent by telecopy), (iii) on the first Business Day after dispatch, if sent by nationally recognized, overnight courier guaranteeing next Business Day delivery and (iv) on the fifth Business Day following the date on which the piece of mail containing such communication is posted, if sent by mail.

**8.10 Governing Law; Waiver of Jury Trial .**

(a) All questions concerning the construction, interpretation and validity of this Agreement shall be governed by and construed and enforced in accordance with the domestic laws of the State of New York, without giving effect to any choice or conflict of law provision or rule (whether in the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York. In furtherance of the foregoing, the internal law of the State of New York will control the interpretation and construction of this Agreement, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply. Notwithstanding the foregoing provisions of this Section 8.10 , those provisions of this Agreement that relate to the internal governance of the Company and are required by Delaware corporate law to be governed by such, shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware.

(b) BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES UNDER THIS AGREEMENT OR ANY DOCUMENTS RELATED HERETO.

**8.11 Further Assurances .**

Each party hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the provisions of this Agreement and the consummation of the transactions contemplated hereby.

**8.12 Conflicting Agreements .**

No Investor shall enter into any stockholder agreements or arrangements of any kind with any Person with respect to any Securities on terms inconsistent with the provisions of this Agreement (whether or not such agreements or arrangements are with other Investors or with Persons that are not parties to this Agreement), including agreements or arrangements with respect to the acquisition or disposition of Securities in a manner which is inconsistent with this Agreement.

**8.13 No Third Party Reliance .**

Anything contained herein to the contrary notwithstanding, the representations and warranties of the Company contained in this Agreement (a) are being given by the Company as an inducement to the Investors to enter into this Agreement and the other Documents (and the Company acknowledges that the Investors have expressly relied thereon) and (b) are solely for the benefit of the Stockholders. Accordingly, no third party (including, without limitation, any holder of capital stock of the Company) or anyone acting on behalf of any thereof other than the Investors, shall be a third party or other beneficiary of such representations and warranties and no such third party shall have any rights of contribution against the Investors or the Company with respect to such representations or warranties or any matter subject to or resulting in indemnification under this Agreement or otherwise.

* * * * *

**IN WITNESS WHEREOF** , the undersigned have duly executed this Investor Rights Agreement as of the date first written above.

**COMPANY:**

**SEATTLE GENETICS, INC.**

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

**STOCKHOLDERS:**

**J.P. MORGAN PARTNERS (BHCA), L.P.**

By: JPMP Master Fund Manager, L.P.,
its general partner

By: JPMP Capital Corp.,
its general partner

By: /s/ Rodney A. Ferguson
Name: Rodney A. Ferguson
Title: Managing Director

**J.P. MORGAN PARTNERS GLOBAL INVESTORS, L.P.**

By: JPMP Global Investors, L.P.,
its general partner

By: JPMP Capital Corp.,
its general partner

By: /s/ Rodney A. Ferguson
Name: Rodney A. Ferguson
Title: Managing Director

**J.P. MORGAN PARTNERS GLOBAL INVESTORS (CAYMAN), L.P.**

By: JPMP Global Investors, L.P.,
its general partner

By: JPMP Capital Corp.,
its general partner

By: /s/ Rodney A. Ferguson
Name: Rodney A. Ferguson
Title: Managing Director

**J.P. MORGAN PARTNERS GLOBAL INVESTORS A, L.P.**

By: JPMP Global Investors, L.P.,
its general partner

By: JPMP Capital Corp.,
its general partner

By: /s/ Rodney A. Ferguson
Name: Rodney A. Ferguson
Title: Managing Director

**J.P. MORGAN PARTNERS GLOBAL INVESTORS (CAYMAN) II, L.P.**

By: JPMP Global Investors, L.P.,
its general partner

By: JPMP Capital Corp.,
its general partner

By: /s/ Rodney A. Ferguson
Name: Rodney A. Ferguson
Title: Managing Director

**BAKER/TISCH INVESTMENTS, L.P.**

By: Baker/Tisch Capital, L.P.,
its general partner

By: Baker/Tisch Capital (GP), LLC,
its general partner

By: /s/ Felix Baker
Name: Felix Baker, Ph.D.
Title: Managing Member

**BAKER BROS. INVESTMENTS, L.P.**

By: Baker Bros. Capital, L.P.,
its general partner

By: Baker Bros. Capital (GP), LLC,
its general partner

By: /s/ Felix Baker
Name: Felix Baker, Ph.D.
Title: Managing Member

**BAKER BROS. INVESTMENTS II, L.P.**

By: Baker Bros. Capital, L.P.,
its general partner

By: Baker Bros. Capital (GP), LLC,
its general partner

By: /s/ Felix Baker
Name: Felix Baker, Ph.D.
Title: Managing Member

**BAKER BIOTECH FUND I, L.P.**

By: Baker Biotech Capital, L.P.,
its general partner

By: Baker Biotech Capital (GP), LLC,
its general partner

By: /s/ Felix Baker
Name: Felix Baker, Ph.D.
Title: Managing Member

**BAKER BIOTECH FUND II, L.P.**

By: Baker Biotech Capital II, L.P.,
its general partner

By: Baker Biotech Capital II (GP), LLC,
is general partner

By: /s/ Felix Baker
Name: Felix Baker, Ph.D.
Title: Managing Member

**BAKER BIOTECH FUND II (Z), L.P.**

By: Baker Biotech Capital II, L.P.,
its general partner

By: Baker Biotech Capital II (GP), LLC,
is general partner

By: /s/ Felix Baker
Name: Felix Baker, Ph.D.
Title: Managing Member

**BAVP, L.P.**

By: BA Venture Partners VI, LLC,
its general partner

By: /s/ Louis C. Bock
Name: Louis C. Bock
Title: Managing Director

**DELPHI VENTURES VI, L.P.**

By: Delphi Management Partners VI, L.L.C.,
its general partner

By: /s/ Deepa Pakianathan
Name: Deepa Pakianathan
Title: Managing Member

**DELPHI BIOINVESTMENTS VI, L.P.**

By: Delphi Management Partners VI, L.L.C.,
its general partner

By: /s/ Deepa Pakianathan
Name: Deepa Pakianathan
Title: Managing Member

**T. ROWE PRICE HEALTH SCIENCES FUND, INC.**

By: /s/ Kris H. Jenner
Name: Kris H. Jenner, M.D., D. Phil.
Title: President

**SCHEDULE I**

**Investors**

**Name and Address**

J.P. Morgan Partners (BHCA), L.P.
1221 Avenue of the Americas
New York, NY 10020
Attention: Official Notices Clerk
(fbo Srinivas Akkaraju)

with a copy to:

O'Melveny & Myers LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 408-2400
Telecopier: (212) 408-2420
Attention: Phillip Isom, Esq.

J.P. Morgan Partners Global Investors, L.P.
c/o JPMP Global Investors, L.P.
c/o J.P. Morgan Partners, LLC
1221 Avenue of the Americas
New York, NY 10020
Attention: Official Notices Clerk
(fbo Srinivas Akkaraju)

with a copy to:

O'Melveny & Myers LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 408-2400
Telecopier: (212) 408-2420
Attention: Phillip Isom, Esq.

**Name and Address**

J.P. Morgan Partners Global Investors (Cayman), L.P.
c/o JPMP Global Investors, L.P.
c/o J.P. Morgan Partners, LLC
1221 Avenue of the Americas
New York, NY 10020
Attention: Official Notices Clerk
(fbo Srinivas Akkaraju)

with a copy to:

O'Melveny & Myers LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 408-2400
Telecopier: (212) 408-2420
Attention: Phillip Isom, Esq.

J.P. Morgan Partners Global Investors A, L.P.
c/o JPMP Global Investors, L.P.
c/o J.P. Morgan Partners, LLC
1221 Avenue of the Americas
New York, NY 10020
Attention: Official Notices Clerk
(fbo Srinivas Akkaraju)

with a copy to:

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30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 408-2400
Telecopier: (212) 408-2420
Attention: Phillip Isom, Esq.

**Name and Address**

J.P. Morgan Partners Global Investors (Cayman) II, L.P.
c/o JPMP Global Investors, L.P.
c/o J.P. Morgan Partners, LLC
1221 Avenue of the Americas
New York, NY 10020
Attention: Official Notices Clerk
(fbo Srinivas Akkaraju)

with a copy to:

O'Melveny & Myers LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 408-2400
Telecopier: (212) 408-2420
Attention: Phillip Isom, Esq.

Baker/Tisch Investments, L.P.
667 Madison Avenue, 17th Floor
New York, New York 10021
Facsimile: (212) 521-2245
Attention: Felix Baker

with a copy to:

Baker Brothers Investments
667 Madison Avenue, 17th Floor
New York, New York 10021
Facsimile: (212) 521-2245
Attention: Leo Kirby

Baker Bros. Investments, L.P.
667 Madison Avenue, 17th Floor
New York, New York 10021
Facsimile: (212) 521-2245
Attention: Felix Baker

with a copy to:

Baker Brothers Investments
667 Madison Avenue, 17th Floor
New York, New York 10021
Facsimile: (212) 521-2245
Attention: Leo Kirby

**Name and Address**

Baker Bros. Investments II, L.P.
667 Madison Avenue, 17th Floor
New York, New York 10021
Facsimile: (212) 521-2245
Attention: Felix Baker

with a copy to:

Baker Brothers Investments
667 Madison Avenue, 17th Floor
New York, New York 10021
Facsimile: (212) 521-2245
Attention: Leo Kirby

Baker Biotech Fund I, L.P.
667 Madison Avenue, 17th Floor
New York, New York 10021
Facsimile: (212) 521-2245
Attention: Felix Baker

with a copy to:

Baker Brothers Investments
667 Madison Avenue, 17th Floor
New York, New York 10021
Facsimile: (212) 521-2245
Attention: Leo Kirby

Baker Biotech Fund II, L.P.
667 Madison Avenue, 17th Floor
New York, New York 10021
Facsimile: (212) 521-2245
Attention: Felix Baker

with a copy to:

Baker Brothers Investments
667 Madison Avenue, 17th Floor
New York, New York 10021
Facsimile: (212) 521-2245
Attention: Leo Kirby

**Name and Address**

Baker Biotech Fund II (Z), L.P.
667 Madison Avenue, 17th Floor
New York, New York 10021
Facsimile: (212) 521-2245
Attention: Felix Baker

with a copy to:

Baker Brothers Investments
667 Madison Avenue, 17th Floor
New York, New York 10021
Facsimile: (212) 521-2245
Attention: Leo Kirby

BAVP, L.P.
c/o BA Venture Partners
950 Tower Lane
Suite 700
Foster City, CA 94404
Attention: Louis C. Bock

Delphi Ventures VI, L.P.
c/o Delphi Ventures
3000 Sand Hill Rd.
Bldg. 1, Ste. 135
Menlo Park, CA 94025
(650) 854-9650
(650) 854-2961 fax
Attention: Deepa Pakianathan

Delphi BioInvestments VI, L.P.
c/o Delphi Ventures
3000 Sand Hill Rd.
Bldg. 1, Ste. 135
Menlo Park, CA 94025
(650) 854-9650
(650) 854-2961 fax
Attention: Deepa Pakianathan

**Name and Address**

T. Rowe Price Health Sciences Fund, Inc.
c/o T. Rowe Price Associates, Inc.
100 E. Pratt Street
Baltimore, MD 21202
Facsimile: 410-539-8471
Attention: Bonnie Maher
with a copy to:
Darrell N. Braman
Associate Legal Counsel
100 E. Pratt Street
Baltimore, MD 21202
Facsimile: 410-539-8471
Facsimile: 410-345-6575

**EXHIBIT A**

**REGULATORY SIDELETTER**

**REGULATORY SIDELETTER**

**AGREEMENT** dated as of July 8, 2003 by and among **J.P. MORGAN PARTNERS (BHCA), L.P.** , a Delaware limited partnership (" JPMP BHCA "), **J.P. MORGAN PARTNERS GLOBAL INVESTORS, L.P.** , a Delaware limited partnership (the " Global Domestic Fund "), **J.P. MORGAN PARTNERS GLOBAL INVESTORS (CAYMAN), L.P.** , a Cayman Islands limited partnership (the " Global Cayman Fund "), **J.P.MORGAN PARTNERS GLOBAL INVESTORS A, L.P.** , a Delaware limited partnership (the " Paul Capital Fund ") and **J.P. MORGAN PARTNERS GLOBAL INVESTORS (CAYMAN) II, L.P.** , a Cayman Islands limited partnership (the " Swiss Fund " and together with **JPMP BHCA** , the Global Domestic Fund, the Global Cayman Fund and the Paul Capital Fund, collectively, the " JP Morgan Investors " and singularly, a " JP Morgan Investor ") and **SEATTLE GENETICS, INC.** , a Delaware corporation (the " Company ").

WHEREAS, each JP Morgan Investor is a regulated entity and an indirect subsidiary of J.P. Morgan Chase & Co. and in connection therewith each JP Morgan Investor is subject to various regulations that may impose restrictions on the type and terms of each JP Morgan Investor's investment in the Company;

NOW THEREFORE, in connection with the foregoing, the parties hereby agree as follows:

Section 1. Regulatory Matters Generally .

(a) Regulatory Cooperation .

(i) In the event that any JP Morgan Investor reasonably determines that it has a Regulatory Problem, the Company agrees to take such actions as are reasonably requested by such JP Morgan Investor in order (A) to effectuate and facilitate any transfer by such JP Morgan Investor of any securities of the Company then held by such JP Morgan Investor to any Affiliate of such JP Morgan Investor; provided , however , that any such transfer must be made in accordance with applicable United States federal and state securities laws and all regulatory requirements to which the Company is then subject, including without

limitation, the rules of the National Association of Securities Dealers, Inc. (" NASD ") and The Nasdaq Stock Market (" Nasdaq "), and (B) to permit such JP Morgan Investor (or any of its Affiliates) to exchange all or any portion of the voting securities then held by such Person on a share-for-share basis for shares of a class or series of non-voting securities of the Company, which non-voting securities shall be identical in all material respects to such voting securities (provided that such non-voting securities may be of a different class or series of stock than the voting securities then held by the JP Morgan Investor) except that such new securities shall be non-voting and shall be convertible into voting securities on such terms as are requested by such JP Morgan Investor in light of regulatory considerations then prevailing and reasonably acceptable to the Company. If any JP Morgan Investor elects to transfer securities of the Company in order to avoid a Regulatory Problem to an Affiliate subject to limitations on its voting or total ownership interest in the Company, the Company and such Affiliate shall enter into such mutually acceptable agreements as the Company or such Affiliate may reasonably request in order to assist such Affiliate in complying with Laws to which either of them is then subject.

(ii) In the event that any Affiliate (other than an Affiliate referred to in clause (i) of such definition) of the Company ever offers to issue any of its securities to any JP Morgan Investor, then the Company will cause such Affiliate to enter into an agreement with such JP Morgan Investor substantially similar to this Agreement.

Section 2. Cross Marketing Activities .

The Company hereby represents and warrants that except as otherwise previously disclosed to the JP Morgan Investors, neither the Company nor any of its subsidiaries (i) offers or markets, directly or through any arrangement, any product or service of any depository institution owned by J.P. Morgan Chase & Co., or (ii) knowingly permits any of its products or services to be offered or marketed, directly or through any arrangement, by or through any depository institution owned by J.P. Morgan Chase & Co.

Section 3. Lending Activities .

The Company hereby represents and warrants that except as otherwise previously disclosed to the JP Morgan Investors, neither the Company nor any of its subsidiaries currently has or is expected to have a loan facility, credit facility, debt financing, line of credit or any other extension of credit from any depository institution owned by J.P. Morgan Chase & Co.

Section 4. Covenants .

(a) The Company shall give each JP Morgan Investor thirty (30) days prior written notice before taking any affirmative steps which would cause the representations and warranties contained in Sections 2 or 3 to be untrue.

(b) The Company shall use its commercially reasonable efforts to notify each JP Morgan Investor promptly at any time in which the Company reasonably believes the representations contained in Sections 2 or 3 to be untrue whether as a result of the Company's affirmative action or otherwise.

(c) The Company shall use commercially reasonable efforts to obtain stockholder approval for an action under Section 1 of this Agreement (including, but not limited to, calling a stockholder meeting and preparing, delivering and disseminating a proxy information statement to the stockholders) if such action would require the approval of the Company's stockholders under applicable rules of the NASD or Nasdaq, under any applicable state corporate law or under the Company's Fundamental Documents; provided , however , that the Company may, upon prior written notice to the JP Morgan Investors, delay the filing of any proxy statement for a reasonable period of time (not to exceed 90 days or such shorter period as is reasonably necessary to enable the JP Morgan Investors to cure such Regulatory Problem within the proscribed time period) if at the time such approval is required the Company is engaged in a Material Transaction (as defined in the Investor Rights Agreement).

(d) The JP Morgan Investors shall pay all actual, out-of-pocket costs and expenses reasonably incurred by the Company in connection with the Company's compliance with its obligations under Section 1 of this Agreement, and if applicable, any action to which the Company consents under Section 4(c), including, without limitation, (i) reasonable fees and expenses of counsel, accountants, investment bankers and printers, and (ii) filing fees with the NASD, Nasdaq and state corporate authorities. Such amounts shall be paid in full by the JP Morgan Investors within 30 days of the date the JP Morgan Investors are provided with a written invoice detailing the amounts of such expenses incurred by the Company.

Section 5. Definitions .

" Affiliate " means, with respect to any Person, (i) a director or executive officer of such Person or of any Person identified in clause (ii) below, and (ii) any other Person that, directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such Person. When such term is used in the context of a Regulatory Problem, it also has the meaning ascribed to it in any Law.

" Banking Regulations " means all federal, state and foreign Laws applicable to banks, bank holding companies and their subsidiaries and Affiliates, including without limitation, the Bank Holding Company Act and the Federal Reserve Act.

" Control " means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

" Fundamental Documents " means the documents by which any Person (other than an individual) establishes its legal existence or which govern its internal affairs. The Fundamental Documents of the Company are its Certificate of Incorporation and its By-laws.

" Investor Rights Agreement " means the Investor Rights Agreement dated on or about the date hereof among the Company and the investors that are parties thereto.

" Law ," with respect to any Person, means (i) all provisions of all laws, statutes, ordinances, rules, regulations, permits, certificates or orders of any governmental authority applicable to such Person or any of its assets or property or to which such Person or any of its assets or property is subject, including, without limitation, Banking Regulations, and (ii) all judgments, injunctions, orders and decrees of all courts and arbitrators in proceedings or actions in which such Person is a party or by which it or any of its assets or properties is or may be bound or subject.

" Person " shall be construed as broadly as possible and shall include an individual or natural person, a partnership (including a limited liability partnership), a corporation, an association, a joint stock company, a limited liability company, a trust, a joint venture, an unincorporated organization and a governmental authority.

" Purchase Agreement " means the Securities Purchase Agreement dated as of May 12, 2003 among the Company, the JP Morgan Investors and the other parties thereto.

" Regulatory Problem " means any set of facts or circumstances in which any JP Morgan Investor's ownership of securities issued by the Company (i) gives rise to a material violation of Law by such JP Morgan Investor or any of its Affiliates, or gives rise to a reasonable belief by such JP Morgan Investor that such a violation is likely to occur or (ii) gives rise to a limitation in Law that will impair materially the ability of such JP Morgan Investor or any of its Affiliates to conduct its business or gives rise to a reasonable belief by such JP Morgan Investor that such a limitation is likely to arise.

Section 6. Amendments; Benefit .

The terms and provisions of this Agreement may not be modified or amended, unless pursuant to a written agreement executed by each of the parties hereto. This Agreement shall be for the benefit of each JP Morgan Investor and its Affiliates and shall apply to each acquisition of securities issued by the Company to each JP Morgan Investor or its Affiliates.

Section 7. Counterparts; Facsimile Signatures .

This Agreement may be executed in any number of counterparts, including by means of facsimile, and each counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

Section 8. Notices .

All notices, claims, certificates, requests, demands and other communications to be given to any JP Morgan Investor hereunder or relating to any JP Morgan Investor's investment in the Company shall be addressed as follows:

c/o J.P. Morgan Partners, LLC
1221 Avenue of the Americas
New York, New York 10020-1080
Telephone: (212) 899-3400
Facsimile: (212) 899-3401
Attention: Official Notices Clerk
(FBO: Srinivas Akkaraju)

with a copy to:

O'Melveny & Myers LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 408-2400
Telecopier: (212) 408-2420
Attention: Phillip Isom, Esq.

Section 9. Governing Law .

This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to any choice of law or any conflicting provision or rule).

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

**SEATTLE GENETICS, INC.**

By: /s/ Clay B. Siegall
Name: Clay B. Siegall
Title: President and CEO

**J.P. MORGAN PARTNERS (BHCA), L.P.**

By: JPMP Master Fund Manager, L.P.,
its General Partner

By: JPMP Capital Corp.,
its General Partner

By: /s/ Rodney A. Ferguson
Name: Rodney A. Ferguson
Title: Managing Director

**J.P. MORGAN PARTNERS GLOBAL INVESTORS, L.P.**

By: JPMP Global Investors, L.P.,
its general partner

By: JPMP Capital Corp.,
its general partner

By: /s/ Rodney A. Ferguson
Name: Rodney A. Ferguson
Title: Managing Director

**J.P. MORGAN PARTNERS GLOBAL INVESTORS (CAYMAN), L.P.**

By: JPMP Global Investors, L.P.,
its general partner

By: JPMP Capital Corp.,
its general partner

By: /s/ Rodney A. Ferguson
Name: Rodney A. Ferguson
Title: Managing Director

**J.P. MORGAN PARTNERS GLOBAL INVESTORS A, L.P.**

By: JPMP Global Investors, L.P.,
its general partner

By: JPMP Capital Corp.,
its general partner

By: /s/ Rodney A. Ferguson
Name: Rodney A. Ferguson
Title: Managing Director

**J.P. MORGAN PARTNERS GLOBAL INVESTORS (CAYMAN) II, L.P.**

By: JPMP Global Investors, L.P.,
its general partner

By: JPMP Capital Corp.,
its general partner

By: /s/ Rodney A. Ferguson
Name: Rodney A. Ferguson
Title: Managing Director

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [***]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

## SECOND AMENDMENT TO LEASE

This SECOND AMENDMENT TO LEASE (this "Amendment") is entered into effective as of July 1, 2008 (the "Effective Date") between B&N 141-302, LLC, a Washington limited liability company ("Landlord") and SEATTLE GENETICS, INC., a Delaware corporation ("Tenant").

Tenant, and Landlord, as successor owner to WCM 132-302, LLC, are parties to that certain Lease dated December 1, 2000, as amended by that certain First Amendment to Lease dated May 28, 2003 (as amended, the "Lease"). Capitalized terms which are not defined herein shall have the meanings set forth in the Lease.

Landlord and Tenant have agreed to extend the Lease and modify the Lease as set forth below.

Landlord and Tenant agree as follows:

**1. EXTENSION** . The initial Term of the Lease is hereby extended through June 30, 2018. The Base Rent shall be $[***] per month from July 1, 2008 through June 30, 2009. On July 1, 2009 and each July 1 thereafter, the Base Rent shall increase by [***]% of the preceding year's Base Rent.

**2. TENANT IMPROVEMENT ALLOWANCE.** Landlord shall provide an allowance of $[***] (the "Amended Tenant Improvement Allowance"). Landlord also grants to Tenant the option to utilize an additional $[***] (the "Financed TI Allowance"). The Financed TI Allowance and the Amended Tenant Improvement Allowance are collectively referred to as the "Allowance". Tenant shall have the option to draw on the Allowance at any time up to [***]. To the extent that Tenant elects to utilize the Financed TI Allowance, the amount utilized shall be amortized over the then remaining lease term at [***]% interest and the payments thereon shall be paid on the first of each month as Additional Rent. All funds drawn on the Allowance must be applied to pay for the cost of constructing improvements to the Premises, as reasonably approved by Landlord, including [***] **.**

**3. CONSTRUCTION OF TENANT IMPROVEMENTS** . In connection with this extension of the Term, Tenant plans to make various improvements to the Premises (the "Extension TI's"). The Extension TI's will be constructed generally in accordance with the provisions of Exhibit C to the Lease, modified as appropriate to reflect that the Term has commenced, Tenant is in occupancy and paying rent, and to reflect the differences in the Allowance provisions/amounts. Specifically, (a) the draw procedures will be the same, using the amounts set forth in Section 2 above and Tenant [***], (b) [***], (c) the time limit for the draws is [***], and (d) the Base Rent shall [***]. Landlord will [***]. All work to be performed at the site of construction shall be performed by union labor. Tenant shall have the option of competitively bidding the Extension TI's and shall select its own architect and contractor, subject to Landlord's approval, which shall not be unreasonably withheld. Instead of using a general contractor, Tenant may elect to contract directly with vendors and subcontractors, subject to Landlord's approval, which shall not be unreasonably withheld.

**4. REMOVAL OF FIXTURES & EQUIPMENT** . Provided that the Lease does not terminate prior to [***], Tenant shall have the right to remove from the Premises the fixed equipment identified on Exhibit A hereto which has been paid for by Tenant and installed after the date hereof. Tenant shall repair any damage to the Premises arising in connection with such removal, reasonable wear and tear excepted. Landlord will not unreasonably withhold, condition or delay its consent to subsequent requests from Tenant to amend Exhibit A.

**5. RIDGEPOINT.** Landlord currently owns the building located at 21717 30 th Drive SE, Bothell, WA (the "Ridgepoint Building"). [***].

**5.1** [***]. If, on or before [***], Landlord receives a [***], Landlord shall provide a copy of [***]. If Tenant fails to so notify Landlord of [***], Tenant's rights shall [***]. As with the [***], the provisions of this Section 5.1 shall [***]; provided, that Landlord has otherwise complied with the provisions of this Section 5.1.

**5.2** [***] **.** Tenant shall have an [***] in this Section 5.2. [***]. Tenant's [***] or is encumbered by renewal or expansion rights [***]. Tenant shall notify Landlord in writing when it [***] **.** Landlord shall have [***], including an explanation if the space is not available. If such [***], including the terms set forth below with regards to [***].

If after [***]. If Tenant fails to so notify Landlord of its [***], Tenant's rights set forth in this paragraph shall be [***]. If Tenant notifies Landlord that it [***].

All [***]. If Tenant exercises its [***], and (b) Landlord will provide [***]. [***] (defined and determined pursuant to Sections 6.2 and 6.3 below).

Exhibit J to the Lease is hereby deleted and superseded by this Section 5.

**6. FUTURE EXTENSION OPTIONS.**

**6.1 Extensions.** Provided that Tenant is not in default when it exercises an extension option (unless the default is cured within any applicable cure period), Tenant shall have 2 options to extend the Term for a period of 60 months each (each, an "Option Term"). Each option shall be exercised, if at all, by written notice to Landlord at least [***] prior to the expiration of the then existing Term. The exercise of an option shall be for the then entire Premises and shall be on the same terms and conditions as set forth in the Lease except (a) the Base Rent shall be adjusted to the [***], (b) and there shall be no [***]. The options are personal to Tenant (except for successors qualifying under Section 14.5 of the Lease) and may not be exercised by any assignee or sublessee and may not be exercised during any period that the entire Premises is subleased out by Tenant.

**6.2 Fair Market Value.** If Tenant exercises an option pursuant to Section 6.1 above, the initial Base Rent and the periodic increases for the Option Term shall be equal to 100% of the Fair Market Value for [***] **.** If there are not [***]. The determination of Fair Market Value shall be made by [***] from the date notice of exercise is provided to Landlord. Fair Market Value shall reflect all typical landlord concessions, [***].

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**6.3 Arbitration** . If Landlord and Tenant do not agree on Fair Market Value within the [***] described above, then Landlord and Tenant shall each select a licensed real estate appraiser with an MAI designation and at least ten (10) years full-time commercial real estate appraisal experience in the Puget Sound area and those two appraisers shall meet and work in good faith to reach agreement on the Fair Market Value. If they reach agreement, then their decision shall be binding on the parties. If the two appraisers aren't able to reach agreement within [***], then the first two appraisers shall (a) put in writing their determination of the Fair Market Value and (b) jointly select a third appraiser with the qualifications described above. The job of the third appraiser will be to determine which of the first two appraiser's determinations most closely approximate what the third appraiser believes to be the Fair Market Value. The Fair Market Value chosen by the third appraiser shall be determined no later than [***] after engagement and shall be binding on the parties. Each party shall pay the cost of its appraiser and half the cost of the third appraiser.

Rider 1 to the Lease is hereby deleted and superseded by this Section 6.

**7. TERMINATION OPTION** . Provided that Tenant is not default when it exercises a termination option (unless the default is cured within any applicable cure period), Tenant shall have two options to terminate the Lease. The first option shall be to terminate on June 30, 2013 and the second shall be to terminate on June 30, 2015. In order to exercise the first option, Tenant must provide written notice of exercise of early termination to Landlord no later than [***]. In order to exercise the second option, Tenant must provide written notice of exercise of early termination to Landlord no later than [***]. If Tenant exercises either termination option, Tenant must pay the Termination Payment (defined below) within 20 days after the date of termination. The "Termination Payment" shall be equal to (1) the [***], as of the accelerated expiration date, of (a) the [***], and (b) [***], each amortized over [***] **.** The [***] **,** plus (b) [***]. The [***].

**8. SECURITY DEPOSIT** . The amount of the security deposit is [***] for the Term of the Lease. Tenant shall have the option to continue to utilize the pledge account mechanism provided for in the Lease pursuant to Section 8.1 below to provide the security deposit, or Tenant may elect to provide a letter of credit in accordance with the provisions of Section 8.2 below. Paragraphs (a) and (b) at the end of Section 4.3 of the Lease are hereby deleted. Landlord shall [***].

**8.1 Securities Pledge.** If Tenant does not elect to provide a letter of credit in accordance with Section 8.2 below, then Tenant shall work cooperatively with Landlord, its securities broker and its bank to update the pledge documents attached as Exhibits F-1 through F-3 of the Lease to reflect the [***].

**8.2 Letter of Credit.**

**8.2.1 Requirements.** If Tenant elects to utilize a letter of credit ("LOC") for the security deposit, Tenant shall deposit with Landlord, at no cost to Landlord, an irrevocable standby letter of credit (the "LOC") in favor of Landlord for the account of Tenant in the amount of $[***], issued by a bank acceptable to Landlord (the "Bank") as security for the performance by Tenant of the provisions of the Lease. Until and unless Tenant resumes

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providing the pledged securities in accordance with Section 8.1 above, Tenant shall maintain the LOC in effect at all times during the term of the Lease and for [***] after the later of expiration of the Lease or satisfaction of all of Tenant's obligations under the Lease. The LOC shall be in form and content acceptable to Landlord and be issued for a minimum of [***]. Landlord shall have the right to draw on the LOC if Tenant breaches any of its obligations under the Lease and fails to cure the breach within any applicable cure period, Landlord may elect either to draw the LOC in full or in a lesser amount. To the extent that Landlord applies funds drawn to cure a Tenant breach, Tenant shall immediately after notice restore the amount drawn on the LOC. Tenant shall cause the existing LOC to be extended or renewed for an additional year or a replacement LOC be issued to Landlord and delivered to Landlord at least thirty (30) days prior to the expiration date of the then existing LOC. If a renewal or replacement LOC is not delivered to Landlord thirty (30) days prior to expiration, Tenant shall be in default under the Lease, and Landlord shall be permitted to draw the full amount under the LOC. The sole condition to payment by the issuer under the LOC's shall be receipt by the issuer of a written certification from Landlord either (a) that a breach by Tenant of its obligations under the Lease has occurred which has not been cured within any applicable cure period, or (b) that the existing LOC will expire within 30 days and has not been renewed or replaced by a new LOC acceptable to Landlord.

**8.2.2 Sale** . If the Premises are sold or transferred, upon the request of the transferee thereof, Tenant shall cause to be issued to the transferee a replacement LOC (on the same terms and conditions provided above) so that the LOCs given hereunder shall at all times be payable to the Landlord under the Lease. It is agreed that this provision shall apply to every transfer or assignment made of the Lease made by the then Landlord hereunder.

**8.2.3 Re-entry and Breach.** It is expressly understood that the reentry into the Premises by Landlord after default by Tenant shall not be deemed a termination of the Lease so as to entitle Tenant to revoke the LOC.

**8.2.4 Assignment to Lender.** If a lender to Landlord requires that the LOC be held by the Lender as additional security, Tenant shall cooperate and shall cause the issuer of the LOC to cooperate in the assignment of rights under the LOC to such lender and any reasonable modifications in the LOC regarding assignment.

**8.2.5 Effect of Draw** . Landlord's receipt of funds from a partial draw on the LOC shall not constitute a binding determination of whether or not Tenant is in default under the Lease or the amount to which Landlord is entitled as a result of any Event of Default by Tenant but Tenant acknowledges that Tenant has no right, title or interest in the LOC or its proceeds. Draw Proceeds will not be considered an advance payment of Basic Rent or Additional Rent or a measure of Landlord's damages (past or future) but Landlord may use draw proceeds to make good any arrearages of Rent or to pay Landlord any amounts Landlord is entitled to under the Lease or to compensation Landlord for any breach of the Lease by Tenant. Landlord will not be liable for any indirect or consequential, special or punitive damages incurred by Tenant arising from a claim that Landlord violated the bankruptcy code's automatic stay in connection with any draw by Landlord on the LOC, Landlord's liability under such circumstances being limited to the reimbursement of direct costs. Nothing in the Lease or in the LOC will confer upon Tenant any property rights or interests in any draw proceeds; provided, however, that upon the expiration or

earlier termination of the Lease, and satisfaction of all of Tenant's obligations, Landlord agrees to return of any remaining unapplied balance of the draw proceeds then held by Landlord, and the LOC itself (if and to the extent not previously drawn in full) to the issuer.

**9. MISCELLANEOUS.**

**9.1 Notice Requirement.** The provision requiring [***].

**9.2 Automatic Haz Mat Reporting** . Clause (a) in the first sentence of Section 9.1.7 shall be deleted and Clause (b) in the first sentence of Section 9.1.7 is modified to read "on request by Landlord not more than once per year and only if a prospective buyer, lender or prospective lender or insurance carrier has requested such information." The second sentence of Section 9.1.7 shall be amended and restated as follows:

"Tenant shall respond, and shall cause Tenant parties to respond to any written request by Landlord for confirmation whether there has been a significant increase, as evaluated in Tenant's reasonable judgment, in the quantity of Hazardous Materials or change in the type of Hazardous Materials utilized by the Tenant or Tenant Parties, including the supporting information on what the changes have been since the last set of information provided pursuant to the foregoing sentence, provided that such a request shall not be made more than once per calendar year."

**9.3 Named Insureds.** Section 6.8 of the Lease is revised by replacing "Barnes & Nelson Union Partners, LLC" with "Washington Capital Management, Inc.".

**10. BROKERAGE.** The parties acknowledge that The Staubach Company represented Tenant and Pacific Real Estate Partners represented Landlord, in connection with this Amendment.

**10. NO OTHER AMENDMENTS** . Except as modified by this Amendment and the First Amendment, the Lease remains in full force and effect and has not been modified or amended.

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

DATED: July 1, 2008.

**Landlord :** B&N 141-302, LLC,
a Washington limited liability company

By: Washington Capital Management, Inc.
Its: Manager

By: /s/ Patrick S. Malley
Patrick S. Malley
Vice President, Real Estate

**Tenant :** SEATTLE GENETICS, INC.,
a Delaware corporation

By: /s/ Clay B. Siegall
Its: President & CEO

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**Exhibit 10.2**

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [***]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

# COLLABORATION AGREEMENT

This Agreement is entered into as of July 2, 2008 by and between:

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

(hereinafter referred to as " SGI ")

and

**DAIICHI SANKYO CO., LTD.** , a corporation organized under the laws of Japan, having its place of business at 1-2-58, Hiromachi, Shinagawa-ku,
Tokyo, Japan, 140-8710

(hereinafter referred to as " Licensee ").

## WITNESSETH

**WHEREAS,** SGI owns or Controls (as defined below) intellectual property rights relating to certain technology useful for linking certain proprietary cytotoxins to other molecules, such as antibodies capable of directing such cytotoxins to specific tissues and/or cells;

**WHEREAS,** Licensee owns or Controls (as defined below) intellectual property rights relating to antibodies to the Designated Antigen (as defined below), and is currently conducting research and development programs to incorporate such antibodies into pharmaceutical compounds that may have activity in certain disease-related pathways, and to develop antibodies that bind to the Designated Antigen;

**WHEREAS,** Licensee wishes to acquire from SGI an exclusive worldwide license under SGI patent rights and know-how related to SGI's proprietary cytotoxin and linker technology for use in conjunction with Licensee's development, commercialization, manufacture, marketing and sale of Licensee's antibodies that bind to the Designated Antigen; and

**WHEREAS,** SGI wishes to grant to Licensee an exclusive worldwide license to SGI's cytotoxin and linker technology for use in conjunction with Licensee's development, commercialization, manufacture, marketing and sale of Licensed Products (as defined below);

**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 1 - DEFINITIONS AND INTERPRETATION

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

**1.1.1** " **AAA** " has the meaning set forth in Section 19.3.4.

**1.1.2** " **ADC** " or **"Antibody-Drug Conjugate"** means an Antibody that is linked to a cytotoxin or cytostatic compound and that contains, uses or is made using Drug Conjugation Technology.

**1.1.3** " **ADC Access Fee** " has the meaning set forth in Section 6.1.1.

**1.1.4 "ADC Data"** has the meaning set forth in Section 2.6.

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

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

Schedule A - Research Plan.

Schedule B - SGI Patents.

Schedule C - SGI In-Licenses.

**1.1.7** " **Antibody** " or " **Antibodies** " means any antibody, or fragment thereof, that has a unique amino acid sequence and that selectively binds to the Designated Antigen.

**1.1.8** " **Breaching Party** " has the meaning set forth in Section 13.3.

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

**1.1.10 "Change in Control"** has the meaning set forth in Article 16.

**1.1.11 "Claims"** has the meaning set forth in Section 14.1.1.

**1.1.12 "Confidential Information"** has the meaning set forth in Section 8.1.

**1.1.13 "Control"** means, with respect to any information or intellectual property right, possession by a Party of the ability to grant the right to access or use, or to grant a license or a sublicense to, such information or intellectual property right as provided for herein without violating the terms of any agreement or other arrangement with any Third Party.

**1.1.14 "Cost of Goods"** shall mean with respect to Drug Conjugation Materials supplied to Licensee (a) [***]; and (b) [***].

**1.1.15 "Designated Antigen"** means the human DR5 antigen, encoded by the gene designated Gene ID: [***], [***] of the [***], and naturally occurring post-translational modifications thereof.

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**1.1.16** " **Drug Conjugation Materials** " means (a) the compounds [***] and [***] and [***] thereof, (b) compounds that are useful in attaching such compounds to [***] and (c) any related raw materials and reagents SGI provides to Licensee pursuant to the Research Program, in each case to the extent included in or covered by the SGI Technology. Drug Conjugation Materials shall also include Improvements to Drug Conjugation Materials and any additional [***] compounds that are included in New Technologies and that the Parties agree to include under this Agreement pursuant to Section 3.3.2.

**1.1.17** " **Drug Conjugation Technology** " means (a) [***] compounds such as [***] and [***] and certain [***] and [***] thereof, and methods of making and using such [***] compounds (b) compositions and methods useful for attaching the foregoing [***] compounds to [***] and (c) any related assays and methods SGI provides to Licensee pursuant to the Research Program.

**1.1.18** " **Effective Date** " means the date set forth in the first line of this Agreement.

**1.1.19** " **Events of Force Majeure** " has the meaning set forth in Article 15.

**1.1.20** " **Exclusive License** " has the meaning set forth in Section 3.1.

**1.1.21 "Exclusive License Renewal Fee"** has the meaning set forth in Section 6.2.

**1.1.22** " **Existing Third Party Royalties** " has the meaning set forth in Section 6.4.1.

**1.1.23 "FD&C Act"** means the federal Food, Drug & Cosmetic Act, as amended.

**1.1.24 "FDA"** means the United States Food and Drug Administration, and any successor agency thereto.

**1.1.25** " **Field** " means monoclonal antibody targeting applications for the treatment and diagnosis of conditions and diseases in humans and animals.

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

**1.1.27 "Fiscal Year"** means any twelve-month period beginning on April 1st and ending on March 31 st of succeeding year.

**1.1.28** " **FTE Fees** " has the meaning set forth in Section 6.1.2.

**1.1.29 "GAAP"** means generally accepted accounting principles in the United States.

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**1.1.30 "Generic Product"** means, on a country-by-country basis, an ADC using or incorporating SGI Technology that binds selectively to the Designated Antigen: (i) the manufacture, use or sale of which [***] in such country (provided that an enforcement action is not currently proceeding pursuant to Section 9.3 based on such ADC); and (ii) [***].

**1.1.31 "Good Laboratory Practices"** means the then current standards for laboratory activities for pharmaceuticals, as set forth in the FD&C Act and applicable regulations and guidances promulgated thereunder, including without limitation the Code of Federal Regulations, as amended from time to time.

**1.1.32** " **Improvements** " means all patentable or non-patentable inventions, discoveries or other know-how developed and Controlled by either Party after the Effective Date that utilize, incorporate, derive directly from, directly relate to, are made using or are based directly on the SGI Technology; provided that Improvements shall not include any of the foregoing developed by SGI that, within a reasonable time period after such inventions, discoveries or know-how are made or identified, [***].

**1.1.33 "IND"** means (a) an Investigational New Drug Application filed with the FDA or its equivalent in any country outside the United States where a regulatory filing is required or obtained to conduct a clinical trial; or (b) with respect to any country where a regulatory filing is not required or obtained to conduct a clinical trial, the first enrollment of a patient in the first trial involving the first use of a Licensed Product in humans.

**1.1.34** " **Indemnitee** " has the meaning set forth in Section 14.2.

**1.1.35** " **Indemnitor** " has the meaning set forth in Section 14.2.

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

**1.1.37** " **Joint Patents** " has the meaning set forth in Section 9.2.2.

**1.1.38** " **Liabilities** " has the meaning set forth in Section 14.1.1.

**1.1.39** " **Licensed Product** " means any and all products utilizing or incorporating an ADC: (a) the manufacture, use, sale, offer for sale, export or import of which [***]; or (b) [***].

**1.1.40 "Licensee ADC Know-How"** means all technical information, processes, formulae, data, inventions, methods, chemical compounds, biological or physical materials, know-how and trade secrets, other than Improvements, that are Controlled by Licensee, in each case that are not in the public domain and are developed by Licensee using SGI Technology that are necessary for identifying, developing, making, using or selling ADCs.

**1.1.41 "Licensee ADC Patents"** means all patent applications and patents that are Controlled by Licensee claiming inventions (other than Improvements) that are necessary for identifying, developing, making, using or selling ADCs made using SGI Technology.

**1.1.42 "Licensee Know-How"** means all technical information, processes, formulae, data, inventions, methods, chemical compounds, biological or physical materials, know-how and trade secrets, in each case that are not in the public domain, that relate to (a) [***], or (b) [***].

**1.1.43 "Licensee Patents"** means all patent applications and patents Controlled by Licensee that claim (a) [***], or (b) [***].

**1.1.44** " **Net Sales** " means, as to each calendar quarter, the gross invoiced sales prices charged for all Licensed Products sold by or for Licensee, its Affiliates and Sublicensees to independent Third Parties during such quarter, [***]:

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

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

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

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

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

**1.1.45** "[***]" means any [***] that either: (a) [***] or (b) [***] (x) [***] existing as of the Effective Date, or (y) [***]. [***] shall include without limitation [***] compounds, other than those included in the Drug Conjugation Materials as of the Effective Date, that SGI Controls during the Research Program Term.

**1.1.46** " **Notice of Dispute** " has the meaning set forth in Section 19.3.1.

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

**1.1.48** " **Phase I Clinical Trial** " means a human clinical trial, the principal purpose of which is a preliminary determination of safety in healthy individuals or patients.

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

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

**1.1.51** " **Program Inventions** " has the meaning set forth in Section 9.1.1.

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**1.1.52 "Program Licensee Patents"** has the meaning set forth in Section 9.3.3.

**1.1.53** " **Publication** " has the meaning set forth in Section 8.5.

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

**1.1.55** " **Reports** " has the meaning set forth in Section 7.1.1.

**1.1.56** " **Research Fees** " has the meaning set forth in Section 6.1.2.

**1.1.57** " **Research Fees Report** " has the meaning set forth in Section 6.1.2.

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

**1.1.59** " **Research Program** " means the research program conducted pursuant to Article 2 and the Research Plan.

**1.1.60** " **Research Program Term** " means the term of the Research Program set forth in Section 2.2.

**1.1.61** " **Royalty Term** " means, on a Licensed Product-by-Licensed Product and country-by-country basis, until the later to occur of: (a) [***]; or (b) [***].

**1.1.62** " **SGI In-Licenses** " means the following agreements between SGI and the indicated Third Parties: (a) the License Agreement between [***] ("[***]") and SGI dated [***], as amended (the "[***]"); (b) the License Agreement between [***] ("[***]") and SGI dated [***], as amended (the "[***]"); and (c) any other license agreement between SGI and a Third Party covering [***] under which Licensee is granted a sublicense under this Agreement as provided in Section 3.3.2.

**1.1.63** " **SGI Know-How** " means any and all technical information, processes, formulae, data, inventions, methods, chemical compounds, biological or physical materials, know-how and trade secrets, in each case that are not in the public domain, that relate to or are useful to practice the Drug Conjugation Technology and that have been, or hereafter are during the Research Program Term, Controlled by SGI. SGI Know-How shall include Improvements Controlled by SGI but shall exclude New Technologies unless included pursuant to Section 3.3.2.

**1.1.64 "SGI Patents"** means:

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**(a)** any existing patents and patent applications listed in Schedule B to this Agreement, which shall be amended from time to time to reflect any other patents and patent applications;

**(b)** any patents and patent applications covering Improvements and, solely to the extent the parties so agree pursuant to Section 3.3.2, New Technologies, in each case that are Controlled by SGI;

**(c)** any future patents issued from any patent applications referred to above and any future patents issued from any continuation, continuation-in part (to the extent Controlled by SGI), or divisional of any of the foregoing patent applications or any patent applications from which the foregoing patents issued, in each case to the extent Controlled by SGI; and

**(d)** any reissues, reexaminations, confirmations, renewals, registrations, substitutions, extensions, or counterparts of any of the foregoing, in each case to the extent Controlled by SGI.

For clarification, SGI's interest in any Joint Patents shall not be considered SGI Patents.

**1.1.65** " **SGI Technology** " means the SGI Patents and the SGI Know-How.

**1.1.66** " **Sublicensee** " means any person or entity that is granted a sublicense under the SGI Technology by Licensee or its Affiliates in accordance with the terms of this Agreement.

**1.1.67 "Supply Fees"** has the meaning set forth in Section 6.1.2.

**1.1.68** " **Term** " has the meaning set forth in Article 13.

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

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

**1.1.71** " **Valid Patent Claim** " means an unexpired claim of an issued patent which has not been found to be unpatentable, invalid or unenforceable by an unreversed and unappealable decision of a court or other authority in the subject country.

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

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

**1.2.2** The preamble to this Agreement and the descriptive headings of Articles and Sections are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of the content of this Agreement or of such Articles or Sections;

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

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

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

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

## ARTICLE 2 - RESEARCH PROGRAM

**2.1 Objective and Conduct of the Research Program .** Licensee intends to conduct a Research Program, with SGI's support, to evaluate ADCs for research, development and commercialization under this Agreement. Licensee acknowledges that, in addition to the licenses to the SGI Patents granted hereunder, the SGI Know-How transferred to Licensee during the Research Program contains valuable information that is critical to Licensee's development of ADCs hereunder. All research work performed by Licensee and SGI hereunder shall be performed in a good scientific manner and in compliance with all applicable laws.

**2.2 Term of the Research Program .** The term of the Research Program shall initially be for a period of two (2) years after the Effective Date (the " Research Program Term "), unless terminated earlier in accordance with Article 13. Licensee shall have a one-time right to extend the Research Program Term for an additional year by providing written notice to SGI not less than [***] prior to the expiration of the initial Research Program Term. SGI shall submit, within [***] from the expiration of the Research Program Term (in the case that the Research Program Term is extended by Licensee as set forth above, within [***] from the expiration of such extended term), a written report to Licensee which describes the research activities conducted by SGI during such Research Program Term.

**2.3 Delivery of Drug Conjugation Materials .** In support of the Research Program, during the Research Program Term, SGI will (a) deliver Drug Conjugation Materials to Licensee in accordance with the Research Plan; and (b) at Licensee's request, provide Licensee with the [***] provided to the Licensee to enable [***]. All Drug Conjugation Materials and other information provided by SGI to Licensee hereunder will be deemed Confidential Information of SGI pursuant to Article 8.

**2.4 SGI Preparation of ADCs .** SGI will use reasonable commercial efforts to prepare ADCs using Antibodies supplied by Licensee to SGI which shall meet and satisfy

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specifications mutually agreed upon by SGI and Licensee, and shall deliver the resulting ADCs to Licensee in accordance with the Research Plan.

**2.5 Payment .** Licensee shall pay SGI the amounts set forth in Section 6.1.2 for any research efforts or other assistance provided by SGI.

**2.6 Ownership of Data.** Licensee shall own all right, title and interest in and to the data, research and results related specifically to ADCs arising out of activities conducted pursuant to the Research Program (" ADC Data "). SGI shall disclose to Licensee any ADC Data that are developed, conceived, or otherwise made, solely or jointly, by or on behalf of SGI in the course of, as a result of, or in connection with the Research Program, promptly after the same is developed, conceived or otherwise made. SGI hereby assigns to Licensee any and all right, title, and interest SGI may have in, to and under ADC Data; provided, that SGI may retain copies of, and use, all ADC Data for any purpose related to this Agreement, including but not limited to, patent prosecution and defense pursuant to [***].

**2.7 Disclaimer .** EXCEPT AS MAY BE OTHERWISE EXPRESSLY PROVIDED IN ARTICLE 12 OR THE RESEARCH PLAN, 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 DRUG CONJUGATION MATERIALS OR ANY ADCs PREPARED BY SGI, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR USE OR PURPOSE.

## ARTICLE 3 - EXCLUSIVE LICENSE

### 3.1 Exclusive License Grant .

**3.1.1** Upon execution of this Agreement, subject to the terms and conditions of this Agreement, including payment of the ADC Access Fee set forth in Section 6.1.1, SGI shall be automatically deemed to grant to Licensee a worldwide, exclusive (even as to SGI), royalty-bearing license under the SGI Technology, with the right to sublicense as permitted in Section 3.2, to discover, research, develop, make, have made, import, export, use, offer for sale, and sell Licensed Products that bind selectively to the Designated Antigen within the Field in the Territory (the " Exclusive License "). The Exclusive License shall continue for the Royalty Term, unless earlier terminated pursuant to Article 13, subject to Licensee's compliance with the terms and conditions of this Agreement, including payment of all applicable fees, milestones and royalties hereunder.

**3.1.2** During the Term, SGI shall not carry out, by itself or in collaboration with any third parties, to discover, research, develop, make, have made, import, export, use, offer for sale, and sell any antibody-drug conjugate products that bind selectively to the Designated Antigen within the Field in the Territory.

### 3.2 Rights to Sublicense .

**3.2.1** Licensee shall have the right to grant sublicenses of the rights granted to Licensee pursuant to this Agreement to any Affiliate or any Third Party, subject to the terms and

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conditions of the SGI In-Licenses listed on Schedule C . Licensee shall not have the right to sublicense the SGI Technology outside the scope of the license granted in Section 3.1, including to develop further Drug Conjugation Technology on a stand-alone basis or to create antibody-drug conjugates that include or are based upon any antibodies that bind selectively to an antigen other than the Designated Antigen.

**3.2.2** Licensee agrees to contractually obligate any Sublicensee to make all payments due to SGI pursuant to this Agreement by reason of achievement of any fees, milestones and royalties set forth herein, as well as to comply with all terms of this Agreement applicable to Licensee (including all terms of this Agreement identified as applicable to Sublicensee). Licensee shall also require any such Sublicensee to agree in writing to keep books and records and permit SGI to review the information concerning such books and records in accordance with the terms of this Agreement.

**3.2.3** Licensee 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.

**3.3 Improvements and New Technologies .**

**3.3.1 Improvements .** In the event that, during the Term, Licensee conceives, develops or reduces to practice an Improvement that relates to the Drug Conjugation Technology, Licensee shall promptly notify SGI of the discovery of such Improvement. SGI shall own all such Improvements that relate to the Drug Conjugation Technology and, to the extent that such Improvements shall have been conceived, developed or reduced to practice by Licensee, Licensee hereby assigns all of its right, title and interest therein to SGI. SGI's interest in any such Improvements that it Controls shall be included in the SGI Technology and made available to Licensee via the Exclusive License provided in Article 3. Licensee may use such Improvement assigned to SGI by Licensee for any purpose within the scope of the Exclusive License granted herein solely during the Term of this Agreement.

**3.3.2** [***] **.** Subject to the bona fide rights of Third Parties that may exist, Licensee shall have the right to practice any New Technologies in the Research Program pursuant to the Exclusive License granted under Article 3 as follows: SGI shall [***] of any [***] to which it obtains rights (with the right to grant sublicenses thereunder) during the Research Program Term by providing to Licensee a [***] of the [***], including all [***] under which Licensee would be able to access such [***]. If Licensee is interested in practicing such [***], the Parties shall discuss in good faith modifications to this Agreement to reflect the terms governing Licensee's access to any [***] pursuant to this Agreement, which shall include without limitation Licensee's agreement to [***]; provided that the [***] shall be deemed to include [***] and [***] (as applicable) relating to or covering such [***] only after the Parties execute an amendment to this Agreement specifying such modified terms.

**3.3.3 Amendment of Schedule B .** Schedule B shall be amended from time to time to add the patents and patent applications Controlled by SGI covering New Technologies or Improvements in accordance with this Section 3.3.

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

**3.4.1** Licensee, its Affiliates and Sublicensees shall comply with all obligations, covenants and conditions of the SGI In-Licenses listed in Schedule C , and any amendments thereto following written disclosure thereof to Licensee, that apply under each of the SGI In-Licenses. The Parties agree that BMS is a Third Party beneficiary to this Agreement to the extent SGI Technology includes technology sublicensed under the BMS Agreement.

**3.4.2** SGI will not enter into any amendment to an SGI In-License that imposes additional monetary obligations on Licensee or materially reduces the scope of the licenses granted to Licensee hereunder without the prior written consent of Licensee.

**3.5 License to SGI .** Subject to the provisions of this Agreement, Licensee hereby grants to SGI, during the Research Program Term, a non-exclusive, royalty-free, sublicenseable license under the Licensee Patents and Licensee Know-How in the Territory, to enable SGI to conduct the Research Program.

## ARTICLE 4 - TECHNOLOGY DISCLOSURE

**4.1 Disclosure of Drug Conjugation Technology .** During the Research Program Term, SGI shall (a) disclose to Licensee such SGI Know-How as is reasonably useful to enable Licensee to use the Drug Conjugation Materials and Drug Conjugation Technology as provided in the Research Plan or to practice the Exclusive License on the terms, and subject to the conditions, of this Agreement and (b) upon Licensee's reasonable request and with adequate notice to SGI, make available to Licensee at SGI's facilities, SGI's personnel to provide a reasonable amount of technical assistance and training to Licensee's personnel. Licensee shall pay to SGI for such assistance an amount equal to the FTE Fees in accordance with Section 6.1.2 for SGI employees providing such assistance.

## ARTICLE 5 - DEVELOPMENT AND COMMERCIALIZATION; MANUFACTURING

**5.1 Diligence .** Licensee shall use commercially reasonable efforts to research, develop, commercialize and market Licensed Products, such efforts to be consistent with the exercise of prudent scientific and business judgment and comparable to the efforts Licensee applies to its other projects of similar potential and market size. Without limiting the foregoing, Licensee shall, as commercially prudent, (a) [***], (b) [***], and (c) [***].

**5.2 Joint Research Meetings .** During the Research Program Term, SGI and Licensee shall hold joint meetings, from time to time, in accordance with the Research Plan, to discuss and consult on research and development activities of the Research Program, by video conference, teleconference or face to face, as mutually agreed between the Parties.

**5.3 Funding and Progress Reports .** Except as set forth herein, as between SGI and Licensee, [***]. Licensee shall keep SGI informed in a timely manner as to the progress of the development of Licensed Products. Beginning on [***], and [***] thereafter within [***] following the end of each [***], Licensee shall provide SGI with a written report summarizing Licensee's significant activities related to research and development of Licensed Products and status of clinical trials and applications for Regulatory Approval necessary for marketing

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Licensed Products. Such reports shall be deemed Licensee's Confidential Information for the purposes of Article 8.

**5.4 Manufacturing .** Except as otherwise expressly set forth in this Agreement, Licensee shall be responsible for all manufacturing and supply of Licensed Products. Notwithstanding the foregoing, at any time during the Term of this Agreement [***]. Licensee shall [***]. In the event SGI [***], the Parties shall [***], including [***].

**ARTICLE 6 - FEES, MILESTONES AND ROYALTIES .**

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

**6.1.1** Within [***] of the Effective Date, Licensee shall pay to SGI the sum of Four Million U.S. Dollars ($4,000,000) by wire transfer of immediately available funds (the " ADC Access Fee ").

**6.1.2** Licensee shall pay SGI at an annual rate of [***] per FTE who performs research, development, consultation or support work as requested by Licensee pursuant to this Agreement (the " FTE Fees "). Commencing upon the [***] of the Effective Date and upon [***] thereafter, the FTE Fees will [***] in accordance with the [***]. The Parties agree that the total FTE Fees for the first [***] of the Research Program Term shall not exceed an amount [***] without the written consent of Licensee; provided, however, that SGI shall not be required to provide any services requested by Licensee under this Agreement if such services would exceed the limit set forth above unless Licensee provides its written consent and agrees to reimburse SGI for such excess FTE Fees. Upon renewal of the Research Program Term as provided for in Section 2.2 above, Licensee and SGI shall mutually agree upon a budget for FTE Fees to be incurred during such [***] renewal period. Licensee shall also pay SGI for all Drug Conjugation Materials supplied by SGI to Licensee hereunder at the rate of [***] of SGI's Cost of Goods therefor (the " Supply Fees "). The FTE Fees and the Supply Fees are collectively referred to herein as the " Research Fees ". Within [***] after the end of each [***], SGI shall submit a report to Licensee supporting the calculation of the Research Fees due for such Calendar Quarter (a " Research Fees Report "). Licensee shall pay all Research Fees to SGI within [***] of receipt of each Research Fees Report.

**6.2 License Maintenance Fees .** Licensee shall be required to make a payment to SGI in the sum of [***] by wire transfer of immediately available funds (the " Exclusive License Renewal Fee ") on [***] of the Effective Date until Licensee receives the first Regulatory Approval for a Licensed Product in the Territory. Notwithstanding the foregoing, the Exclusive License Renewal Fee will be offset by the amount of any payments made under Section 6.5 of this Agreement during the [***] period preceding the date on which an Exclusive License Renewal Fee is due. If Licensee fails to make any payment required by this Section 6.2 within [***] after written notice thereof from SGI, then the Exclusive License will terminate immediately.

**6.3 Royalties Payable by Licensee .** In consideration for the Exclusive License granted to Licensee herein, during the Royalty Term, and subject to Sections 6.4.2 and 6.4.3,

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Licensee shall pay to SGI royalties on Net Sales of Licensed Products on a Licensed Product by Licensed Product basis. Such royalties shall be paid at the following rates as set forth below:

**(a)** [***] of the first [***] in aggregate [***] of each [***] in each [***];

**(b)** [***] of the portion of aggregate [***] of each [***] between [***] and [***] in each [***];

**(c)** [***] of the portion of aggregate [***] of each [***] in excess of [***] in each [***]; and

**(d)** In establishing the royalty structure of this Section 6.3, the Parties recognize, and Licensee acknowledges, the substantial value of the various actions and investments undertaken by SGI prior to the Effective Date. Such value is significant and in addition to the value of SGI's grant to Licensee of the Exclusive License pursuant to Section 3.1, as it enables the rapid and effective development and commercialization of the Licensed Products in the Territory. Therefore, the Parties agree that the royalty payments calculated as a percentage of [***] (plus the fees and milestone payments provided for elsewhere herein) provide fair compensation to SGI for these additional benefits.

**(e)** If and for so long as there is a [***], then the [***]:

| | |
|---|---|
| [***] | [***] |
| [***] | [***] |
| [***] | [***] |
| [***] | [***] |
| [***] | [***] |

**6.4 Third Party Royalties .**

**6.4.1** Licensee shall be solely responsible for paying all royalties owed to Third Parties by either Licensee or SGI on account of sales of Licensed Products, including royalties owed due to use of the SGI Technology. SGI represents and warrants that **(i)** [***], (ii) it has provided Licensee with true and complete copies, except for certain redactions, of all agreements and amendments to the extent such agreements are relevant to determining the amount of royalties owed and (iii) [***].

**6.4.2** If the sum of (a) the royalties payable by Licensee, its Affiliates or Sublicensees to SGI under [***], (b) the Existing Third Party Royalties payable by Licensee, its

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Affiliates or Sublicensees pursuant to Section 6.4.1 and (c) any other royalties payable by Licensee, its Affiliates or Sublicensees to Third Parties necessary in order to practice the SGI Technology [***] of a [***] in any [***], then the royalties otherwise due and payable by Licensee under Section 6.3 shall be [***] of any royalties due by Licensee with respect to [***] in such year that [***] of such [***]; provided , however , that the royalty payments due and payable to SGI pursuant to Section 6.3 with respect to a Licensed Product in any [***] shall not be [***] to the extent the royalty payments due to SGI are not [***]. For clarity, (c) in this Section 6.4.2 shall not include the royalties payable to the UAB Research Foundation, which has granted Licensee an exclusive license to use patents concerning Antibodies.

**6.4.3** If Licensee commercializes a Licensed Product and must pay a royalty to [***] under the [***] pursuant to Section 6.4.1 above and such royalty is reduced to less than [***] of [***] for a [***] (the amount of any such [***]") by reason of negotiation by SGI and [***], then the royalty otherwise due and payable by Licensee to SGI under Section 6.3 for such Licensed Product shall be increased by an amount equal to [***] of the [***].

**6.5 Milestone Payments .** As additional consideration for the licenses, rights and privileges granted to it hereunder, Licensee shall pay to SGI the following milestone payments within [***] of the first occurrence in the Territory of each event set forth below with respect to the first Licensed Product to achieve such event, whether such events are achieved by Licensee, its Affiliates or Sublicensees, as follows:

**(a)** Upon decision by Licensee to [***];

**(b)** Upon Initiation of a [***];

**(c)** Upon Initiation of a [***];

**(d)** Upon Initiation of a [***];

**(e)** Upon receipt of [***];

**(f)** Upon receipt of [***];

**(g)** Upon receipt of [***];

**(h)** Upon the date of [***]; and

**(i)** Upon the date of [***].

If any of the milestones in (a) through (e) above is achieved before one or more preceding milestones, then such preceding milestone payment(s) shall be deemed to become due within thirty (30) days after the achievement of the subsequent milestone. Furthermore if either of the milestones in (f) or (g) above is achieved before any of the preceding milestones in (a) through (d) above, then payments for all such preceding milestones (a) through (d) that have not yet been paid shall be deemed to become due within thirty (30) days after the achievement of either of the milestones in (f) or (g) above.

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For avoidance of doubt, any milestones in (a) through (g) that are paid for the first Licensed Product shall not apply to any subsequent Licensed Product.

**6.6 Payment Terms .** Royalties shown to have accrued by each Report provided for under Article 7 of this Agreement shall be paid within [***] from such Report is due pursuant to Section 7.1.3.

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

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

**6.9 Withholding Taxes .** Except as otherwise provided below, all amounts due from Licensee to SGI provided under this Agreement are written as gross amounts. Licensee shall be entitled to deduct the amount of any withholding taxes payable or required to be withheld by Licensee, its Affiliates or Sublicensees, to the extent Licensee, its Affiliates or Sublicensees pay such withheld amounts to the appropriate governmental authority on behalf of SGI, if any. Licensee shall use commercially reasonable efforts to minimize any such taxes, levies or charges required to be withheld on behalf of SGI by Licensee, its Affiliates or Sublicensees. Licensee 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, and shall cooperate with SGI in seeking any related tax credits that may be available to SGI with respect thereto.

## ARTICLE 7 - ROYALTY REPORTS AND ACCOUNTING

**7.1 Reports, Exchange Rates .**

**7.1.1** During the Royalty Term, Licensee shall furnish to SGI, with respect to each [***], a written report showing, on a consolidated basis in reasonably specific detail and on a country-by-country basis, (a) the gross sales of Licensed Products sold by Licensee, its Affiliates and its Sublicensees in the Territory during the [***] and the calculation of Net Sales from such gross sales; (b) the royalties payable in U.S. dollars, if any, which shall have accrued hereunder based upon such Net Sales of Licensed Products; (c) the withholding taxes, if any, required by law to be deducted in respect of such royalties; (d) the dates of the First Commercial Sale of each Licensed Product in each country in the Territory, if it has occurred during the corresponding [***]; and (e) the exchange rates (as determined pursuant to Section 7.1.4 herein) used in determining the royalty amount expressed in U.S. dollars (collectively, " Reports ").

**7.1.2** Licensee shall include in each permitted sublicense granted by it pursuant to this Agreement a provision requiring its Affiliates and Sublicensees to make Reports to Licensee within [***] of the close of each [***] and to keep and maintain records of sales made pursuant to such sublicense as if such sales were by Licensee for the purpose of Section 7.1.1.

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**7.1.3** Reports shall be due on the [***] following the end of the Calendar Quarter to which such Report relates. Licensee 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.

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

**7.2 Audits .**

**7.2.1** Upon the written request of SGI and with at least [***] prior written notice, but not more than [***] in any [***], Licensee shall permit an independent certified public accounting firm of internationally recognized standing, selected by SGI and reasonably acceptable to Licensee, at [***], to have access during normal business hours to such of the records of Licensee as required to be maintained under this Agreement to verify the accuracy of the Reports due hereunder. Such accountants may audit records relating to Reports made for any year ending not more than [***] prior to the date of such request. The accounting firm shall disclose to SGI only whether the Reports were correct or not, and the specific details concerning any discrepancies. No other information obtained by such accountants shall be shared with SGI.

**7.2.2** If such accounting firm concludes that any royalties were owed but not paid to SGI, Licensee shall pay the additional royalties within [***] of the date SGI delivers to Licensee 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 Licensee for the audited period are more than [***] of the royalties actually paid for such period, then [***] charged by such accounting firm. If such accounting firm concludes that the royalties paid were more than what was owed during such period, SGI shall refund the overpayments within [***] of the date SGI receives such accounting firm's written report so concluding.

**7.3 Confidential Financial Information .** SGI shall treat all financial information subject to review under this Article 7 or under any sublicense agreement as Confidential Information of Licensee as set forth in Article 8, and shall cause its accounting firm to retain all such financial information in confidence under terms substantially similar to those set forth in Article 8.

## ARTICLE 8 – CONFIDENTIALITY

**8.1 Non-Disclosure Obligations .** Except as otherwise provided in this Article 8, 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." Confidential Information of SGI shall include SGI Know-How, Drug Conjugation Technology disclosed to

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Licensee that is Controlled by SGI, SGI's interest in any Improvements and [***]. Confidential Information of a Party may also include information relating to such Party's research programs, development, marketing and other business practices and finances. For purposes of this Agreement, information and data described above shall be hereinafter referred to as " Confidential Information ." Each Party shall use at least the same standard of care as it uses to protect its own Confidential Information to ensure that its and its Affiliates' employees, agents, consultants and clinical investigators only make use of the other Party's Confidential Information for purposes as expressly authorized and contemplated by this Agreement and do not disclose or make any unauthorized use of such Confidential Information.

**8.2 Permitted Disclosures .** Notwithstanding the foregoing, but subject to the last sentence of this Section 8.2, the provisions of Section 8.1 shall not apply to information, documents or materials that the receiving Party can conclusively establish with competent evidence:

**(a)** have become published or otherwise entered the public domain other than by breach of this Agreement by the receiving Party or its Affiliates;

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

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

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

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

**(f)** solely to the extent reasonably necessary in a patent application claiming Program Inventions made hereunder to be filed with the United States Patent and Trademark Office and/or any similar foreign agency, provided that the Party filing the patent shall provide at least thirty (30) days prior written notice of such disclosure to the other Party and take reasonable and lawful actions to avoid or minimize the degree of disclosure;

**(g)** to a Sublicensee as permitted hereunder, provided that such Sublicensee is then subject to obligations of confidentiality and limitations on use of such Confidential Information substantially similar to those contained herein; and

**(h)** to a bona fide collaborator or manufacturing, development or sales contractor or partner, but only to the extent directly relevant to the collaboration, partnership or contract and provided that such collaborator, partner or contractor is then subject to obligations

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of confidentiality and limitations on use of such Confidential Information substantially similar to those contained herein.

Notwithstanding the disclosures permitted under subsections (e)-(h), if the information, documents or materials covered by such subsection is otherwise protected by obligations of confidentiality, then the confidentiality obligations of Section 8.1 shall still apply.

**8.3 Terms of the Agreement .** Licensee and SGI shall not disclose any terms or conditions of this Agreement to any Third Party other than a prospective Sublicensee or in connection with either Party's merger or acquisition discussions without the prior consent of the other Party, except as required by applicable laws, regulations or a court order or to comply with rules of a securities exchange, in which case the disclosing Party shall provide notice to the other Party and take reasonable and lawful actions to avoid or minimize the degree of such disclosures, including obtaining confidentiality obligations from prospective Sublicensees or merger or acquisition candidates at least as protective as those provided for herein. Notwithstanding the foregoing, Licensee may disclose and provide a copy of this Agreement to the UAB Research Foundation; provided, that the UAB Research Foundation maintains the confidentiality of this Agreement pursuant to confidentiality provisions at least as protective as those provided for herein.

**8.4 Press Releases and Other Disclosures to Third Parties .** Neither SGI nor Licensee 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 or entity (other than either Parties' respective Affiliates) concerning the existence of this Agreement, its terms and the transactions contemplated hereby, except for (i) an initial press release mutually agreed upon by the Parties, (ii) disclosures made in compliance with Sections 8.2 and 8.3, (iii) attorneys, consultants, and accountants retained to represent the Parties in connection with the transactions contemplated hereby.

**8.5 Publications .** Neither Party may publish, present or announce results of ADCs developed hereunder either orally or in writing (a " Publication ") without complying with the provisions of this Section 8.5. The other Party shall have [***] from receipt of a proposed Publication to provide comments and/or proposed changes to the publishing Party. The publishing Party shall take into account the comments and/or proposed changes made by the other Party on any Publication and shall agree to designate employees or others acting on behalf of the other Party as co-authors on any Publication describing results to which such persons have contributed in accordance with standards applicable to authorship of scientific publications. If the other Party reasonably determines that the Publication would entail 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 [***] for deleting any such Confidential Information of the other Party (if the other Party has requested deletion thereof from the proposed Publication), and/or the drafting and filing of a patent application covering such invention, provided such additional period shall not exceed [***] from the date the publishing Party first provided the proposed Publication to the other Party.

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**ARTICLE 9 - INVENTIONS AND PATENTS**

**9.1 Ownership of Inventions .**

**9.1.1 Disclosure of Inventions .** Each Party shall promptly disclose to the other Party, including without limitation at the joint meetings provided in Section 5.2, the making, conception or reduction to practice of any inventions directly arising out of activities conducted under this Agreement (" Program Inventions ").

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

**(a)** [***] shall own all Program Inventions that (i) are invented solely by one or more employees, agents or consultants of [***] and do not primarily relate to the [***] or (ii) are invented solely or jointly by employees, agents or consultants of [***] and/or [***] and primarily relate to the [***]. To the extent that any such Program Inventions relating primarily to the [***] shall have been invented by [***] and are owned by [***], [***] hereby assigns all of its right, title and interest therein to [***];

**(b)** [***] shall own all Program Inventions that (i) are invented solely by one or more employees, agents or consultants of [***] and do not primarily relate to the [***] or (ii) are invented solely or jointly by employees, agents or consultants of [***] and/or [***] and primarily relate to the [***]. To the extent that any Program Inventions relating primarily to Drug Conjugation Technology shall have been invented by [***] and are owned by [***], Licensee hereby assigns all of its right, title and interest therein to [***]; and

**(c)** Except as set forth in Sections 9.1.2(a) and 9.1.2(b), Licensee and SGI shall jointly own all other Program Inventions. For purposes of clarification and notwithstanding anything to the contrary set forth herein, all Program Inventions that relate primarily to ADCs, including without limitation, patents or patent applications claiming compositions of matter or methods of use of Licensed Products, shall be jointly owned.

**(d)** Inventorship, for purposes of this Agreement, shall be determined in accordance with applicable national patent laws. To the extent permissible under applicable national patent laws, each Party will cause each employee and contractor conducting work on such Party's behalf under this Agreement to be subject to a contract that (a) compels prompt disclosure to the Party of all inventions and other intellectual property conceived, created or reduced to practice by such employee or contractor during his or her performance under the Research Program and (b) assigns to such Party all right, title and interest in and to all such inventions and other intellectual property and all related Patents. Each Party will require each employee and contractor conducting work on such Party's behalf under this Agreement to maintain records in sufficient detail and in a good scientific manner appropriate for patent purposes to properly reflect all work done. To the extent any royalties are owed to an employee or contractor of a Party relating to an invention, that Party shall be solely responsible for such royalties.

**9.2 Patent Prosecution and Maintenance .**

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

**9.2.2** Each Party shall be responsible for and shall control the preparation, filing, prosecution, grant and maintenance, of any patents and patent applications claiming Program Inventions owned **solely** by it in accordance with [***] and shall, at its [***] in good faith consistent with [***]. Patents and patent applications claiming Program Inventions [***] by both Parties in accordance with Section 9.1 (" Joint Patents ") shall be [***]. The costs for all other Joint Patents shall be [***]; provided, that the [***].

**9.2.3** If either Party decides not to continue prosecuting any Joint Patents or not to maintain any Joint Patent claiming a Program Invention then such Party shall promptly so notify the other Party (which notice shall be at least [***] before any relevant deadline for such patent). Thereafter, the other Party shall have the right to prosecute or maintain such patent, at such Party's [***].

**9.2.4** The Parties shall at all times fully cooperate with each other in order to reasonably implement the foregoing provisions of this Section 9.2. Such cooperation may include each Party's execution of necessary legal documents, coordinating filing and/or prosecution of applications for Joint Patents to avoid potential conflicts with SGI Patents during prosecution (including novelty, enablement, estoppel and double patenting, execution of amendments and documents for reliance on the CREATE Act, if mutually agreed upon by both parties), and the assistance of each Party's relevant personnel. Without limiting the foregoing, it is understood that even if a Party is permitted to reference the other Party's technology in a patent application pursuant to this Agreement, the filing Party shall not file any such patent application without first confirming with the non-filing Party in writing that any such filing could not reasonably be expected to adversely affect the non-filing Party's patent strategy. If the non-filing Party determines that any such filing could adversely affect its filing strategy, the filing Party shall not file any such patent application and the Parties shall cooperate in accordance with this Section 9.2.4 to determine a strategy that would protect each Party's interests, including, without limitation, delaying the filing or co-owning such patent application, as the case may be. Except as otherwise expressed authorized in this Agreement, Licensee shall not disclose and/or claim in any patent application, patent or publication any Confidential Information within the SGI Technology, Drug Conjugation Technology or Drug Conjugation Materials without SGI's prior written consent. Except as otherwise expressly authorized in this Agreement, SGI shall not disclose and/or claim in any patent application, patent or publication any Confidential Information within the Licensee technology without Licensee's prior written consent.

**9.3 Enforcement of SGI Patents .**

**9.3.1** SGI shall have the first right, at its sole expense, but not the obligation, to determine the appropriate course of action to enforce the SGI Patents or otherwise abate the infringement thereof, to take (or refrain from taking) appropriate action to enforce the SGI Patents, to control any litigation or other enforcement action and to enter into, or permit, the

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settlement of any such litigation or other enforcement action with respect to the SGI Patents. SGI shall in good faith consider the interests of Licensee in conducting the foregoing activities. All monies recovered upon the final judgment or settlement of any such suit to enforce any SGI Patents with respect to the manufacture, use or sale by Third Parties of products competitive with Licensed Products or technologies competitive with Drug Conjugation Technology shall be [***]. Licensee shall reasonably cooperate with SGI in any such action at SGI's expense, to enforce the SGI Patents, including being joined as a party to such action if necessary. In no event may SGI assert an argument or settle a suit in a manner that would materially prejudice the rights granted to Licensee under this Agreement without Licensee's prior written consent.

**9.3.2** If SGI fails to take any action to enforce the SGI Patents or control any litigation with respect to the SGI Patents with respect to the manufacture, use or sale by Third Parties of products competitive with Licensed Products or technologies competitive with Drug Conjugation Technology within a period of [***] after the Parties receive reasonable notice of the infringement of the SGI Patents, or in the case of an ANDA filing, within [***] of receipt of the notice of submission of the ANDA filing, then Licensee shall have the right to bring and control any such action by counsel of its own choice, at its [***]. In such case, all monies recovered upon the final judgment or settlement of any such suit to enforce any SGI Patents shall be [***]. In such a case, SGI shall cooperate fully with Licensee, at [***], in its efforts to enforce the SGI Patents, including being joined as a party to such action if necessary. In no event may Licensee assert an argument or settle a suit in a manner which would render a claim in the SGI Patents invalid or unenforceable without SGI's prior written consent.

**9.3.3** Licensee shall have the right, at its [***], to determine the appropriate course of action to enforce patents claiming Program Inventions owned [***] by [***] in accordance with [***], or otherwise to abate the infringement thereof, to take (or refrain from taking) appropriate action to enforce the Program Licensee 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 Program Licensee Patents. All monies recovered upon the final judgment or settlement of any such suit to enforce any Program Licensee Patents shall be retained by [***]. SGI shall fully cooperate with Licensee, at [***], in any action to enforce the Program Licensee Patents.

**9.3.4** In the event either Party becomes aware of an infringement by a Third Party of a Joint Patent, it shall promptly notify the other Party which shall be followed by a written notice. Subject to the rights of both Parties set forth in Sections 9.3.1 and 9.3.2 above, Licensee shall have the right to bring and control any such action related to a Joint Patent related to a Licensed Product, by counsel of its own choice at its sole expense. For all other Joint Patents, the Parties shall cooperate in selecting an outside legal firm mutually agreeable to both Parties and shall equally share control of the suit and all expenses. In such case, all monies recovered upon the final judgment or settlement of any such suit to enforce any Joint Patents shall be allocated first to any Third Party from which either Party obtained license with respect to such Joint Patents, to the extent required under the relevant in-license to either Party, second to the Parties to the extent necessary to compensate each for its respective expenses in its enforcement, and finally any remaining amounts shall be treated as Net Sales subject to the royalty obligations described in Article 6 of this Agreement if the suit is solely related to a Licensed Product and otherwise, shall be prorated between the Parties in accordance with the

damages for which such judgment or settlement is reasonably intended to compensate. If the monies recovered are not sufficient to compensate for all expenses of both Parties, such monies shall be divided on a pro rata basis based on the proportion of each Parties expenses to the total combined expenses of enforcement. If either Party chooses not to participate in the enforcement action to the extent it is required, it shall forfeit its right to share in the recovery, but shall nonetheless cooperate fully with the other Party, at the other Party's expense, in its efforts to enforce the Joint Patents, including being joined as a party to such action if necessary. In no event shall a Party make an argument or settle a dispute which would render a claim in a Joint Patent to be invalid or unenforceable without the other Party's prior written consent.

**9.4 Prior Patent Rights .** Notwithstanding anything to the contrary in this Agreement, with respect to any SGI Patents that are subject to the SGI In-Licenses, the rights and obligations of the Parties under Section 9.2 and 9.3 shall be subject to the rights of the licensor of the SGI In-License to participate in and control prosecution, maintenance and enforcement of such SGI Patents, and to receive a share of damages recovered in such action, in accordance with the terms and conditions of the applicable SGI In-License.

## ARTICLE 10 - INFRINGEMENT ACTIONS BROUGHT BY THIRD PARTIES

If Licensee, SGI or any of their respective Affiliates, or any of Licensee'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 in connection with activities conducted pursuant to this Agreement, the Party that has been sued shall promptly notify the other Party within [***] of its receipt of notice of such suit. The notice shall set forth the facts of such infringement available to the relevant Party. The Parties shall then meet to discuss each Party's commercial interests in the defense of the suit, a plan for the defense of the suit, how the costs of the suit should be allocated, and which Party should have primary control of the suit, provided that if such infringement relates primarily to Drug Conjugation Technology, then SGI shall have the first right to control such suit. In no event may one Party settle or otherwise consent to an adverse judgment in such suit that materially diminishes the rights or interests of the other Party without the express written consent of the other Party.

## ARTICLE 11 - REGULATORY ASSISTANCE

Should Licensee desire to file an IND or an application for Regulatory Approval, or equivalents of the foregoing, for a Licensed Product, SGI will use reasonable commercial efforts to provide at Licensee's request, technical information SGI has created or possesses that is reasonably required by Licensee, including information relating to the [***], as well as documents related specifically to Drug Conjugation Technology that are necessary to compile the Chemistry Manufacturing and Controls section of an application for Regulatory Approval and any other relevant information SGI has created or possesses as the Parties may mutually agree. If SGI has a drug master file with the FDA or equivalent that contains information useful to support an IND or application for Regulatory Approval, [***]. In the event SGI agrees to provide regulatory assistance beyond the limited activities described above, the Parties shall [***].

## ARTICLE 12 – REPRESENTATIONS AND WARRANTIES

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**12.1 Representations and Warranties .**

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

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

**12.1.3** SGI represents and warrants that it has the right to grant the licenses granted herein and that as of the Effective Date it has [***] of the SGI Patents or other SGI Technology in connection with activities to be conducted hereunder. Licensee represents and warrants that it has the right to grant the licenses granted to SGI herein and that as of the Effective Date it has [***] to be conducted by the Parties hereunder.

**12.2 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 a 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 13 – TERM AND TERMINATION**

**13.1 Term .** Unless earlier terminated pursuant to this Article 13, the term of this Agreement (the " Term ") shall commence on the Effective Date and shall remain in full force and effect until the expiration of the last to expire Royalty Term.

**13.2 Termination by Licensee .** Licensee shall have the right, at any time after the Effective Date, to terminate this Agreement in its entirety by providing not less than [***] prior written notice to SGI of such termination; provided that Licensee must make payment of the ADC Access Fee if notice of termination is made within [***] from execution of this Agreement and such ADC Access Fee shall be considered non-refundable upon execution of this Agreement.

**13.3 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.

**13.4 Termination Upon Insolvency .** Either Party may terminate this Agreement if, at any time, (a) 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,

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(b) such other Party proposes a written agreement of composition or extension of its debts, (c) 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, (d) such other Party shall propose or be a party to any dissolution or liquidation, or (e) such other Party shall make an assignment for the benefit of its creditors. All rights and licenses granted under this Agreement are, and shall be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101(56) of the United States Bankruptcy Code.

**13.5 Termination of SGI In-Licenses .** SGI shall provide Licensee with a copy of any claim of material breach by the licensor of any SGI In-License that could be reasonably expected to materially prejudice Licensee's rights under this Agreement. All rights and obligations under an SGI In-License sublicensed under this Agreement shall terminate upon [***] prior written notice by SGI if Licensee performs any action that would constitute a breach of any material provision of such SGI In-License Agreement , as described in a notice of default from the licensor of the SGI In-License, and fails to cure or commence and continue actions to cure such breach within such [***] period; provided, however, such cure period may be extended by mutual written consent of the Parties. SGI covenants that it will use reasonable commercial efforts to maintain all SGI In-Licenses for the duration of this Agreement. All rights and obligations under the [***] shall automatically terminate if Licensee fails to maintain the insurance required under the [***] for so long as such insurance is required pursuant to the [***]. SGI will cooperate with Licensee to cure any claimed material breach under an SGI In-License Agreement and will not take any action that could be reasonably expected to materially prejudice the rights of Licensee under an SGI In-License without the prior written consent of Licensee.

**13.6 Effect of Expiration and Termination .**

**13.6.1** Except where explicitly provided within this Agreement or by operation of any applicable law, termination of this Agreement for any reason, or expiration of this Agreement, will not affect any: (a) obligations, including payment of any royalties or other sums which have accrued as of the date of termination or expiration, and (b) rights and obligations which are intended to survive termination or expiration of this Agreement, including provisions of Articles 1, 8, 9, 10, 14 (as to actions arising during the term of this Agreement or in the course of a Party practicing any licenses retained by such Party thereafter), 18 and 19, Sections 7.2, 7.3 and 13.6 and any payment obligations pursuant to Section 6 incurred prior to termination. Notwithstanding the foregoing, all licenses granted by SGI to Licensee hereunder, including all Exclusive Licenses, and all sublicenses granted by Licensee hereunder, will immediately terminate upon termination of this Agreement pursuant to Sections 13.2, 13.3 (if SGI is terminating party) 13.4 (if SGI is terminating party) or 13.5.

**13.6.2 License to Licensee.** Upon the expiration of the Royalty Term or termination by Licensee under Section 13.3 or Section 13.4, SGI shall grant, and shall by this provision be deemed to have granted, to Licensee a perpetual, worldwide, nonexclusive license to use the SGI Technology (including Improvements assigned to SGI by Licensee) to make, use, sell, offer for sale and import Licensed Products that bind selectively to the Designated Antigen. If such license is granted upon expiration of the Royalty Term, then such license shall be royalty-

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free. If such license is granted upon termination by Licensee under Sections 13.3 or 13.4 and Licensee so desires to obtain such license, then SGI shall grant such license to Licensee with terms and conditions to be mutually agreed upon by both Parties. Under all circumstances, any royalties owed to a Third Party pursuant to an SGI In-License shall not be affected by this Section 13.6.2 and shall be paid by Licensee under Section 6.4 of this Agreement.

**13.6.3 License to SGI.** Upon any termination of the Exclusive License or termination by SGI under Section 13.3 or Section 13.4, Licensee shall grant a license to SGI in the Territory under the Licensee ADC Know-How described in Section 1.1.42 and Licensee ADC Patents described in Section 1.1.43 to identify, develop and commercialize products that contain an ADC upon the terms and conditions to be mutually agreed upon by both Parties. In no circumstances shall the license granted to SGI under this Section 13.6.3 include any rights to Licensee Know-How or Licensee Patents.

## ARTICLE 14 - INDEMNITY

**14.1 Direct Indemnity .**

**14.1.1** Each Party shall defend, indemnify and hold harmless the other Party from and against all liabilities, losses, damages, and expenses, including reasonable attorneys' fees and costs, (collectively, the " Liabilities ") resulting from all Third Party claims, suits, actions, terminations or demands (collectively, the " Claims ") that are incurred, relate to or arise out of (a) 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), or (b) the gross negligence, recklessness or willful misconduct of the indemnifying Party in connection with the performance of its obligations hereunder.

**14.1.2** Licensee shall defend, indemnify and hold harmless SGI from and against all Liabilities resulting from all Claims that are incurred, relate to or arise out of the development, manufacture or commercialization of Licensed Products by SGI for Licensee or by Licensee, its Affiliates or Sublicensees, including any failure to test for or provide adequate warnings of adverse side effects, or any manufacturing defect in any Licensed Product; except in each case to the extent such Liabilities resulted from the negligence, recklessness or willful misconduct by SGI or the inaccuracy of any representation or warranty made by SGI in this Agreement or from any other action for which SGI must indemnify Licensee under Section 14.1.3.

**14.1.3** SGI shall defend, indemnify and hold harmless Licensee from and against all Liabilities resulting from all Claims that are incurred, relate to or arise out of any claims of infringement of Third Party rights arising out of the use of SGI Technology to make ADCs or Licensed Products (but not any other technology, including the composition or methods of making or using Antibodies or technology not relating to Drug Conjugation Technology), except to the extent such Liabilities resulted from the negligence, recklessness or willful misconduct by Licensee or the inaccuracy of any representation or warranty made by Licensee in this Agreement or any other action for which Licensee must indemnify SGI hereunder.

**14.2 Procedure .** A Party (the " Indemnitee ") that intends to claim indemnification under this Article 14 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, including the defense of Indemnitee, with counsel selected by the Indemnitor at its own cost. However, notwithstanding the foregoing, the Indemnitee shall have the right to retain its own counsel, with the fees and expenses to be paid by the Indemnitee. Regardless of whether Indemnitor exercises its right to select its counsel and to defend Indemnitee directly or the Parties proceed with separate counsel, the Parties shall exercise reasonable efforts to cause their respective counsel to enter into a joint defense agreement providing for the protection of confidential communication among SGI, Licensee and their respective counsel and to otherwise cooperate in all aspects of the defense of such Claim if such agreement is appropriate. Any settlement of a Liability for which any Indemnitee seeks to be indemnified, defended or held harmless under this Article 14 that could adversely affect the Indemnitee shall be subject to prior consent of such Indemnitee, provided that such consent shall not be withheld unreasonably.

## ARTICLE 15 - FORCE MAJEURE

No Party (or any of its Affiliates) shall be held liable or responsible to the other Party (or any of its Affiliates), or be deemed to have defaulted under or breached the Agreement, for failure or delay by such Party 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, earthquakes, 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 obligations promptly. Notwithstanding the foregoing, to the extent that an Event of Force Majeure continues for a period in excess of [***], the affected Party shall promptly notify in writing the other Party of such Event of Force Majeure and within [***] of the other Party's receipt of such notice, the Parties shall negotiate in good faith either (a) a resolution of the Event of Force Majeure, if possible, (b) an extension by mutual agreement of the time period to resolve, eliminate, cure or overcome such Event of Force Majeure, (c) an amendment of this Agreement to the extent reasonably possible, or (d) an early termination of this Agreement.

## ARTICLE 16 - 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 of such Party (such merger or consolidation shall be hereinafter referred to as a " Change in Control "). Any permitted assignee shall assume all rights

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and obligations of its assignor under this Agreement; provided , however , that [***]. Any attempted assignment of this Agreement not in accordance with this Article 16 shall be void and of no effect. Any attempted assignment of this Agreement not in accordance with this Article 16 shall be void and of no effect.

**ARTICLE 17 - 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, 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 based on such valid provisions. In case such alternative 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 18 – INSURANCE**

During the Term and thereafter for the period of [***], each Party shall maintain on an ongoing basis comprehensive general liability insurance covering its obligations and activities hereunder with reputable and financially secure insurance carriers in a form and at levels as customary for a company of this size in the pharmaceutical or biotechnology industry, as applicable, in the Territory (or reasonable self-insurance sufficient to provide materially the same level and type of protection as required pursuant to Section 11.5 of the BMS Agreement). In addition, Licensee agrees to provide the information regarding its self-insurance plan as set forth in Section 4.2(b) of the BMS Agreement and otherwise comply with the requirements set forth therein regarding self-insurance plans.

**ARTICLE 19 - MISCELLANEOUS**

**19.1 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 19.1 and (except as otherwise provided in this Agreement) shall be effective upon receipt by the addressee.

If to SGI :
Seattle Genetics, Inc.
21823 30th Drive S.E.
Bothell, WA 98021
Attention: General Counsel
Telephone: (425) 527-4000

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Facsimile: (425) 527-4109

If to Licensee :
Daiichi Sankyo Co. Ltd.,
1-2-58, Hiromachi, Shinagawa-ku,
Tokyo, Japan, 140-8710

Attention: Dr. Hideyuki Haruyama
Corporate Officer
General Manager, R&D Planning
R&D Division

Telephone: :+81-3-3492-3131
Facsimile: :+81-3-5436-8561

**19.2 Applicable Law .** The Agreement shall be governed by and construed in accordance with the laws of the State of Washington and the United States of America, without regard to the conflict of law principles thereof that may dictate application of the laws of any other state.

**19.3 Dispute Resolution .** The Parties agree that if any dispute or disagreement arises between Licensee 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.

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

**19.3.2** Within [***] of receipt of a Notice of Dispute, a nominee or nominees of Licensee 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;

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

**19.3.4** If, within a further period of [***], the dispute has not been resolved or if, for any reason, the required meeting has not been held, then the same shall be submitted by the Parties for resolution by an arbitral body 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, [***] 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 equitable or provisional remedy). If the issues in dispute involve scientific, technical or commercial matters, any arbitrator chosen hereunder shall have

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educational training and/or industry experience sufficient to demonstrate a reasonable level of relevant scientific, medical and industry knowledge.

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

**19.3.6** Notwithstanding the foregoing, any disputes relating to inventorship or the validity, enforceability or scope of any patent or trademark rights shall be submitted for resolution by a court of competent jurisdiction.

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

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

**19.6 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.

**19.7 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.

**19.8 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.

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

**SEATTLE GENETICS, INC.**

By: /s/ Clay B. Siegall
Name: Clay B. Siegall, Ph.D.
Title: President & CEO

**DAIICHI SANKYO CO., LTD.**

By: /s/ Kazunori Hirokawa
Name: Kazunori Hirokawa, MD, Ph.D.
Title: Executive Officer, Head of R&D Division

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**SCHEDULE A**

**RESEARCH PLAN**

[***]

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**SCHEDULE B**

**SGI PATENTS**

[***]

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**SCHEDULE C**

**SGI IN-LICENSES**

[***]

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**Exhibit 31.1**

**CERTIFICATIONS**

I, Clay B. Siegall, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Seattle Genetics, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2008

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

**Exhibit 31.2**

**CERTIFICATIONS**

I, Todd E. Simpson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Seattle Genetics, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2008

/s/ Todd E. Simpson

Todd E. Simpson

*Chief Financial Officer*

**Exhibit 32.1**

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

In connection with the Quarterly Report of Seattle Genetics, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Clay B. Siegall, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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

November 7, 2008

**Exhibit 32.2**

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

In connection with the Quarterly Report of Seattle Genetics, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd E. Simpson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Todd E. Simpson
Todd E. Simpson
*Chief Financial Officer*

November 7, 2008