

SEATTLE GENETICS INC /WA  
Form DEF 14A  
April 16, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only  
(as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Under Rule 14a-12

**SEATTLE GENETICS, INC.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

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April 16, 2008

Dear Seattle Genetics Stockholders:

On behalf of Seattle Genetics, Inc., I cordially invite you to attend our 2008 Annual Meeting of Stockholders to be held on Friday, May 16, 2008, at 11:00 a.m., local time, at our principal offices located at 21823 30 Drive S.E., Bothell, WA 98021.

Enclosed are the following:

Our Notice of Annual Meeting of Stockholders and Proxy Statement for 2008;

Our Annual Report on Form 10-K for 2007; and

A proxy card with a return envelope to record your vote.

Details regarding the business to be conducted at the Annual Meeting are more fully described in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

Your vote is important. Whether or not you plan to attend the Annual Meeting, it is important that your shares are represented. Please read the enclosed Proxy Statement and vote by Internet, by telephone or by marking, dating, signing and returning the enclosed proxy card as promptly as possible in the postage-prepaid envelope provided. Of course, if you attend the Annual Meeting, you will have the right to vote your shares in person.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in Seattle Genetics. We look forward to seeing you at the Annual Meeting.

Sincerely,

Clay B. Siegall, Ph.D.

President and Chief Executive Officer

**YOUR VOTE IS IMPORTANT**

**There are three ways to vote: by Internet, by telephone or by marking, dating and signing the enclosed proxy card and mailing it promptly in the enclosed return envelope.**

**21823 30<sup>TH</sup> DRIVE S.E.**

**BOTHELL, WA 98021**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held May 16, 2008**

The 2008 Annual Meeting of Stockholders (the Annual Meeting ) of Seattle Genetics, Inc., a Delaware corporation (the Company ), will be held on Friday, May 16, 2008 at 11:00 a.m. local time at the principal offices of the Company at 21823 30<sup>th</sup> Drive S.E., Bothell, Washington 98021, for the following purposes:

1. To elect three directors to hold office until the 2011 Annual Meeting of Stockholders;
2. To approve an increase in the number of authorized shares of the Company s common stock from 100,000,000 shares to 150,000,000 shares;
3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008; and
4. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof. You can find more information about each of these items, including the nominees for directors, in the attached Proxy Statement.

The Board of Directors has fixed the close of business on March 26, 2008 as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof.

We cordially invite all stockholders to attend the Annual Meeting in person. However, whether or not you expect to attend the Annual Meeting in person, please vote by Internet, by telephone or by marking, dating, signing and returning the enclosed proxy card as promptly as possible in the postage-prepaid envelope provided to ensure your representation and the presence of a quorum at the Annual Meeting. If you vote by Internet, by telephone or by sending in your proxy card, but then decide to attend the Annual Meeting to vote your shares in person, you may still do so. Your proxy is revocable in accordance with the procedures described in the proxy statement.

Sincerely,

Eric L. Dobmeier

Corporate Secretary

Bothell, Washington

April 16, 2008

**YOUR VOTE IS IMPORTANT**

**There are three ways to vote: by Internet, by telephone or by marking, dating and signing the**

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**enclosed proxy card and mailing it promptly in the enclosed return envelope.**

**SEATTLE GENETICS, INC.**

**PROXY STATEMENT FOR THE**

**2008 ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held May 16, 2008**

Our Board of Directors is soliciting proxies for the 2008 Annual Meeting of Stockholders. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

The Board has set the close of business on March 26, 2008 as the record date for the Annual Meeting. Stockholders of record who owned our common stock on that date are entitled to vote at and attend the Annual Meeting. Each share of common stock is entitled to one vote. There were 79,260,491 shares of common stock outstanding on the record date.

Voting materials, which include this Proxy Statement, a proxy card and the 2007 Annual Report, are being mailed to stockholders on or about April 16, 2008.

In this proxy statement:

We, us, our and the Company refer to Seattle Genetics, Inc.;

Annual Meeting means our 2008 Annual Meeting of Stockholders;

Board of Directors or Board means our Board of Directors; and

SEC means the Securities and Exchange Commission.

We have summarized below important information with respect to the Annual Meeting.

**TIME AND PLACE OF THE ANNUAL MEETING**

The Annual Meeting is being held on Friday, May 16, 2008 at 11:00 a.m. local time at our principal offices located at 21823 30 Drive S.E., Bothell, Washington 98021.

All stockholders who owned shares of our stock as of March 26, 2008, the record date, may attend and vote on the proposals considered at the Annual Meeting.

**PURPOSE OF THE PROXY STATEMENT AND PROXY CARD**

You are receiving this Proxy Statement and proxy card from us because you owned shares of our common stock on March 26, 2008, the record date. This Proxy Statement describes issues on which we would like you, as a stockholder, to vote. It also gives you information on these issues so that you can make an informed decision.

When you sign the proxy card, you appoint Clay B. Siegall and Eric L. Dobmeier as your representatives at the Annual Meeting. Clay B. Siegall and Eric L. Dobmeier will vote your shares, as you have instructed them on the proxy card, at the Annual Meeting. This way, your shares will be voted whether or not you attend the Annual Meeting. Even if you plan to attend the Annual Meeting it is a good idea to complete, sign and return your proxy card in advance of the Annual Meeting in the event your plans change.



**PROPOSALS TO BE VOTED ON AT THIS YEAR'S ANNUAL MEETING**

You are being asked to vote on:

The election of three directors to serve on our Board of Directors;

The approval of an amendment to the Amended and Restated Certificate of Incorporation (the Restated Certificate ) to increase the number of authorized shares of common stock from 100,000,000 to 150,000,000; and

The ratification of our appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the 2008 fiscal year.

The Board of Directors recommends a vote FOR each proposal.

**VOTING PROCEDURE**

*You may vote by mail.*

To vote by mail, please sign your proxy card and return it in the enclosed, prepaid and addressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct.

*You may vote in person at the Annual Meeting.*

We will pass out written ballots to anyone who wants to vote at the Annual Meeting. If you hold your shares in street name, you must request a legal proxy from your stockbroker in order to vote at the Annual Meeting. Holding shares in street name means your shares of stock are held in an account by your stockbroker, bank, or other nominee, and the stock certificates and record ownership are not in your name. If your shares are held in street name and you wish to vote your shares at the Annual Meeting, you must notify your broker, bank or other nominee and obtain the proper documentation.

*You may vote by telephone or electronically via the Internet.*

To submit your proxy by telephone or via the Internet, follow the instructions on the proxy card.

*You may change your mind after you have returned your proxy or submitted your proxy by telephone or via the Internet.*

If you change your mind after you return your proxy or submit your proxy by telephone or via the Internet, you may revoke your proxy at any time before the polls close at the Annual Meeting. You may do this by:

signing another proxy with a later date;

submitting a new proxy by telephone;

submitting a new proxy via the Internet; or

voting in person at the Annual Meeting.

**MULTIPLE PROXY CARDS**



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If you received more than one proxy card, it means that you hold shares in more than one account. Please sign and return all proxy cards to ensure that all your shares are voted.

## **QUORUM REQUIREMENT**

Shares are counted as present at the Annual Meeting if the stockholder either:

is present and votes in person at the Annual Meeting; or

has properly submitted a proxy card.

A majority of our outstanding shares of common stock as of the record date must be present at the Annual Meeting (either in person or by proxy) in order to hold the Annual Meeting and conduct business. This is called a quorum.

## **CONSEQUENCES OF NOT RETURNING YOUR PROXY; ABSTENTIONS AND BROKER NON-VOTES**

If your shares are held in your name, you must return your proxy (or attend the Annual Meeting in person) in order to vote on the proposals. If your shares are held in street name and you do not vote your proxy, your brokerage firm may either:

vote your shares on routine matters; or

leave your shares unvoted.

Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients, brokers may vote such shares on behalf of their clients with respect to routine matters (such as the election of directors or the ratification of auditors), but not with respect to non-routine matters (such as a proposal submitted by a stockholder or the approval or amendment of an equity compensation plan). If the proposals to be acted upon at any meeting include both routine and non-routine matters, the broker may turn in a proxy card for uninstructed shares that vote FOR the routine matters, but expressly states that the broker is not voting on non-routine matters. This is called a broker non-vote. The three proposals described in this Proxy Statement qualify as routine matters.

Broker non-votes will be counted for the purpose of determining the presence or absence of a quorum, but will not be counted for the purpose of determining the number of votes cast.

Abstentions are counted as shares that are present and entitled to vote for the purposes of determining the presence of a quorum and as votes AGAINST for purposes of determining the approval of any matter submitted to the stockholders for a vote.

We encourage you to provide instructions to your brokerage firm by voting your proxy. This ensures that your shares will be voted at the Annual Meeting.

## **REQUIRED VOTE**

Assuming a quorum is present, the three nominees receiving the highest number of yes votes from holders of common stock will be elected as directors. The approval of the amendment to the Restated Certificate will require the affirmative vote of a majority of the shares of the Company's outstanding common stock. The approval of the ratification of the independent registered public accounting firm will require the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the Annual Meeting.

## **VOTE SOLICITATION; NO USE OF OUTSIDE SOLICITORS**

Seattle Genetics, Inc. is soliciting your proxy to vote your shares at the Annual Meeting. In addition to this solicitation by mail, our directors, officers and other employees may contact you by telephone, via the Internet, in

person or otherwise to obtain your proxy. These persons will not receive any additional compensation for assisting in the solicitation. We will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners. We will reimburse these entities and our transfer agent for their reasonable out-of-pocket expenses in forwarding proxy materials. We have not retained the services of a proxy solicitor.

#### **VOTING PROCEDURES**

Votes cast by proxy or in person at the Annual Meeting will be tabulated by a representative of BNY Mellon Shareowner Services, our transfer agent, who will act as the Inspector of Election. The Inspector will also determine whether a quorum is present at the Annual Meeting.

The shares represented by the proxy cards received, properly marked, dated, signed and not revoked and votes properly cast by telephone or Internet, will be voted at the Annual Meeting. If the proxy card specifies a choice with respect to any matter to be acted on, the shares will be voted in accordance with that specified choice. Any proxy card that is returned but not marked will be voted FOR the director nominees to be voted upon, FOR approval of the amendment of the Restated Certificate, FOR ratification of the Company's independent registered public accounting firm and as the proxy holders deem desirable for any other matters that may properly come before the Annual Meeting. Broker non-votes will not be considered as voting with respect to any matter for which the broker does not have voting authority.

We believe that the procedures to be used by the Inspector to count the votes are consistent with Delaware law concerning voting of shares and determination of a quorum.

#### **PUBLICATION OF VOTING RESULTS**

We will announce preliminary voting results at the Annual Meeting. We will publish the final results in our quarterly report on Form 10-Q for the second quarter of 2008, which we will file with the SEC. You can obtain a copy by contacting our Investor Relations Department at (425) 527-4000, by calling the SEC at (800) 732-0330 for information regarding its public reference room or through the EDGAR system at [www.sec.gov](http://www.sec.gov).

#### **OTHER BUSINESS**

We do not know of any business to be considered at the Annual Meeting other than the proposals described in this proxy statement. If any other business is properly presented at the Annual Meeting, your signed proxy card gives authority to Clay B. Siegall and Eric L. Dobmeier to vote on such matters at their discretion.

#### **PROPOSALS FOR 2009 ANNUAL MEETING**

To have your proposal included in our proxy statement for the 2009 Annual Meeting, you must submit your proposal in writing by December 6, 2008 to Eric L. Dobmeier, Corporate Secretary, Seattle Genetics, 21823 -30<sup>th</sup> Drive S.E., Bothell, Washington 98021. Proposals of stockholders intended to be considered at the 2009 Annual Meeting but not included in our proxy statement for that meeting must be received at the above address no earlier than January 16, 2009 and no later than February 16, 2009; provided, however, that in the event the date of the 2009 Annual Meeting is advanced by more than 30 days or delayed by more than 60 days from the date of this year's Annual Meeting and less than 60 days notice is given prior to the 2009 Annual Meeting, then such proposal must be received not later than the 10<sup>th</sup> day following the day on which public announcement of the date of such meeting is first made.

If you submit a proposal for the 2009 Annual Meeting after February 16, 2009 or after the 10<sup>th</sup> day following announcement of the date of the meeting, as applicable, management may or may not, at their discretion, present the proposal at that meeting, and the proxies for the 2009 Annual Meeting will confer discretion on the management proxy holders to vote against your proposal.

## PROPOSAL NO. 1

### ELECTION OF DIRECTORS

Our Amended and Restated Certificate of Incorporation provides that the Board of Directors is divided into three approximately equal classes with staggered three-year terms. As a result, approximately one-third of the total number of directors will be elected every year.

Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy (including a vacancy created by an increase in the number of directors) shall serve for the remainder of the full term of the class of directors in which the vacancy occurred.

The Board of Directors is presently composed of nine members. The Class I directors, whose terms expire at the 2008 Annual Meeting, are Srinivas Akkaraju, David W. Gryska and John P. McLaughlin. The Class II directors, whose terms expire at the 2009 Annual Meeting, are Clay B. Siegall, Felix Baker and Daniel F. Hoth. The Class III directors, whose terms expire at the 2010 Annual Meeting, are Marc E. Lippman, Franklin M. Berger and Daniel G. Welch. Our stockholders only elect one class of directors at each annual meeting. The other classes continue to serve for the remainder of their three-year terms.

Srinivas Akkaraju, David W. Gryska and John P. McLaughlin have been recommended by the Nominating and Corporate Governance Committee of the Board of Directors for election at the Annual Meeting and have been nominated by the Board for election at the Annual Meeting as Class I directors for three-year terms expiring at the 2011 Annual Meeting.

Srinivas Akkaraju, David W. Gryska and John P. McLaughlin are elected by receiving the greatest number of votes cast for their election by holders of common stock that are present in person or represented by proxy and entitled to vote at the meeting.

Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the three nominees, as applicable. In the event that any nominee should be unavailable for election as a result of an unexpected occurrence such shares will be voted for the election of such substitute nominees as management may propose. Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any nominee will be unable to serve.

### NOMINEES FOR THE BOARD OF DIRECTORS

The names of the nominees and of the directors whose terms of office will continue after the Annual Meeting, their ages as of May 16, 2008 and certain other information about them are set forth below:

Name of Director Nominee	Age	Company Positions/Offices	Director Since	Term Expires
Srinivas Akkaraju, M.D., Ph.D. (3)	40	Director	July 2003	2008
David W. Gryska (1) (2)	52	Director	March 2005	2008
John P. McLaughlin (2)	56	Director	June 2007	2008
Continuing Directors	Age	Company Positions/Offices	Director Since	Term Expires
Clay B. Siegall, Ph.D.	47	President, Chief Executive Officer and Interim Chairman of the Board	December 1997	2009
Felix Baker, Ph.D. (1) (3)	39	Lead Director	July 2003	2009
Daniel F. Hoth, M.D.	62	Director	March 2006	2009
Marc E. Lippman, M.D. (3)	63	Director	June 2000	2010
Franklin M. Berger (2) (3)	58	Director	June 2004	2010
Daniel G. Welch (1)	50	Director	June 2007	2010

(1) Member of Compensation Committee

(2) Member of Audit Committee

(3) Member of Nominating and Corporate Governance Committee

There are no family relationships among any of the directors or named executive officers of the Company.

#### **DIRECTOR NOMINEE PROFILES**

**Srinivas Akkaraju, M.D., Ph.D.** Dr. Akkaraju has served as one of our directors since July 2003. Since 2006, Dr. Akkaraju has been a Managing Director at Panorama Capital, LLC, a private equity firm founded by the former venture capital investment team of J.P. Morgan Partners, LLC, a private equity division of JPMorgan Chase & Co. Panorama Capital is advising J.P. Morgan Partners as to its investment in the Company. Prior to co-founding Panorama Capital, he was with J.P. Morgan Partners, which he joined in April 2001 and of which he became a Partner in January 2005. From October 1998 to April 2001, he was in Business and Corporate Development at Genentech, Inc., a biotechnology company, most recently as Senior Manager. Prior to joining Genentech, Dr. Akkaraju was a graduate student at Stanford University, where he received an M.D. and a Ph.D. in Immunology. He received his undergraduate degrees in Biochemistry and Computer Science from Rice University. In addition to Seattle Genetics, Dr. Akkaraju serves as a director of Barrier Therapeutics, Inc. and Pharmos Corporation, both publicly-traded biotechnology companies.

**David W. Gryska** Mr. Gryska has served as one of our directors since March 2005. Since December 2006, he has been Senior Vice President and Chief Financial Officer of Celgene Corporation. Previously, he was a principal at Strategic Consulting Group, where he provided strategic consulting to early-stage biotechnology companies. Mr. Gryska served at Scios, Inc., a biopharmaceutical company, as Senior Vice President and Chief Financial Officer from November 2000 to October 2004, and as Vice President of Finance and Chief Financial Officer from December 1998 to November 2000. From 1993 to December 1998, he served as Vice President, Finance and Chief Financial Officer at Cardiac Pathways Corporation, a medical device company which was later acquired by Boston Scientific Corporation. Prior to Cardiac Pathways, Mr. Gryska served as a partner at Ernst & Young LLP, an accounting firm. During his eleven years at Ernst & Young LLP, he focused on technology industries, with an emphasis on biotechnology and healthcare companies. Mr. Gryska holds a B.A. in accounting and finance from Loyola University and an M.B.A. from Golden Gate University.

**John P. McLaughlin** Mr. McLaughlin has served as one of our Directors since June 2007. Since January 2000, Mr. McLaughlin has been Chief Executive Officer and a member of the Board of Directors of Anesiva, Inc., a biotechnology company. Prior to Anesiva, he was President of Tularik Inc., and before that spent 11 years at Genentech, Inc. in a number of senior management positions including Executive Vice President. Previously, Mr. McLaughlin represented pharmaceutical companies as a partner in a Washington, D.C. law firm that specializes in food and drug law and served as legal counsel to various subcommittees at the U.S. House of Representatives, drafting numerous measures that became U.S. Food and Drug Administration laws. Mr. McLaughlin was also co-founder and Chairman of Eyetech Pharmaceuticals, Inc., which was acquired by OSI Pharmaceuticals in 2005. He is also a director of Peak Surgical, Inc., a privately-held medical device company. Mr. McLaughlin earned a B.A. from the University of Notre Dame and a J.D. from the Catholic University of America.

#### **CONTINUING DIRECTOR PROFILES**

**Clay B. Siegall, Ph.D.** Dr. Siegall co-founded Seattle Genetics in 1997. He has served as our Chief Executive Officer since November 2002, as our President since June 2000, as one of our directors since December 1997 and as our Interim Chairman of the Board since March 2004. Dr. Siegall also served as our Chief

Scientific Officer from December 1997 until November 2002. Prior to co-founding Seattle Genetics, Dr. Siegall was with the Bristol-Myers Squibb Pharmaceutical Research Institute from 1991 to 1997, most recently as a Principal Scientist. From 1988 to 1991, Dr. Siegall was a Staff Fellow/Biotechnology Fellow at the National Cancer Institute, National Institutes of Health. Dr. Siegall received a Ph.D. in Genetics from George Washington University and a B.S. in Zoology from the University of Maryland. He serves on the Board of Directors of the Washington Biotechnology and Biomedical Association (WBBA) and the Board of Governors of the Fred Hutchinson Cancer Business Alliance. In addition to Seattle Genetics, Dr. Siegall serves as a director of Alder BioPharmaceuticals, Inc., a privately-held biotechnology company.

**Felix Baker, Ph.D.** Dr. Baker has served as one of our directors since July 2003 and as our Lead Director since February 2005. He is a Managing Member of Baker Bros. Advisors, LLC, which he and his brother, Julian Baker, founded in 2000. Dr. Baker's firm manages Baker Brothers Investments, a family of long-term investment funds for major university endowments and foundations, which are focused on publicly traded life science companies. His career as a fund-manager began in 1994 when he co-founded a biotechnology investing partnership with the Tisch Family. Dr. Baker received a Ph.D. in Immunology and a B.S. in Biology with honors from Stanford University. In addition to Seattle Genetics, Dr. Baker serves as a director of Neurogen Corporation, Conjuchem, Inc., and Trimeris, Inc., all publicly-traded biotechnology companies.

**Daniel F. Hoth, M.D.** Dr. Hoth has served as one of our directors since March 2006. He is President of Hoth Consulting, where he provides drug development and clinical trial consulting services to pharmaceutical and biotechnology companies. Previously, Dr. Hoth served as Senior Vice President and Chief Medical Officer of Axys Pharmaceuticals, Inc. (now Celera Genomics) from June 1999 to December 2001 and as Chief Medical Officer of Cell Genesys, Inc. from July 1993 to June 1997. From 1981 to 1993, he held various positions at the National Institutes of Health (NIH), including Director, Division of AIDS at the National Institute of Allergy and Infectious Diseases, and Chief of the Investigational Drug Branch of the National Cancer Institute. Before the NIH, he was on the faculty of the Georgetown University School of Medicine. Dr. Hoth received his M.D. from Georgetown University School of Medicine and his A.B. in Psychology from Franklin and Marshall College.

**Marc E. Lippman, M.D.** Dr. Lippman has served as one of our directors since June 2000. Since May 2007, Dr. Lippman has served as the Kathleen and Stanley Glaser Professor of Medicine at the University of Miami Leonard M. Miller School of Medicine, and Chairman of the Department of Medicine. Previously, from February 2001 to May 2007 he served as the John G. Searle Professor and Chairman of the Department of Internal Medicine at the University of Michigan School of Medicine. Previously, Dr. Lippman was the Director of the Lombardi Cancer Research Center from July 1988 to February 2001, Professor and Chairman of the Department of Oncology from July 1999 to February 2001 and Professor of Medicine at Georgetown University Medical School in Washington, D.C. from July 1988 to February 2001. He also served as Chief of the Division of Hematology-Oncology at Georgetown University Medical School from July 1995 to February 2001. He was Head of the Medical Breast Cancer Section of the Medicine Branch of the National Cancer Institute from July 1976 to July 1988. Dr. Lippman has authored over 500 publications and one of the standard texts on breast cancer. He serves as chair of the Scientific Advisory Board for the Perseus-Soros Fund and is a director of Ascenta Therapeutics, Inc., a privately-held biotechnology company. He received a B.A., magna cum laude, from Cornell and an M.D. from Yale where he was elected to Alpha Omega Alpha.

**Franklin M. Berger, CFA** Mr. Berger has served as one of our directors since June 2004. Mr. Berger is a biotechnology industry analyst with over 25 years of experience in capital markets and financial analysis. He served most recently as Managing Director, Equity Research and Senior Biotechnology Analyst at J.P. Morgan Securities from May 1998 to March 2003. In this position, he initiated team coverage of 26 biotechnology companies and was responsible for technical, scientific and clinical due diligence as well as company selection. Previously, Mr. Berger served in similar capacities at Salomon Smith Barney from August 1997 to May 1998 and Josephthal & Co. from November 1991 to August 1997. Prior to his work as a biotechnology analyst, he managed Pantagruel Partners, a firm that developed early-stage pharmaceutical compounds for sale to drug companies and venture capital firms. He holds an M.B.A. from the Harvard Graduate School of Business

Administration and an M.A. in International Economics and a B.A. in International Relations both from Johns Hopkins University. In addition to Seattle Genetics, Mr. Berger serves as a director of VaxGen, Inc., Isotechnika Inc. and Thallion Pharmaceuticals Inc., all publicly-traded biotechnology companies, and HealthShares, Inc., an investment company.

**Daniel G. Welch** Mr. Welch has served as one of our Directors since June 2007. Since September 2003, Mr. Welch has been Chief Executive Officer and President of Intermune, Inc., a biotechnology company. Before joining Intermune, he was Chairman and Chief Executive Officer of Triangle Pharmaceuticals from 2002 to 2003, which was acquired by Gilead in 2003. Prior to that, he was President of Biopharmaceuticals at Elan Corporation from 2000 to 2002. During his tenure at Elan he was responsible for its U.S. commercial operations, international subsidiaries, R&D and diagnostics businesses. From 1987 to 2000, Mr. Welch served in various senior management roles at Sanofi-Synthelabo, now Sanofi-Aventis, including Vice President of Worldwide Marketing and Chief Operating Officer of the U.S. business. Mr. Welch holds a B.A. from the University of Miami and an M.B.A. from the University of North Carolina.

## EXECUTIVE MANAGEMENT

The executive management of the Company who are not also directors of the Company, their ages as of May 16, 2008 and certain other information about them are set forth below:

Name of Non-Director Executive Management	Age	Company Positions/Offices
Todd E. Simpson	47	Chief Financial Officer
Eric L. Dobmeier	39	Chief Business Officer
Thomas C. Reynolds, M.D., Ph.D.	49	Chief Medical Officer
Morris Z. Rosenberg, D.Sc.	48	Senior Vice President, Development

## EXECUTIVE MANAGEMENT PROFILES

**Todd E. Simpson** Mr. Simpson has served as our Chief Financial Officer since October 2005. Previously, Mr. Simpson served from October 2001 to October 2005 as Vice President, Finance & Administration and Chief Financial Officer of Targeted Genetics Corporation, a biotechnology company. From January 1996 to October 2001, Mr. Simpson served as Vice President, Finance & Administration and CFO of Aastron Biosciences, Inc., a biotechnology company. From August 1995 to December 1995, he served as Treasurer of Integra LifeSciences Corporation, a biotechnology company, which acquired Telios Pharmaceuticals, Inc., in August 1995. From 1992 until its acquisition by Integra, he served as Vice President of Finance and CFO of Telios and in various other finance-related positions. Mr. Simpson is a certified public accountant, and from 1983 to 1992 he practiced public accounting with the firm of Ernst & Young LLP. Mr. Simpson received a B.S. in Accounting and Computer Science from Oregon State University.

**Eric L. Dobmeier** Mr. Dobmeier has served as our Chief Business Officer since May 2007. Previously, he served as our Senior Vice President, Corporate Development from February 2005 to May 2007, as our Vice President, Corporate Affairs from August 2003 to February 2005 and as our Senior Director, Legal Affairs from March 2002 to August 2003. He was also our General Counsel from March 2002 to September 2006. Prior to joining the Company, Mr. Dobmeier was with the law firms of Venture Law Group and Heller Ehrman White & McAuliffe where he represented technology companies in connection with public and private financings, mergers and acquisitions and corporate partnering transactions. Mr. Dobmeier received a J.D. from Boalt Hall School of Law, University of California, Berkeley and an A.B. in History from Princeton University.

**Thomas C. Reynolds, M.D., Ph.D.** Dr. Reynolds has served as our Chief Medical Officer since March 2007. From June 2002 to March 2007, Dr. Reynolds held various positions at Zymogenetics, Inc., a biotechnology company, most recently serving as Vice President, Medical Affairs. Prior to that, Dr. Reynolds

served in various positions at Targeted Genetics Corporation, including Vice President, Clinical Affairs. Dr. Reynolds received his M.D. and Ph.D. in Biophysics from Stanford University and a B.A. in Chemistry from Dartmouth College.

**Morris Z. Rosenberg, D.Sc.** Dr. Rosenberg has served as our Senior Vice President, Development since October 2004 and was our Vice President, Development from July 2001 to October 2004. Previously, he was Head of Bioprocess Development at Eli Lilly & Company from July 1998 to July 2001. From August 1990 to July 1998, he held positions of increasing managerial responsibility, including Group Leader, at Biogen, Inc., a biopharmaceutical company. Dr. Rosenberg received a D.Sc. in Chemical Engineering, a M.S. and B.S. in Chemical Engineering, and a B.A. in Biology from Washington University in St. Louis, Missouri.

#### **INDEPENDENCE OF THE BOARD OF DIRECTORS**

As required under the Nasdaq Global Market ( Nasdaq ) listing standards, a majority of the members of a listed company s board of directors must qualify as independent as defined in Rule 4200 of the listing standards of the National Association of Securities Dealers ( NASD ), as affirmatively determined by the board of directors. Our Board of Directors consults with our internal and outside counsel to ensure that the Board of Directors determinations are consistent with all relevant laws and regulations regarding the definition of independent, including those set forth in pertinent listing standards of Nasdaq.

Management has reviewed the directors responses to a questionnaire asking about their transactions, relationships and arrangements with the Company (and those of their immediate family members) and other potential conflicts of interest. Other than as set forth below, these questionnaires did not disclose any transactions, relationships or arrangements that question the independence of our directors. After reviewing this information, our Board of Directors has determined that all of our directors are independent directors within the meaning of the applicable NASD rules except for Clay B. Siegall, our President and Chief Executive Officer and Daniel F. Hoth as a result of consulting activities provided to the Company by Dr. Hoth. In addition, the Board of Directors considered Mr. Gryska s employment as Chief Financial Officer with Celgene Corporation and the relationships that the Company has with Celgene Corporation in making the determination that Mr. Gryska is independent.

#### **MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS**

During 2007, the Board met five times and acted by written consent once. On at least a quarterly basis, the Board meets in executive sessions of independent directors without management present. The Board has several committees, including a Compensation Committee, an Audit Committee and a Nominating and Corporate Governance Committee. Each director attended at least 75% of the aggregate of Board and applicable committee meetings on which he served during 2007 for the period that he was a director or committee member.

Since February 2005, Felix Baker has served as the lead director of the Board. His duties include, among others:

providing leadership to the Board complementary to the Chairman of the Board;

working with the Chairman of the Board and Corporate Secretary to set the agenda for Board meetings;

chairing regular meetings of independent directors without management present; and

chairing Board meetings if the Chairman of the Board is not in attendance.

#### **Compensation Committee**

During 2007 the Compensation Committee consisted of Felix Baker (Chairman), Marc E. Lippman, Srinivas Akkaraju and David W. Gryska. In February 2008, the Board changed the membership of the Compensation



Committee and it currently consists of Felix Baker (Chairman), David W. Gryska and Daniel G. Welch. The Board of Directors has determined that all of the members of the Compensation Committee currently serving, as well as those serving during 2007, are independent as that term is defined in Rule 4200 of the listing standards of the NASD and Rule 16b-3 under the Exchange Act of 1934 (the Exchange Act) and are outside directors pursuant to Section 162(m) of the Internal Revenue Code.

The Compensation Committee held two meetings and acted by written consent once during 2007. The functions of the Compensation Committee are to establish and administer our policies regarding annual executive salaries and cash incentives and long-term equity incentives. The Compensation Committee administers our 1998 Stock Option Plan, 2007 Equity Incentive Plan, 2000 Directors Stock Option Plan and 2000 Employee Stock Purchase Plan. The Compensation Committee operates under a written charter setting forth the functions and responsibilities of the committee. A copy of the Compensation Committee charter can be viewed on our website at [www.seattlegenetics.com](http://www.seattlegenetics.com).

#### **Audit Committee**

The Audit Committee consists of Franklin M. Berger (Chairman), David W. Gryska and John P. McLaughlin. The Board of Directors has determined that all of the members of the Audit Committee are independent as that term is defined in Rules 4200 and 4350 of the listing standards of the NASD and Rule 10A-3 of the Exchange Act. The Board of Directors has determined that Mr. Berger is an audit committee financial expert as defined in Item 401(h) of Regulation S-K of the Exchange Act.

The Audit Committee held six meetings and acted by written consent once during 2007. Among its responsibilities, the Audit Committee appoints and establishes the fees for our independent registered public accounting firm, reviews and approves the procedures we use to prepare our periodic reports, reviews and approves our critical accounting policies, reviews the independence of the independent registered public accounting firm, monitors the effectiveness of the audit effort and oversees our financial and accounting organization and our system of internal accounting controls. The Audit Committee operates under a written charter setting forth the functions and responsibilities of the committee, which is reviewed annually and amended as necessary by the Audit Committee and the Board of Directors to ensure compliance with all applicable laws and regulations, including the Sarbanes-Oxley Act of 2002 and corporate governance standards adopted by the NASD. A copy of the Audit Committee charter can be viewed on our website at [www.seattlegenetics.com](http://www.seattlegenetics.com).

#### **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee consists of Srinivas Akkaraju (Chairman), Felix Baker, Marc E. Lippman and Franklin M. Berger. The Board of Directors has determined that all of the members of the Nominating Committee are independent as that term is defined in Rule 4200 of the listing standards of the NASD.

The Nominating and Corporate Governance Committee held three meetings during 2007. The Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to serve as members of the Board of Directors, recommending nominees to the Board for election as directors of the Company and as members of the committees of the Board of Directors, as well as developing and recommending to the Board of Directors corporate governance guidelines and providing oversight with respect to corporate governance and ethical conduct. The Nominating and Corporate Governance Committee operates under a written charter setting forth the functions and responsibilities of the committee. A copy of the Nominating and Corporate Governance Committee charter can be viewed on our website at [www.seattlegenetics.com](http://www.seattlegenetics.com).

The Nominating and Corporate Governance Committee assesses many characteristics when considering director candidates. Among the characteristics to be considered are such person's professional background, business experience, judgment and integrity, familiarity with the biotechnology industry and applicable expertise.

In determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board and its committees, as well as the nature and time involved in a director's service on other boards.

The Nominating and Corporate Governance Committee identifies nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination. If there is a vacancy on the Board as a result of a resignation or otherwise, or if the Board decides not to nominate a member for re-election or decides to add a member to the Board, the Nominating Committee identifies the desired skills and experience of a new nominee in light of the criteria above and the Board's needs. Current members of the Board are asked to submit suggestions as to individuals meeting the criteria described above. To date, we have not engaged third parties to identify or evaluate or assist in identifying potential nominees, although we may in the future decide to retain a third-party search firm.

In accordance with our Bylaws and applicable law, recommendations for nominations for directors may be made by any stockholder of record entitled to vote for the election of directors at stockholder meetings held for such purpose. The requirements a stockholder must follow for recommending persons for election as directors are set forth in our Bylaws and the section of this Proxy Statement titled "Proposals for 2009 Annual Meeting." If a stockholder complies with these procedures for recommending persons for election as directors, the Nominating and Corporate Governance Committee will conduct the appropriate and necessary inquiries into the backgrounds, qualifications and skills of the recommended candidates and, in the exercise of the Nominating and Corporate Governance Committee's independent judgment in accordance with the policies and procedures adopted in the Nominating and Corporate Governance Committee's charter, will determine whether to recommend the candidate(s) recommended by the stockholders to the Board for inclusion in the list of candidates for election as directors at the next stockholder meeting held to elect directors.

#### **Annual Meeting Attendance**

Although we do not have a formal policy regarding attendance by members of the Board of Directors at our annual meetings of stockholders, directors are encouraged to attend. Four directors attended the 2007 annual meeting of stockholders.

#### **Communications with the Board of Directors**

The Company's Board of Directors currently does not have a formal process for stockholders to send communications to the Board of Directors. Nevertheless, efforts are made to ensure that the views of stockholders are heard by the Board or individual directors, as applicable, and that appropriate responses are provided to stockholders on a timely basis. The Board does not recommend that formal communication procedures be adopted at this time because it believes that informal communications are sufficient to communicate questions, comments and observations that could be useful to the Board. However, stockholders wishing to formally communicate with the Board of Directors may send communications directly to Seattle Genetics, Inc., Attention: Investor Relations, 21823 - 30<sup>th</sup> Drive Southeast, Bothell, WA 98021, and the communication will be forwarded, as appropriate. If the communication regards a stockholder proposal to be considered at an annual meeting of stockholders, the methods and timing for submitting a stockholder proposal are covered on page 4 of this proxy statement under the caption "Proposals for 2009 Annual Meeting."

#### **Code of Ethics**

The Board of Directors has adopted a Code of Ethics for all directors, officers and employees of Seattle Genetics, Inc. A copy of the Code of Ethics can be viewed on our website at [www.seattlegenetics.com](http://www.seattlegenetics.com). We will

disclose any amendment to the Code of Ethics or waiver of a provision of the Code of Ethics for directors, executive officers and other senior financial officers, including the name of the director or executive officer to whom the waiver was granted, on a Form 8-K filed with the SEC.

#### **Whistleblower Policy**

The Company has adopted a Whistleblower Policy applicable to its employees that provides for protection from retaliation or discrimination by the Company due to reporting issues relating to compliance with applicable laws and regulations.

#### **DIRECTOR COMPENSATION**

The Board revised director compensation in May 2007 by instituting a retainer fee for service on the Board and the various committees rather than paying on a meeting-by-meeting basis to better reflect the manner in which our senior management interacts with our directors. As a result, our nonemployee directors receive an annual retainer of \$30,000 for their service on the Board, plus reimbursement for out-of-pocket expenses incurred in connection with attendance at Board meetings. Dr. Siegall, our only employee director, currently receives no cash fees for Board service but is reimbursed for reasonable and customary travel expenses. Additionally, the Chairman of our Audit Committee, Mr. Berger, receives an annual retainer of \$16,000 and the Chairmen of our Compensation Committee, Dr. Baker, our Nominating and Corporate Governance Committee, Dr. Akkaraju, and our Science Committee, Dr. Lippman, each receive an annual retainer of \$5,000 for their service as Chairmen of their respective committees. Members of the Audit Committee, except the Chairman, receive an annual retainer of \$8,000, members of our Compensation Committee and Nominating and Corporate Governance Committee, except the respective Chairmen, receive an annual retainer of \$3,000 and members of the Science Committee, except the Chairman, receive an annual retainer of \$2,000 for their service as members on such committees. The amounts shown in the table below are pro-rated based on the adoption of the new director compensation model in May 2007 and include some fees earned under the previous compensation model in effect prior to May 2007.

The Company's Directors' Plan provides that each person who becomes a nonemployee director of the Company is granted a nonstatutory stock option to purchase 25,000 shares of the Company's common stock (the Initial Option). The Initial Option is granted on the date on which the optionee first becomes a nonemployee director of the Company. Srinivas Akkaraju and Felix Baker were not granted an Initial Option upon becoming directors of the Company.

Thereafter, on the date of each annual meeting of the Company's stockholders, each nonemployee director is granted an additional option to purchase 10,000 shares of common stock if, on such date, he or she has served on the Board for at least six months (the Annual Option). Therefore, Felix Baker, Marc E. Lippman, Franklin M. Berger, Srinivas Akkaraju, David W. Gyska, Daniel F. Hoth, John P. McLaughlin and Daniel G. Welch will each receive an Annual Option under the Directors' Plan on the date of the Annual Meeting.

Both Initial Options and Annual Options have ten year terms and are subject to adjustment to reflect any stock splits, stock dividends, combinations or similar transactions. The Annual Options become fully exercisable on the day before the anniversary of the date of grant of the Annual Option and the Initial Options become exercisable as to 1/4<sup>th</sup> of the shares subject to the Initial Option on the first anniversary of the date of grant and as to 1/36<sup>th</sup> of the remaining shares subject to the Initial Option ratably each month thereafter. The exercise price of the options is equal to the fair market value of our common stock on the Nasdaq Global Market on the date the option is granted. The options remain exercisable for up to ninety days following the optionee's termination of service as a member of the Board of Directors, unless such termination is a result of death or disability, in which case the options remain exercisable for up to a twelve-month period (or such lesser period as is determined by the Board).

Marc E. Lippman, Srinivas Akkaraju, Felix Baker, Franklin M. Berger, David W. Gryska and Daniel F. Hoth each received a stock option grant of 10,000 shares on May 25, 2007, the date of our 2007 Annual Meeting. Employee directors receive no additional compensation for serving on the Board of Directors.

The following table sets forth all of the compensation awarded to, earned by, or paid to each person who served as a director during 2007, other than a director who also served as a Named Executive Officer.

Name (a)	Fees Earned or		All Other	Total (\$ (h))
	Paid in Cash (\$ (b))	Option Awards (\$ (d) (8))	Compensation (\$ (g))	
Marc E. Lippman, M.D. (1)	39,750	41,779		81,529
Franklin M. Berger (2)	46,250	53,941		100,191
Srinivas Akkaraju, M.D., Ph.D. (3)	37,000	41,779		78,779
David W. Gryska (4)	39,250	56,375		95,625
Felix Baker, Ph.D. (5)	36,000	41,779		77,779
Daniel F. Hoth, M.D. (6)	30,500	58,796	44,400	133,696
John P. McLaughlin (7)	28,500	45,160		73,660
Daniel G. Welch (8)	22,500	45,160		67,770

- (1) Dr. Lippman is currently a member of our Nominating and Corporate Governance Committee and Science Committee and was a member of our Compensation Committee during 2007. The fees earned include \$29,000 as part of a retainer and for Board meetings attended, \$4,250 for service as the Chairman of our Science Committee and \$6,500 as a member of our Compensation Committee and our Nominating and Corporate Governance Committee. The option awards amount represents the dollar amount recognized for financial statement reporting purposes with respect to options held by Dr. Lippman during the fiscal year in accordance with FAS123R. This amount consisted of: (a) \$9,149 with respect to the option granted on May 19, 2006; and (b) \$32,630 with respect to the option granted on May 25, 2007 (the aggregate grant date fair value of such option was \$54,284).
- (2) Mr. Berger is currently a member of our Audit Committee and Nominating and Corporate Governance Committee. The fees earned include \$29,000 as part of a retainer and for Board meetings attended, \$13,500 for service as the Chairman of our Audit Committee and \$3,750 as a member of our Nominating and Corporate Governance Committee. The option awards amount represents the dollar amount recognized for financial statement reporting purposes with respect to options held by Mr. Berger during the fiscal year in accordance with FAS123R. This amount consisted of: (a) \$12,161 with respect to the option granted on June 30, 2004; (b) \$9,149 with respect to the option granted on May 19, 2005; and (c) \$32,630 with respect to the option granted on May 25, 2007 (the aggregate grant date fair value of such option was \$54,284).
- (3) Dr. Akkaraju is currently a member of our Nominating and Corporate Governance Committee and was a member of our Compensation Committee during 2007. The fees earned include \$29,000 as part of a retainer and for Board meetings attended, \$5,250 for service as the Chairman of our Nominating and Corporate Governance Committee and \$2,750 as a member of our Compensation Committee. The option awards amount represents the dollar amount recognized for financial statement reporting purposes with respect to options held by Dr. Akkaraju during the fiscal year in accordance with FAS123R. This amount consisted of: (a) \$9,149 with respect to the option granted on May 19, 2006; and (b) \$32,630 with respect to the option granted on May 25, 2007 (the aggregate grant date fair value of such option was \$54,284).
- (4) Mr. Gryska is currently a member of our Audit Committee and Compensation Committee. The fees earned include \$29,000 as part of a retainer and for Board meetings attended, \$7,500 as a member of the Audit Committee and \$2,750 as a member of the Compensation Committee. The option awards amount represents the dollar amount recognized for financial statement reporting purposes with respect to options held by Mr. Gryska during the fiscal year in accordance with FAS123R. This amount consisted of: (a) \$14,596 with respect to the option granted on March 25, 2005; (b) \$9,149 with respect to the option granted on May 19, 2006; and (c) \$32,630 with respect to the option granted on May 25, 2007 (the aggregate grant date fair value of such option was \$54,284).

- (5) Dr. Baker is currently our Lead Director and is a member of our Compensation Committee and Nominating and Corporate Governance Committee. The fees earned include \$28,000 as part of a retainer and for Board meetings attended, \$4,250 for service as the Chairman of our Compensation Committee and \$3,750 as a member of our Nominating and Corporate Governance Committee. The option awards amount represents the dollar amount recognized for financial statement reporting purposes with respect to options held by Dr. Baker during the fiscal year in accordance with FAS123R. This amount consisted of: (a) \$9,149 with respect to the option granted on May 19, 2006; and (b) \$32,630 with respect to the option granted on May 25, 2007 (the aggregate grant date fair value of such option was \$54,284).
- (6) Dr. Hoth is currently a member of our Science Committee. The fees earned include \$29,000 as part of a retainer and for Board meetings attended and \$1,500 as a member of our Science Committee. The option awards amount represents the dollar amount recognized for financial statement reporting purposes with respect to options held by Dr. Hoth during the fiscal year in accordance with FAS123R. This amount consisted of: (a) \$26,167 with respect to the option granted on March 9, 2006; and (b) \$32,630 with respect to the option granted on May 25, 2007 (the aggregate grant date fair value of such option was \$54,284). The amount reported in all other compensation represents consulting fees earned by Dr. Hoth for consulting services provided during 2007 to the Company by Hoth Consulting, of which Dr. Hoth is the President.
- (7) Mr. McLaughlin joined the Board in June 2007 and is currently a member of our Audit Committee. The fees earned include a \$22,500 retainer, which is the pro-rated amount of the annual Board retainer, and \$6,000 as a member of our Audit Committee. The option awards amount represents the dollar amount recognized for financial statement reporting purposes with respect to options held by Mr. McLaughlin during the fiscal year in accordance with FAS123R. This amount consisted of \$45,160 with respect to the option granted on June 13, 2007 (the aggregate grant date fair value of such option was \$144,847).
- (8) Mr. Welch joined the Board in June 2007 and became a member of our Compensation Committee in February 2008. The fees earned include a \$22,500 retainer, which is the pro-rated amount of the annual Board retainer. The option awards amount represents the dollar amount recognized for financial statement reporting purposes with respect to options held by Mr. Welch during the fiscal year in accordance with FAS123R. This amount consisted of \$45,160 with respect to the option granted on June 13, 2007 (the aggregate grant date fair value of such option was \$144,847).
- (8) As of December 31, 2007, our nonemployee directors held outstanding options to purchase the following number of shares of our common stock: Dr. Baker (40,000); Dr. Hoth (35,000); Dr. Lippman (89,166); Mr. Berger (55,000); Dr. Akkaraju (40,000); Mr. Gryska (45,000), Mr. McLaughlin (25,000) and Mr. Welch (25,000).

**Recommendation of the Board:**

**THE BOARD RECOMMENDS A VOTE FOR**

**THE ELECTION OF ALL NOMINEES NAMED ABOVE.**

## **PROPOSAL NO. 2**

### **INCREASE AUTHORIZED SHARES OF COMMON STOCK**

The Board is requesting stockholder approval of an amendment to the Company's Fourth Amended and Restated Certificate of Incorporation (the Restated Certificate) to increase the Company's authorized number of shares of Common Stock from 100,000,000 shares to 150,000,000 shares (the Amendment). Currently, 5,000,000 shares of preferred stock are also authorized under the Restated Certificate. If this Proposal No. 2 is approved at the Annual Meeting, the Company will have a total of 155,000,000 shares of authorized capital stock.

The additional Common Stock to be authorized by adoption of the Amendment would have rights identical to the currently outstanding Common Stock of the Company. Adoption of the Amendment to increase the authorized Common Stock would not affect the rights of the holders of currently outstanding Common Stock. The rights of the holders of the currently outstanding Common Stock of the Company would only be affected upon the subsequent issuance of Common Stock and the effects would be incidental, such as dilution of the holders of Common Stock at the time of issuance of the additional Common Stock. If the Amendment is approved, it will become effective upon filing of a Certificate of Amendment of the Company's Restated Certificate with the Secretary of State of the State of Delaware.

In addition to the 79,260,491 shares of Common Stock outstanding on March 26, 2008, the Board has reserved an aggregate of 12,918,214 shares for issuance upon exercise of options under the Company's 1998 Stock Option Plan, the 2000 Directors' Stock Option Plan and the 2007 Equity Incentive Plan (collectively, the Option Plans), 588,275 shares of Common Stock issuable pursuant to the Company's Employee Stock Purchase Plan and 1,925,000 shares of Common Stock which may be issued upon exercise of outstanding warrants.

The Board desires to have the additional shares of Common Stock available to provide flexibility to use its capital stock for business and financial purposes in the future. The additional shares may be used for various purposes without further stockholder approval, subject to applicable laws and NASD listing requirements that may require stockholder approval for certain issuances of additional shares. These purposes may include: raising capital; establishing strategic relationships with other companies; expanding the Company's business or product lines through acquisition of other businesses or products; providing equity incentives to directors, officers, employees or consultants; thwarting a hostile takeover of the Company or a change in control; as well as other purposes. The Company does not have any current plans to issue any of the additional shares of Common Stock authorized by approval of this Proposal No. 2 and the Amendment.

If this Proposal No. 2 is approved and the Amendment becomes effective, Article IV(A) of t