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

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended June 30, 2019**

**OR**

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

**For the transition period from _____ to _____**

**Commission File No. 001-36296**

# Sesen Bio, Inc.
**(Exact name of registrant as specified in its charter)**

| **DELAWARE** | **26-2025616** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **245 First Street, Suite 1800<br>Cambridge, MA** | **02142** |
| **(Address of principal executive offices)** | **(Zip code)** |

**Registrant's telephone number, including area code: (617) 444-8550**

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. x Yes o No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large Accelerated filer | o |
| Non-accelerated filer | o |
| Accelerated filer | x |
| Smaller reporting company | x |
| Emerging growth company | x |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.):

o Yes x No

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.001 par value | SESN | The Nasdaq Stock Market |

Number of outstanding shares of Common Stock as of August 6, 2019: 101,265,896

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Unless the context otherwise requires, all references in this Quarterly Report on Form 10-Q to the "Company," "Sesen," "we," "us," and "our" include Sesen Bio, Inc. and its subsidiaries.

## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future product research or development, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words “anticipate,” “believe,” “goals,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements in this Quarterly Report on Form 10-Q include, among other things, statements about:

- our expected future loss and accumulated deficit levels;
- our projected financial position and estimated cash burn rate;
- our estimates regarding expenses, future revenues, capital requirements and needs for, and ability to obtain, additional financing;
- our need to raise substantial additional capital to fund our operations;
- the potential impairment of our goodwill and our indefinite-lived intangible assets;
- the effect of recent changes in our senior management team on our business;
- the success, cost and timing of our pre-clinical studies and clinical trials in the United States, Canada and in other foreign jurisdictions;
- the potential that results of pre-clinical studies and clinical trials indicate our product candidates are unsafe or ineffective;
- our dependence on third parties, including contract research organizations, or CROs, in the conduct of our pre-clinical studies and clinical trials;
- the difficulties and expenses associated with obtaining and maintaining regulatory approval of our product candidates and companion diagnostics, if any, in the United States, Canada and in other foreign jurisdictions, and the labeling under any approval we may obtain;
- our plans and ability to develop and commercialize our product candidates;
- our ability to achieve certain future regulatory, development and commercialization milestones under our license agreement, which we refer to as the License Agreement, with F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc., or collectively, Roche;
- the timing and costs associated with our manufacturing process and technology transfer to FUJIFILM Diosynth Biotechnologies U.S.A., Inc., or Fujifilm, and our reliance on Fujifilm to perform under our agreement;
- market acceptance of our product candidates, the size and growth of the potential markets for our product candidates, and our ability to serve those markets;
- obtaining and maintaining intellectual property protection for our product candidates and our proprietary technology;
- the successful development of our commercialization capabilities, including sales and marketing capabilities; and
- the success of competing therapies and products that are or become available.

Our product candidates are investigational biologics undergoing clinical development and have not been approved by or submitted for approval to the U.S. Food and Drug Administration, or FDA, Health Canada, or the European Commission. Our product candidates have not been, nor may they ever be, approved by any regulatory agency or competent authorities nor marketed anywhere in the world.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and our stockholders should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Quarterly Report on Form 10-Q, particularly in the “Risk Factors” section, that could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements contained in this Quarterly Report on Form 10-Q are made as of the date of this

Quarterly Report on Form 10-Q, and we do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

## PART I—FINANCIAL INFORMATION

**Item 1. Financial Statements**

**SESEN BIO, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(unaudited)**
**(in thousands, except share and per share data)**

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 64,931 | $ 50,422 |
| Prepaid expenses and other current assets | 2,598 | 1,334 |
| Total current assets | 67,529 | 51,756 |
| Property and equipment, net | 376 | 321 |
| Restricted cash | 20 | 20 |
| Intangible assets | 46,400 | 46,400 |
| Goodwill | 13,064 | 13,064 |
| Other assets | 223 | — |
| Total assets | $ 127,612 | $ 111,561 |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 2,176 | $ 1,367 |
| Accrued expenses | 5,630 | 4,746 |
| Other current liabilities | 142 | — |
| Total current liabilities | 7,948 | 6,113 |
| Other liabilities | 367 | 313 |
| Deferred tax liability | 12,528 | 12,528 |
| Contingent consideration | 91,400 | 48,400 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, $0.001 par value per share; 5,000,000 shares authorized at June 30, 2019 and December 31, 2018 and no shares issued and outstanding at June 30, 2019 and December 31, 2018 | — | — |
| Common stock, $0.001 par value per share; 200,000,000 shares authorized at June 30, 2019 and December 31, 2018 and 101,265,896 and 77,456,180 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively | 101 | 77 |
| Additional paid-in capital | 262,107 | 230,154 |
| Accumulated deficit | (246,839) | (186,024) |
| Total stockholders' equity | 15,369 | 44,207 |
| Total liabilities and stockholders' equity | $ 127,612 | $ 111,561 |

*See accompanying notes.*

**SESEN BIO, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**(unaudited)**
**(in thousands, except per share data)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Operating expenses: | | | | |
| Research and development | 7,944 | 2,779 | 12,630 | 6,034 |
| General and administrative | 2,617 | 2,351 | 5,672 | 4,303 |
| Loss from change in fair value of contingent consideration | 44,000 | 3,900 | 43,000 | 2,700 |
| Total operating expenses | 54,561 | 9,030 | 61,302 | 13,037 |
| Loss from operations | (54,561) | (9,030) | (61,302) | (13,037) |
| Other income: | | | | |
| Other income, net | 226 | 72 | 487 | 116 |
| Total other income, net | 226 | 72 | 487 | 116 |
| Net loss and comprehensive loss | $ (54,335) | $ (8,958) | $ (60,815) | $ (12,921) |
| Net loss per share — basic and diluted | $ (0.67) | $ (0.16) | $ (0.77) | $ (0.28) |
| Weighted-average number of common shares used in net loss per share — basic and diluted | 80,739 | 56,421 | 79,107 | 46,105 |

*See accompanying notes.*

**SESEN BIO, INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(in thousands, except share data)**

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Stockholders' Equity |
|---|---|---|---|---|---|
| | Shares | Amount | | | |
| | (in thousands, except share data) | | | | |
| Balance at December 31, 2018 | 77,456,180 | 77 | 230,154 | (186,024) | 44,207 |
| Issuance of common stock pursuant to the 2014 ESPP | 8,601 | — | 7 | — | 7 |
| Stock-based compensation expense | — | — | 326 | — | 326 |
| Net loss | — | — | — | (6,480) | (6,480) |
| Balance at March 31, 2019 | 77,464,781 | $ 77 | $ 230,487 | $ (192,504) | $ 38,060 |
| | | | | | |
| Exercise of stock options | 30,000 | — | 45 | — | 45 |
| Exercise of common stock warrants | 3,361,115 | 4 | 3,430 | — | 3,434 |
| Issuance of common stock and common stock warrants, net of issuance costs | 20,410,000 | 20 | 27,789 | — | 27,809 |
| Stock-based compensation expense | — | — | 356 | — | 356 |
| Net loss | | | | (54,335) | (54,335) |
| Balance at June 30, 2019 | 101,265,896 | 101 | 262,107 | (246,839) | 15,369 |

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Stockholders' Equity |
|---|---|---|---|---|---|
| | Shares | Amount | | | |
| | (in thousands, except share data) | | | | |
| Balance at December 31, 2017 | 34,702,565 | 35 | 170,330 | (152,331) | 18,034 |
| Exercise of stock options and vesting of restricted stock awards | 4,430 | — | — | — | — |
| Issuance of common stock pursuant to the 2014 ESPP | 9,565 | — | 10 | — | 10 |
| Exercise of common stock warrants | 420,778 | — | 336 | — | 336 |
| Issuance of common stock and common stock warrants, net of issuance costs | 7,968,128 | 8 | 9,032 | — | 9,040 |
| Stock-based compensation expense | — | — | 401 | | 401 |
| Net loss | — | — | — | (3,963) | (3,963) |
| Balance at March 31, 2018 | 43,105,466 | $ 43 | $ 180,109 | $ (156,294) | $ 23,858 |
| | | | | | |
| Exercise of stock options and vesting of restricted stock awards | 55,259 | — | 29 | — | 29 |
| Exercise of common stock warrants | 8,294,718 | 8 | 6,910 | — | 6,918 |
| Issuance of common stock and common stock warrants, net of issuance costs | 25,555,556 | 26 | 41,906 | — | 41,932 |
| Stock-based compensation expense | — | — | 285 | — | 285 |
| Net loss | | | | (8,958) | (8,958) |
| Balance at June 30, 2018 | 77,010,999 | 77 | 229,239 | (165,252) | 64,064 |

*See accompanying notes.*

**SESEN BIO, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(unaudited)**
**(in thousands)**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| **Operating activities** | | |
| Net loss | $ (60,815) | $ (12,921) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 107 | 101 |
| Stock-based compensation expense | 682 | 686 |
| Loss from change in fair value of contingent consideration | 43,000 | 2,700 |
| Gain on sale of equipment | — | (5) |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other assets | (1,487) | (426) |
| Accounts payable | 809 | 403 |
| Accrued expenses and other liabilities | 961 | (517) |
| Net cash used in operating activities | (16,743) | (9,979) |
| **Investing activities** | | |
| Purchases (sales) of equipment | (43) | 5 |
| Net cash (used in) provided by investing activities | (43) | 5 |
| **Financing activities** | | |
| Proceeds from exercise of common stock options | 45 | 29 |
| Proceeds from issuance of common stock and the issuance and exercise of common stock warrants, net of issuance costs | 31,243 | 58,226 |
| Proceeds from sale of common stock pursuant to 2014 ESPP | 7 | 10 |
| Net cash provided by financing activities | 31,295 | 58,265 |
| Net increase in cash, cash equivalents and restricted cash | 14,509 | 48,291 |
| Cash, cash equivalents and restricted cash at beginning of period | 50,442 | 14,690 |
| Cash, cash equivalents and restricted cash at end of period | $ 64,951 | $ 62,981 |
| **Supplemental non-cash operating activities** | | |
| Right-of-use assets obtained in exchange for operating lease liability | $ 236 | — |
| Cash paid for amounts included in the measurement of lease liabilities | $ 76 | — |
| **Supplemental non-cash investing activities** | | |
| Fixed Assets purchased included in Accrued expenses | $ 119 | — |

*See accompanying notes.*

**SESEN BIO, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(unaudited)**

**1. Organization and Basis of Presentation**

Sesen Bio, Inc. (the "Company"), a Delaware corporation, is a late-stage clinical company developing targeted fusion protein therapeutics ("TFPTs") composed of an anti-cancer antibody fragment tethered to a protein toxin for the treatment of cancer. The Company genetically fuses the cancer-targeting antibody fragment and the cytotoxic protein payload into a single molecule which is produced through the Company's proprietary one-step manufacturing process. The Company targets tumor cell surface antigens with limited expression on normal cells. Binding of the target antigen by the TFPT allows for rapid internalization into the targeted cancer cell. The Company has designed its targeted fusion proteins to overcome the fundamental efficacy and safety challenges inherent in existing antibody-drug conjugates ("ADCs"), where a payload is chemically attached to a targeting antibody.

***Basis of presentation***

The condensed consolidated financial statements as of June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018 and the related information contained within the notes to the condensed consolidated financial statements are unaudited. The unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting standards applicable to interim financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's consolidated financial position as of June 30, 2019, its results of operations for the three and six months ended June 30, 2019 and 2018, its statement of shareholders' equity for the six months ended June 30, 2019 and 2018, and its cash flows for the six months ended June 30, 2019 and 2018. The financial data and the other financial information disclosed in these notes to the condensed consolidated financial statements related to the three and six-month periods are also unaudited. The results of operations for the three and six months ended June 30, 2019 are not necessarily indicative of the results to be expected for the year ending December 31, 2019 or for any other future annual or interim period. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 that was filed with the Securities and Exchange Commission ("SEC") on March 1, 2019 (the "2018 Form 10-K").

The condensed consolidated financial statements include the accounts of the Company, its wholly owned subsidiary, Viventia Bio Inc. ("Viventia"), and its indirect subsidiaries, Viventia Bio USA Inc. and Viventia Biotech (EU) Limited. All inter-company transactions and balances have been eliminated in consolidation. The condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles.

The functional currency of Viventia, Viventia Bio USA Inc. and Viventia Biotech (EU) Limited is the U.S. dollar.

***Liquidity***

The Company has financed its operations to date primarily through private placements of its common stock and preferred stock, and convertible bridge notes, venture debt borrowings, its initial public offering ("IPO"), follow-on public offerings, sales effected in an "at-the-market" offering, and the License Agreement (the "License Agreement") with F. Hoffmann La-Roche Inc. (collectively, "Roche"). As of June 30, 2019, the Company had cash and cash equivalents totaling $64.9 million, net working capital of $59.6 million and an accumulated deficit of $246.8 million.

The future success of the Company is dependent on its ability to develop its product candidates and ultimately upon its ability to attain profitable operations. In order to commercialize its product candidates, the Company needs to complete clinical development and comply with comprehensive regulatory requirements. The Company is subject to a number of risks similar to other late-stage clinical companies, including, but not limited to, successful discovery and development of its product candidates, raising additional capital with favorable terms, development by its competitors of new technological innovations, protection of proprietary technology and market acceptance of the Company's products. The successful discovery and development of product candidates requires substantial working capital which may not be available to the Company on favorable terms or not at all.

On June 21, 2019, the Company raised approximately $28 million in net proceeds from the sale of 20,410,000 shares of its common stock and accompanying warrants to purchase up to 20,410,000 shares of its common stock in an underwritten public offering (the "June 2019 Financing"). The combined purchase price for each share of common stock and accompanying warrant was $1.47. Each warrant has an exercise price of $1.47 per share and is exercisable from date of issuance through June 21, 2020.

In addition, between April 1, 2019 and June 30, 2019, the Company received proceeds of $3.4 million from the issuance of 3.4 million shares of its common stock due to the exercise of common stock purchase warrants issued in connection with (i) its underwritten public offering in November 2017 and (ii) its private placement of common stock warrants in March 2018.

To date, the Company has no revenue from product sales and management expects continuing operating losses in the future. As of June 30, 2019, the Company had available cash and cash equivalents of $64.9 million, which it believes is sufficient to fund the Company's current operating plan for at least the next twelve months after the date of this Form 10-Q filing. Management expects to seek additional funds through equity or debt financings or through additional collaboration, licensing transactions or other sources. The Company may be unable to obtain equity or debt financings or enter into additional collaboration or licensing transactions and, if necessary, the Company will be required to implement cost reduction strategies. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

**2. Significant Accounting Policies and Recent Accounting Pronouncements**

***Recently adopted accounting standards***

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"). ASU 2016-02 addresses the financial reporting of leasing transactions. Under past guidance for lessees, leases are only included on the balance sheet if certain criteria, classifying the agreement as a capital lease, are met. This update requires the recognition of a right-of-use asset and a corresponding lease liability, discounted to the present value, for all leases that extend beyond 12 months. For operating leases, the asset and liability are expensed over the lease term on a straight-line basis, with all cash flows included in the operating section of the statement of cash flows. For finance leases, interest on the lease liability is recognized separately from the amortization of the right-of-use asset in the statement of operations and the repayment of the principal portion of the lease liability is classified as a financing activity while the interest component is included in the operating section of the statement of cash flows. This guidance is effective for annual and interim reporting periods beginning after December 15, 2018 including interim periods within those fiscal years. In July 2018, the FASB issued ASU No. 2018-10, *Leases (Topic 842), Codification Improvements* ("ASU 2018-10"), ASU No. 2018-11, *Leases (Topic 842), Targeted Improvements* ("ASU 2018-11"), and ASU No. 2019-01 *Leases (Topic 842), Codification Improvements* to provide additional guidance for the adoption Accounting Standards Codification ("ASC") of Topic 842, *Leases* ("ASC 842"). ASU 2018-10 clarifies certain provisions and corrects unintended applications of the guidance, such as the rate implicit in a lease, impairment of the net investment in a lease, lessee reassessment of lease classifications, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments. The amendments in ASU 2018-11 allow for an additional transition method, whereby at the adoption date the entity recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, while the comparative period disclosures continue recognition under ASC 840, *Leases* ("ASC 840"). Additionally, ASU 2018-11 includes a practical expedient for separating contract components for lessors. The Company adopted ASC 842 using the optional transition method outlined in ASU 2018-11 as of January 1, 2019. The adoption of ASC 842 resulted in the recognition of operating lease right-of-use assets of approximately $236,000 and corresponding lease liabilities of approximately $236,000. The adoption of these ASUs did not have a material impact on the Company's financial condition or results of operations, however, the adoption resulted in significant changes to the Company's financial statement disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairmen*t ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. The Company adopted this guidance effective January 1, 2019. The adoption of ASU 2017-04 did not have a material impact on our condensed consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation-Stock Compensation (Topic 718) ("Topic 718"): Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-07"). ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees, and as a result, the accounting for share-based payments to non-employees will be substantially aligned. ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company adopted this standard effective January 1, 2019. The adoption of ASU 2018-07 did not have a material impact on the Company's financial position or results of operations.

In July 2018, the FASB issued ASU No. 2018-09, *"Codification Improvements"* ("ASU 2018-09"). ASU 2018-09 provides amendments to a wide variety of topics in the FASB's Accounting Standards Codification, which applies to all reporting entities within the scope of the affected accounting guidance. The transition and effective date guidance are based on the facts

and circumstances of each amendment. Some of the amendments in ASU 2018-09 do not require transition guidance and were effective upon issuance of ASU 2018-09. However, many of the amendments do have transition guidance with effective dates for annual periods beginning after December 15, 2018. ASU 2018-09 did not have a material impact on the Company's financial statements and related disclosures.

***Recently issued accounting pronouncements***

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"). ASU 2018-15 requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance to determine which implementation costs to defer and recognize as an asset. The effective date for ASU 2018-15 is for annual and interim periods beginning after December 15, 2019. Early adoption is permitted.
The Company is currently evaluating the impact ASU 2018-15 will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13— *Fair Value Measurement (Topic 820): Disclosure Framework— Changes to the Disclosure Requirements for Fair Value Measurements* ("ASU 2018-13"). ASU 2018-13 modifies fair value measurement disclosure requirements. The effective date for ASU 2018-13 is for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact ASU 2018-13 will have on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13—*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 requires measurement and recognition of expected credit losses for financial assets held. The amendments in ASU 2016-13 eliminate the probable threshold for initial recognition of a credit loss in current GAAP and reflect an entity's current estimate of all expected credit losses. ASU 2016-13 is effective for interim and annual reporting periods beginning January 1, 2020, and is to be applied using a modified retrospective transition method. Earlier adoption is permitted. The Company is currently evaluating the impact ASU 2016-13 will have on its consolidated financial statements.

***Critical accounting policies***

The Company's significant accounting policies are described in Note 2, *Significant Accounting Policies*, in the 2018 Form 10-K. During the six months ended June 30, 2019, the Company adopted the following additional significant accounting policies:

***Leases***

Effective January 1, 2019, the Company adopted ASC 842 using the optional transition method. The adoption of ASC 842 represents a change in accounting principle that aims to increase transparency and comparability among organizations by requiring the recognition of right-of-use assets and lease liabilities on the balance sheet for both operating and finance leases. In addition, the standard requires enhanced disclosures that meet the objective of enabling financial statement users to assess the amount, timing, and uncertainty of cash flows arising from leases. The reported results for the three and six months ended June 30, 2019 reflect the application of ASC 842 guidance, while the reported results for prior periods were prepared in conjunction with ASC 840.

As part of the adoption of ASC 842, the Company utilized certain practical expedients outlined in the guidance. These practical expedients include:

- Accounting policy election to use the short-term lease exception by asset class;
- Election of the practical expedient package during transition, which includes:
  - An entity need not reassess whether any expired or existing contracts are or contain leases.
  - An entity need not reassess the classification for any expired or existing leases. As a result, all leases that were classified as operating leases in accordance with ASC 840 are classified as operating leases under ASC 842, and all leases that were classified as capital leases in accordance with ASC 840 are classified as finance leases under ASC 842.
  - An entity need not reassess initial direct costs for any existing leases.

The Company's lease portfolio as of the adoption date includes: a property lease for its manufacturing facility, a property lease for its headquarters in Cambridge, MA, and a property lease for office space in Philadelphia, PA. The Company also elected the short–term lease recognition exemption for all leases that qualify, where a right–of–use asset or lease liability will not be recognized for short–term leases. The Company determines if an arrangement is a lease at the inception of the contract and

need not separate out non-lease components from lease components, for all classes of underlying assets. The asset components of the Company's operating leases are recorded as operating lease right-of-use assets and reported within Other assets in the Company's condensed consolidated balance sheets. The short term and long term liability components are recorded in Other current liabilities and Other liabilities, respectively, in the Company's condensed consolidated balance sheets. As of June 30, 2019, the Company did not have any finance leases.

Right-of-use assets and operating lease liabilities are recognized based on the present value of lease payments over the lease term at the commencement date. Existing leases in the Company's lease portfolio as of the adoption date were valued as of January 1, 2019. The Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments, if an implicit rate of return is not provided with the lease contract. Operating lease right-of-use assets are adjusted for incentives received.

Operating lease costs are recognized on a straight-line basis over the lease term, in accordance with ASC 842, and also includes variable operating costs incurred during the period. Lease costs also include amounts related to short term leases.

**3. Fair Value of Financial Instruments**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following table presents information about the Company's financial assets and liabilities that have been measured at fair value, and indicates the fair value hierarchy of the valuation inputs utilized to determine such fair value. The Company determines the fair value of contingent consideration using Level 3 inputs.

The following table summarizes the assets and liabilities measured at fair value on a recurring basis at June 30, 2019 (in thousands):

| Description | June 30, 2019 | Active Markets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets: | | | | |
| Cash and cash equivalents | $ 64,931 | $ 64,931 | $ — | $ — |
| Restricted cash | 20 | 20 | — | — |
| Total assets | $ 64,951 | $ 64,951 | $ — | $ — |
| Liabilities: | | | | |
| Contingent consideration | 91,400 | — | — | 91,400 |
| Total liabilities | $ 91,400 | $ — | $ — | $ 91,400 |

The following table summarizes the assets and liabilities measured at fair value on a recurring basis at December 31, 2018 (in thousands):

| Description | December 31, 2018 | Active Markets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets: | | | | |
| Cash and cash equivalents | $ 50,422 | $ 50,422 | $ — | $ — |
| Restricted cash | 20 | 20 | — | — |
| Total assets | $ 50,442 | $ 50,442 | $ — | $ — |
| Liabilities: | | | | |
| Contingent consideration | 48,400 | — | — | 48,400 |
| Total liabilities | $ 48,400 | $ — | $ — | $ 48,400 |

***Contingent consideration***

In 2016, the Company acquired Viventia through the issuance of common stock and contingent consideration (the "Acquisition"), pursuant to the terms of a share purchase agreement (the "Share Purchase Agreement"). The Company has valued the acquired assets and liabilities based on their estimated fair values as of September 20, 2016 and finalized its purchase accounting for the Acquisition during the third quarter of 2017. The contingent consideration relates to amounts potentially payable to Viventia's shareholders pursuant to the terms of the Share Purchase Agreement. Contingent consideration is measured at fair value and is based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions the Company believes would be made by a market participant. The Company assesses these estimates on an on-going basis as additional data impacting the assumptions is obtained. Future changes in the fair value of contingent consideration related to updated assumptions and estimates are recognized within the condensed consolidated statements of operations and comprehensive loss.

Contingent consideration may change significantly as development progresses and additional data are obtained, impacting the Company’s assumptions regarding probabilities of successful achievement of related milestones used to estimate the fair value of the liability and the timing in which they are expected to be achieved. In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The estimates of fair value may not be indicative of the amounts that could be realized in a current market exchange. Accordingly, the use of different market assumptions and/or different valuation techniques could result in materially different fair value estimates. The following table sets forth a summary of changes in the fair value of the Company's contingent consideration liability (in thousands):

| | |
|---|---|
| Beginning balance, December 31, 2018 | $ 48,400 |
| Loss from change in fair value of contingent consideration | 43,000 |
| Ending balance, June 30, 2019 | $ 91,400 |

The fair value of the Company’s contingent consideration was determined using probabilities of successful achievement of regulatory milestones and commercial sales, the period in which these milestones and sales are expected to be achieved ranging from 2021 to 2033, the level of commercial sales of Vicinium® within the United States, Europe, Japan and other potential markets, discount rates ranging from 6.6% to 13.7% as of December 31, 2018 and 6.1% to 11.8% as of June 30, 2019. Significant changes in any of these assumptions would result in a significantly higher or lower fair value measurement. During the quarter ended June 30, 2019, the Company reassessed the total addressable global market for NMIBC and determined that both the global market size and estimated potential Vicinium commercial net sales within the global NMIBC market were likely higher than the Company’s previous estimates. Specific drivers of the increased revenue estimates include the expectation that Vicinium could achieve peak market penetration earlier than previously estimated, and the expectation that Vicinium sales outside the United States could be two to three times the expected sales volumes in the United States. As contingent consideration incorporates a royalty rate of 2% on all commercial net sales reported through December 2033, an increase in expected future net sales correlates to an increase in the fair value of the Company’s potential contingent consideration. Accordingly, the Company’s contingent consideration at June 30, 2019 was adjusted to reflect the Company’s updated view of the NMIBC market and Vicinium’s potential sales volumes in that market.

There have been no changes to the valuation methods utilized during the three and six months ended June 30, 2019. The Company evaluates transfers between levels at the end of each reporting period. There were no transfers of assets or liabilities between levels during the three and six months ended June 30, 2019.

**4. License Agreement with Roche**

On June 10, 2016, the Company entered into the License Agreement with Roche, which became effective on August 16, 2016. Under the License Agreement, the Company granted Roche an exclusive, worldwide license, including the right to sublicense, to its patent rights and know-how related to the Company's monoclonal antibody EBI-031 or all other IL-6 antagonistic anti-IL-6 monoclonal antibodies , to make, have made, use, have used, register, have registered, sell, have sold, offer for sale, import and export any product containing such an antibody or any companion diagnostic used to predict or monitor response to treatment with such a product (collectively, the "Licensed Intellectual Property").

During 2016, the Company received an upfront license fee of $7.5 million and a milestone payment of $22.5 million. The Company is entitled to receive up to $240.0 million in additional consideration upon the achievement of specified regulatory, development and commercial milestones. Specifically, an aggregate amount of up to $175.0 million is payable to the Company for the achievement of specified milestones with respect to the first indication: $50.0 million in development milestones, $50.0 million in regulatory milestones and $75.0 million in commercialization milestones. Additional amounts of up to $65.0 million are payable upon the achievement of specified development and regulatory milestones in a second indication. In addition, the Company is entitled to receive royalty payments in accordance with a tiered royalty rate scale, with rates ranging from 7.5% to 15% for net sales of potential future products containing EBI-031 and up to 50% of these rates for net sales of potential future products containing other IL-6 compounds, with each of the royalties subject to reduction under certain circumstances and to buy-out options.

The License Agreement is subject to the provisions of Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606"), which was adopted effective January 1, 2018 utilizing a modified retrospective method. The Company concluded that all performance obligations had been achieved as of the adoption date and therefore the full transaction price was considered earned. The transaction price was determined to be the $30.0 million received in 2016. Additional consideration to be paid to the Company upon the achievement of certain milestones will be included if it is expected that the amounts will be received and the amounts would not be subject to a constraint. As of the date of the adoption, no amounts were expected to be received from the achievement of any milestones due to the nature of the milestones and the development status of the product candidates at the time of the adoption. As a result, there were no amounts required to be recorded as a cumulative adoption adjustment as the consideration recognized under ASC 606 was consistent with the amounts recognized under the previous accounting literature.

During the three and six months ended June 30, 2019 and June 30, 2018, the Company concluded that there would be no adjustments to the transaction price as the Company continued to not expect any amounts to be received from any milestones within the License Agreement. This is due to the nature of the milestones and the development status of the product candidates as of the end of each reporting period. As a result, no revenue was recognized during the three-month and six-month periods ended June 30, 2019 and June 30, 2018 as all performance obligations had been previously achieved and there was no change in the transaction price during the period.

**5. Accrued Expenses**

Accrued expenses consisted of the following (in thousands):

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Development costs | $ 3,758 | $ 2,928 |
| Employee compensation | 906 | 1,045 |
| Severance to former CEO and other employees | 344 | 278 |
| Professional fees | 615 | 464 |
| Other | 7 | 31 |
| | $ 5,630 | $ 4,746 |

Stephen A. Hurly departed as the President and Chief Executive of the Company, effective as of August 7, 2018. In connection with his departure, Mr. Hurly and the Company entered into a separation agreement and general release, dated September 28, 2018 (the "Separation Agreement"), which sets forth the terms of Mr. Hurly's separation from the Company. Pursuant to the

Separation Agreement, which includes Mr. Hurly's agreement to a release of claims and complying with certain other continuing obligations contained therein, the Company is obligated to pay Mr. Hurly a total amount of $637,500, less applicable withholdings and deductions, which consists of the equivalent of twelve months of Mr. Hurly's base salary ($425,000) immediately prior to his departure and Mr. Hurly's annual target bonus for 2018 ($212,500). In addition, the Company, to the extent allowed by applicable law and the applicable plan documents, will continue to provide Mr. Hurly and certain of his dependents with group health and dental insurance for a period of up to twelve months after the effective date of the Separation Agreement. Accrued severance related to this agreement was $56,000 as of June 30, 2019. The remaining amounts of accrued severance as of June 30, 2019 relate to terminations of other employees during 2019.

**6. Shareholder Equity**

***Equity Financings***

On March 23, 2018, the Company raised approximately $9.0 million of net proceeds from the sale of 7,968,128 shares of common stock at a price of $1.13 per share in a registered direct public offering and the sale of common stock purchase warrants to purchase 7,968,128 shares of common stock at a price of $0.125 per warrant in a concurrent private placement (collectively, the "March 2018 Financing"). Subject to certain ownership limitations, the common stock purchase warrants issued in the March 2018 Financing were exercisable immediately upon issuance at an exercise price equal to $1.20 per share of common stock, subject to adjustments as provided under the terms of such common stock purchase warrants. The common stock purchase warrants are exercisable for five years from March 23, 2018.

On June 4, 2018, we raised approximately $41.9 million of net proceeds from the sale of 25,555,556 shares of our common stock in an underwritten public offering.

During the six months ended June 30, 2018, the Company received proceeds of $7.3 million from the exercise of outstanding warrants to purchase common stock issued in connection with (i) its underwritten public offering in November 2017 and (ii) its private placement of common stock warrants in March 2018.

On June 21, 2019, the Company completed the June 2019 Financing, which raised approximately $28 million of net proceeds, pursuant to which it issued 20,410,000 shares of common stock and accompanying warrants to acquire 20,410,000 shares of common stock. The combined purchase price for each share of common stock and accompanying warrant was $1.47. Subject to certain ownership limitations, such warrants were exercisable immediately at an exercise price equal to $1.47 per share of common stock, subject to adjustments as provided under the terms of such warrants and have a one-year term expiring on June 21, 2020.

Between April 1, 2019 and June 30, 2019, the Company received proceeds of $3.4 million from the exercise of outstanding warrants to purchase common stock issued in connection with (i) its underwritten public offering in November 2017 and (ii) its private placement of common stock warrants in March 2018.

Common stock warrants are accounted for in accordance with applicable accounting guidance provided in ASC Topic 815, *Derivatives and Hedging - Contracts in Entity's Own Equity,* as either derivative liabilities or as equity instruments depending upon the specific terms of the warrant agreement. All of the Company's warrants are classified as equity because they do not contain terms requiring derivative liability classification.

Warrants outstanding and warrant activity for the six-month period ended June 30, 2019 is as follows:

| Description | Classification | Issuance Date | Exercise Price | Expiration Date | Balance December 31, 2018 | Warrants Issued | Warrants Exercised | Warrants Expired | Balance June 30, 2019 |
|---|---|---|---|---|---|---|---|---|---|
| Non-tradeable warrants | Equity | 06/21/19 | $1.47 | June 2020 | — | 20,410,000 | — | — | 20,410,000 |
| Non-tradeable warrants | Equity | 03/23/18 | $1.20 | Mar. 2023 | 7,210,945 | — | 1,861,115 | — | 5,349,830 |
| Non-tradeable warrants | Equity | 11/01/17 | $0.80 | Nov. 2022 | 1,991,687 | — | 1,500,000 | — | 491,687 |
| Non-tradeable warrants | Equity | 05/11/15 | $11.83 | May 2025 | 27,500 | — | — | — | 27,500 |
| Non-tradeable warrants | Equity | 11/25/14 | $11.04 | Nov. 2024 | 27,500 | — | — | — | 27,500 |
| | | | | | 9,257,632 | 20,410,000 | 3,361,115 | — | 26,306,517 |

***Share-Based Payments***

At the Company's 2019 Annual Meeting of Stockholders (the “Annual Meeting”) held on June 19, 2019, the Company's stockholders approved an amendment to the 2014 Plan, that (i) increased the number of shares reserved for issuance under the 2014 Plan by 7,908,972 shares and (ii) eliminated the “evergreen” or automatic replenishment provision of the 2014 Plan pursuant to which the number of shares authorized for issuance under the 2014 Plan is automatically increased on an annual basis (collectively, the "2014 Plan Amendment").

As of June 30, 2019, the total number of shares of common stock available for issuance under the 2014 Plan was 9,045,174.

In September 2016, the Company issued 650,000 inducement equity awards outside the 2014 Plan in accordance with Nasdaq Listing Qualifications Department (“Nasdaq”) Listing Rule 5635(c)(4). The inducement equity awards were approved and recommended by the Company's Compensation Committee, approved by the Board of Directors and were made as an inducement material to certain individuals’ acceptance of employment with the Company in accordance with Nasdaq Listing Rule 5635(c)(4). In August 2018, the Company issued 1,350,000 inducement equity awards outside the 2014 Plan in accordance with Nasdaq Listing Rule 5635(c)(4). The inducement equity awards were approved and recommended by the Company's Compensation Committee, approved by the Board of Directors and were made as an inducement material to Dr. Thomas R. Cannell’s acceptance of employment with the Company in accordance with Nasdaq Listing Rule 5635(c)(4). In December 2018, the Company issued 425,000 inducement equity awards outside the 2014 Plan in accordance with Nasdaq Listing Rule 5635(c)(4). The inducement equity awards were approved and recommended by the Company's Compensation Committee, approved by the Board of Directors and were made as an inducement material to Dr. Dennis Kim’s acceptance of employment with the Company in accordance with Nasdaq Listing Rule 5635(c)(4). As of June 30, 2019, the total amount of shares outstanding classified as inducement awards was 1,875,000.

The Company also maintains the Company's 2009 Stock Incentive Plan, as amended and restated, and the Company's 2014 Employee Stock Purchase Plan (the "2014 ESPP").

***Stock-Based Compensation Expense***

Stock-based compensation expense by award type was as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Stock options | $ 355 | $ 283 | $ 680 | $ 659 |
| Restricted stock | — | — | $ — | 22 |
| Employee stock purchase plan | — | 2 | 2 | 5 |
| | $ 355 | $ 285 | $ 682 | $ 686 |

The Company allocated stock-based compensation expense as follows in the condensed consolidated statements of operations and comprehensive loss (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Research and development expense | $ 86 | $ 123 | $ 139 | $ 288 |
| General and administrative expense | 269 | 162 | $ 543 | $ 398 |
| | $ 355 | $ 285 | $ 682 | $ 686 |

At June 30, 2019, there was $3.4 million of total unrecognized compensation expense related to unvested stock options for employee and non-employee consultants and shares issued pursuant to the 2014 ESPP. This unrecognized compensation expense is expected to be recognized over a weighted-average period of 2.98 years.

***Stock Options***

A summary of the stock option activity is presented below:

| | Shares | Weighted-Average Exercise Price |
|---|---|---|
| Outstanding at December 31, 2018 | 3,941,947 | $ 2.12 |
| Granted | 2,425,115 | 0.93 |
| Exercised | (30,000) | 1.50 |
| Cancelled or forfeited | (558,018) | 2.30 |
| Outstanding at June 30, 2019 | 5,779,044 | $ 1.60 |
| Exercisable at June 30, 2019 | 1,189,418 | $ 2.86 |

In October 2017, the Company issued stock option awards to certain employees which contained performance vesting conditions. These options vested in installments based on the achievement of certain strategic and clinical milestones. In January 2018, March 2018, June 2018, and July 2019, the Compensation Committee of our Board determined that certain performance milestones were met. Stock-based compensation expense associated with these performance-based stock options is recognized over the service and performance period if any performance condition is considered probable of achievement using management's best estimate. For these performance-based awards, the Company recorded $2,000 and ($16,000) of expense in the three and six months ended June 30, 2019, respectively. The expense in the six months ended June 30, 2019 reflects forfeitures recorded during the period. The Company recorded $63,000 and $274,000 of expense in the three and six months ended June 30, 2018, respectively. As of June 30, 2019, there was no unrecognized compensation expense remaining related to performance-based awards.

***Restricted Stock***

From time to time, upon approval by the Board, certain employees, directors and consultants have been granted restricted shares of common stock and restricted stock units. As of June 30, 2019, the Company does not have any outstanding restricted stock awards or restricted stock units.

***Employee Stock Purchase Plan***

On March 14, 2019, the Company issued and sold 8,601 shares of its common stock pursuant to the 2014 ESPP at a purchase price of $0.8356 per share and on March 14, 2018, the Company issued and sold 9,565 shares of its common stock pursuant to the 2014 ESPP at a purchase price of $0.9800 per share. No shares were issued under the 2014 ESPP for the three months ended June 30, 2019. The Company estimates the number of shares to be issued at the end of an offering period and recognizes expense over the requisite service period.

**7. Net (Loss) Income Per Share**

Basic net (loss) income per share is calculated by dividing net (loss) income by the weighted-average shares outstanding during the period, without consideration for common stock equivalents. Diluted net (loss) income per share is calculated by adjusting

weighted-average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method. For purposes of the diluted net (loss) income per share calculation, stock options, unvested restricted stock, and common stock warrants are considered to be common stock equivalents. Warrants to purchase the Company's common stock participate in any dividends declared by the Company and are therefore considered to be participating securities. Participating securities have the effect of diluting both basic and diluted earnings per share during periods of income. During periods of loss, no loss is allocated to the participating securities since they have no contractual obligation to share in the losses of the Company.

The following common stock equivalents were excluded from the calculation of diluted net (loss) income per share for the periods indicated because including them would have had an anti-dilutive effect or the exercise prices were greater than the average market price of the common shares.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Stock options | 5,779,044 | 4,027,826 | 5,779,044 | 4,027,826 |
| Common stock warrants | 26,306,517 | 9,307,632 | 26,306,517 | 9,307,632 |
| | 32,085,561 | 13,335,458 | 32,085,561 | 13,335,458 |

**8. Cash, cash equivalents and restricted cash**

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown in the condensed consolidated statements of cash flows (in thousands):

| | June 30, | December 31, |
|---|---|---|
| | 2019 | 2018 |
| Cash and cash equivalents | 64,931 | $ 50,422 |
| Restricted cash | 20 | 20 |
| Total cash, cash equivalents and restricted cash | 64,951 | 50,442 |

Amounts included in restricted cash represent cash held to collateralize a credit limit with Silicon Valley Bank of $20,000 as of June 30, 2019 and December 31, 2018, respectively.

**9. Related Party Transactions**

The Company leases an approximately 31,100 square foot manufacturing, laboratory, and office facility in Winnipeg, Manitoba, from an affiliate of Leslie L. Dan, a director of the Company until his retirement effective July 16, 2019, under a five-year renewable lease through September 2020 with a right to renew the lease for one subsequent five-year term. Operating lease cost under this lease, which includes related operating expenses, was $71,000 and $146,000 for the three and six months ended June 30, 2019, respectively. Under ASC 840, rent expense for this lease was $80,000 and $161,000 for the three and six months ended June 30, 2018, respectively.

The Company pays fees, under an intellectual property license agreement, to Protoden Technologies, Inc. ("Protoden"), a company owned by Clairmark Investments Ltd. ("Clairmark"), an affiliate of Mr. Dan. Pursuant to the agreement, the Company has an exclusive, perpetual, irrevocable and non-royalty bearing license, with the right to sublicense, under certain patents and technology to make, use and sell products that utilize such patents and technology for an annual fee of $100,000. Upon expiration of the term, the licenses granted to the Company will require no further payments to Protoden. During each of the six-month periods ended June 30, 2019 and 2018, $100,000 was paid to Clairmark pursuant to the license agreement.

**10. Operating Leases**

On January 1, 2019, the Company adopted ASC 842 using the optional transition method. The Company's lease portfolio includes: an operating lease for its manufacturing facility in Winnipeg, Manitoba, a short-term property lease for its headquarters in Cambridge, MA and a short-term property lease for office space in Philadelphia, PA. The asset component of the Company's operating leases is recorded as operating lease right-of-use assets and reported within other assets in the Company's condensed consolidated balance sheets. The short term and long term liability components are recorded in other current liabilities and other liabilities, respectively, in the Company's condensed consolidated balance sheets.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease cost for the three and six months ended June 30, 2019 are as follows (in thousands):

| | Three months ended June 30, 2019 | Six months ended June 30, 2019 |
|---|---|---|
| Lease Cost: | | |
| Operating lease cost (including related operating costs) | 71 | 146 |
| Short-term lease cost | 53 | 129 |
| Total lease cost | 124 | 275 |

| Supplemental Information: | Six months ended June 30, 2019 |
|---|---|
| Weighted-average remaining lease term - operating leases (in years) | 1.25 |
| Weighted-average discount rate - operating leases | 12% |

Future minimum lease payments under non-cancelable operating leases under ASC 842 as of June 30, 2019 are as follows (in thousands):

| | Operating lease payments |
|---|---|
| 2019 (1) | 76 |
| 2020 | 113 |
| Total future minimum lease payments | 189 |
| Less: amounts representing present value adjustment | 9 |
| Operating lease liabilities as of June 30, 2019 | 180 |
| Less: current portion of operating lease liabilities | 142 |
| Operating lease liabilities, net of current portion | 38 |

(1) Amounts are for the remaining six months ending December 31, 2019

The Company leases a manufacturing facility located in Winnipeg, Manitoba Canada, which consists of an approximately 31,100 square foot manufacturing, laboratory, warehouse and office facility, under a five-year renewable lease through September 2020 with a right to renew the lease for one subsequent five-year term. The minimum monthly rent under this lease is approximately $12,600 per month. The Company expects to incur approximately $12,300 in related operating expenses per month. Operating lease cost under this lease, including the related operating costs, was $71,000 and $146,000 for the three and six months ended June 30, 2019, respectively. Under ASC 840, rent expense for this lease, including related operating costs, was $80,000 and $161,000 for the three and six months ended June 30, 2018, respectively.

The Company leases its current corporate headquarters in Cambridge, Massachusetts under a short-term lease that extends through December 31, 2019. The minimum monthly rent for this office space is approximately $8,000 per month. The Company recorded $24,000 and $51,000 in short-term lease cost for the three and six months ended June 30, 2019, respectively. Under ASC 840, the Company recorded $36,000 and $62,000 in rent expense for the three and six months ended June 30, 2018, respectively, for this lease.

The Company leases office space in Philadelphia, PA, where it occupies office space under a short-term lease that extends through December 31, 2019. Currently, the minimum monthly rent under this lease is approximately $11,000 per month. The

Company recorded $29,000 and $78,000 in short term lease cost for the three and six months ended June 30, 2019, respectively. Under ASC 840, the Company recorded $32,000 and $56,000 in rent expense for the three and six months ended June 30, 2018, respectively, for this lease.

**11. Subsequent Events**

Not applicable.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the notes to those financial statements appearing elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2018 included in our Annual Report on Form 10-K. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in Part II, Item 1A, "Risk Factors" of this Quarterly Report on Form 10-Q and in Part I, Item IA, "Risk Factors" of our Annual Report on Form 10-K which are incorporated herein by reference, our actual results could differ materially from the results described in or implied by the forward-looking statements.*

**Overview**

We are a late-stage clinical company developing targeted fusion protein therapeutics, or TFPTs, composed of an anti-cancer antibody fragment tethered to a protein toxin for the treatment of cancer. We genetically fuse the cancer-targeting antibody fragment and the cytotoxic protein payload into a single molecule which is produced through our proprietary one-step manufacturing process. We target tumor cell surface antigens with limited expression on normal cells. Binding of the target antigen by the TFPT allows for rapid internalization into the targeted cancer cell. We have designed our targeted proteins to overcome the fundamental efficacy and safety challenges inherent in existing antibody-drug conjugates, or ADCs, where a payload is chemically attached to a targeting antibody.

Our most advanced product candidate VB4-845, also known as Vicinium®, is a locally-administered targeted fusion protein composed of an anti-EPCAM, or epithelial cell adhesion molecule, antibody fragment tethered to a truncated form of Pseudomonas exotoxin A for the treatment of high-risk, non-muscle invasive bladder cancer, or NMIBC.

We have an ongoing single-arm, multi-center, open-label Phase 3 clinical trial of Vicinium as a monotherapy in patients with high-risk, bacillus Calmette-Guérin, or BCG, unresponsive NMIBC, called the VISTA Trial. The VISTA Trial completed enrollment in April 2018 with a total of 133 patients across three cohorts based on histology and time to disease recurrence after adequate BCG treatment (at least two courses of BCG with at least five doses in the first course and two in the second):

- Cohort 1 (n=86): Patients with carcinoma *in situ*, or CIS, with or without papillary disease that was determined to be refractory or recurred within six months of their last course of adequate BCG
- Cohort 2 (n=7): Patients with CIS or without papillary disease that was determined to be refractory or recurred after six months, but less than 11 months, after their last course of adequate BCG
- Cohort 3 (n=40): Patients with high-risk papillary disease without CIS that was determined to be refractory or recurred within six months of their last course of adequate BCG

The primary and secondary endpoints for the VISTA Trial are as follows:

| | |
|---|---|
| **Dose** | 30 mg of Vicinium (in 50 mL of saline) |
| **Estimated total enrollment** | Approximately 134 patients, including 77 CIS patients whose disease is refractory to or relapsed within 6 months of the last dose of adequate BCG treatment |
| **Primary endpoint** | • Complete response rate in patients with CIS (with or without papillary disease) whose disease is refractory or relapsed in six months or less following adequate BCG treatment, which is defined as at least two courses of full dose BCG; and<br>• Duration of response will be estimated (Kaplan-Meier Estimate) for those patients with CIS whose disease is refractory to or relapsed within 6 months of the last dose of adequate BCG treatment (with or without papillary disease) who experience a complete response. |

Patients with CIS will be considered to have a complete response if at the time of any disease status evaluation (per protocol every 13 weeks or any unscheduled evaluation) there is no evidence of high-grade disease (CIS, high-grade Ta or high-grade T1 disease) or disease progression (e.g., to muscle invasive disease). Low-grade disease is not considered a treatment failure in these patients and they may remain on study treatment following transurethral resection of the bladder tumor.

| | |
|---|---|
| **Secondary endpoints** | • Complete response rate and duration of response in patients with CIS whose disease is refractory to or relapsed within 6 months of the last dose of adequate BCG treatment (with or without papillary disease) whose disease is refractory or relapsed from six months to 11 months following adequate BCG treatment;<br>• Complete response rate and duration of response in all patients with CIS (with or without papillary disease) following adequate BCG treatment;<br>• Event-free survival, or EFS, in all patients;<br>• Complete response rate in patients at three, six, nine, 12, 15, 18, 21, and 24 months in patients with CIS whose disease is refractory to or relapsed within 6 months of the last dose of adequate BCG treatment;<br>• Time to cystectomy in all patients;<br>• Time to disease recurrence in all patients;<br>• Progression-free survival, or PFS, in all patients;<br>• Overall survival, or OS, in all patients; and<br>• Safety and tolerability of Vicinium therapy in all patients. |
| **Exploratory endpoint** | To evaluate biomarkers that may be associated with response or disease progression or treatment failure, which may include, for example, EpCAM status, tumor subtype morphology, furin levels in tumor cell endosomes, presence of a glycosaminoglycan coat, and presence of receptors that could impede a host anti-tumor immune response such as PD-L1. |

As of a May 29, 2019 data cutoff date, preliminary primary and secondary endpoint data for each of the trial cohorts were as follows:

**Cohort 1 (n=82) Complete Response Rate, Evaluable Population, for Carcinoma *in situ***

| Time point | Evaluable Patients* | Complete Response Rate (95% Confidence Interval) |
|---|---|---|
| 3-months | n=82 | 39% |
| 6-months | n=82 | 26% |
| 9-months | n=82 | 20% |
| 12-months | n=82 | 17% |

*Response-evaluable population includes any mITT subject who completes the induction phase.

**Cohort 2 (n=7) Complete Response Rate, Evaluable Population, for Carcinoma *in situ***

| Time point | Evaluable Patients* | Complete Response Rate (95% Confidence Interval) |
|---|---|---|
| 3-months | n=7 | 57% |
| 6-months | n=7 | 57% |
| 9-months | n=7 | 43% |
| 12-months | n=7 | 14% |

*Response-evaluable population includes any mITT subject who completes the induction phase.

**Pooled Cohorts 1 and 2 (n=89) Complete Response Rate, Evaluable Population, for Carcinoma *in situ***

| Time point | Evaluable Patients* | Complete Response Rate (95% Confidence Interval) |
|---|---|---|
| 3-months | n=89 | 40% (30%- 51%) |
| 6-months | n=89 | 28% (19%-39%) |
| 9-months | n=89 | 21% (13%-31%) |
| 12-months | n=89 | 17% (10%-26%) |

*Response-evaluable population includes any mITT subject who completes the induction phase.

- *Duration of Response:* The median duration of response for patients in Cohort 1 (n=86) is 273 days (95% confidence interval, or CI, 122-NA), using the Kaplan-Meier method. The Kaplan-Meier method is a non-parametric statistical analysis used to estimate survival times and times to event when incomplete observations in data exist. Additional *ad hoc* analysis of pooled data for all patients with CIS (Cohorts 1 and 2, n=93) shows that among patients who achieved a complete response at 3 months, 52% had a complete response for a total of 12 months or longer after starting therapy, using the Kaplan-Meier method.
- *Time to Disease Recurrence:* High-grade papillary (Ta or T1) NMIBC is associated with higher rates of progression and recurrence. Therefore, time to disease recurrence is a key secondary endpoint for patients with high-risk papillary-only NMIBC. The median time to disease recurrence for patients in Cohort 3 (n=40) is 402 days (95% CI, 170-NA), using the Kaplan-Meier method.
- *Time to Cystectomy:* The first U.S. Food and Drug Administration, or FDA, guidance on treatment of BCG-unresponsive NMIBC patients states that the goal of therapy in such patients is to avoid cystectomy. Therefore, time to cystectomy is a key secondary endpoint in the VISTA Trial. Across all 133 patients treated with Vicinium in the VISTA Trial, greater than 75% of all patients are estimated to remain cystectomy-free at 2.5 years, using the Kaplan-Meier method. Additional *ad hoc* analysis of responders and non-responders for all patients shows that approximately 88% of responders are estimated to remain cystectomy-free at 3 years.
- *Progression-Free Survival:* 90% of all 133 patients treated with Vicinium in the VISTA Trial are estimated to remain progression-free for 2 years or greater, using the Kaplan-Meier method. Progression-free is defined as the time from the date of first dose of study treatment to disease progression (e.g. T2 or more advanced disease) or death as a first event.
- *Event-Free Survival:* 29% of all 133 patients treated with Vicinium in the VISTA Trial are estimated to remain event-free at 12 months, using the Kaplan-Meier method. Event-free survival is defined as the time from the date of first dose of study treatment to disease recurrence, progression, or death as a first event.
- *Overall Survival:* **96%** of all 133 patients treated with Vicinium in the VISTA Trial are estimated to have an overall survival of 2 years or greater, using the Kaplan-Meier method. Overall survival is defined as the time from the date of first dose of study treatment to death from any cause.

**Preliminary Safety Results**

As of the May 29, 2019 data cut off, in patients across all cohorts (n=133), 95% of adverse events were Grade 1 or 2. The most commonly reported treatment-related adverse events were dysuria (14%), hematuria (13%) and urinary tract infection (12%) - all of which are consistent with the profile of bladder cancer patients and the use of catheterization for treatment delivery. These adverse events were determined by the clinical investigators to be manageable and reversible, and only four patients (3%) discontinued treatment due to an adverse event. Serious adverse events, regardless of treatment attribution, were reported in 14% of patients. There were four treatment-related serious adverse events reported in three patients including acute kidney injury (Grade 3), pyrexia (Grade 2), cholestatic hepatitis (Grade 4) and renal failure (Grade 5). There were no age-related increases in adverse events observed in the Phase 3 VISTA trial.

**Other Vicinium Development Activity**

In October 2018, we entered our Master Bioprocessing Services Agreement, or Fujifilm MSA, with FUJIFILM Diosynth Biotechnologies U.S.A., Inc., or Fujifilm, for the manufacturing process and technology transfer of Vicinium production. In April 2019, the first full, commercial-scale GMP run was completed at Fujifilm. Preliminary indicators of success, including the bacterial growth and purification profiles, support Fujifilm's ability to produce the bulk drug substance form of Vicinium for commercial purposes if we receive regulatory approval to market Vicinium. Full quality release testing has been completed and all Phase 3 release specifications have been met.

On June 6, 2019, we met with the FDA for a Type B Pre-Biologics License Application, or BLA, meeting regarding the approval path for Vicinium for the treatment of patients with high-risk, BCG-unresponsive NMIBC. At the meeting, we reached alignment with the FDA on an Accelerated Approval Pathway for Vicinium along with Rolling Review (as defined below), and we expect to initiate submission of the BLA in the fourth quarter of 2019. The FDA also indicated that the clinical data, nonclinical data, clinical pharmacology data, and the safety database are sufficient to support a BLA submission, and that no additional clinical trials are necessary for a BLA submission. Per the official FDA minutes received post-meeting, the FDA stated that the pre-approval inspection may be completed at the time of process performance qualification manufacturing which the Company believes will benefit the overall review timeline for the BLA.

"Rolling Review" of the BLA enables individual modules to be submitted and reviewed on an ongoing basis, rather than waiting for all sections to be completed before submission. The final module submission for the BLA will be chemistry, manufacturing, and controls, or CMC. In addition, the FDA communicated that they expect that a meeting with the FDA's Oncologic Drug Advisory Committee will be required as part of the Accelerated Approval Pathway. If Vicinium receives marketing approval for treatment of NMIBC, a post-marketing confirmatory trial will also be required. We expect to schedule two additional meetings with the FDA in the second half of 2019, a Type C meeting to discuss the details of a post-marketing confirmatory trial in support of the Accelerated Approval Pathway for Vicinium, and a Type B CMC meeting to discuss the content and timing of the CMC module.

In addition, we had a Type C CMC in late May 2019 and reached agreement with the FDA on the analytical comparability plan to be used to assess comparability between the supply used in clinical trials and the potential commercial supply produced by Fujifilm. We also confirmed with the FDA that, subject to final comparability data to be provided in the BLA submission, no additional clinical trials were deemed necessary to establish comparability.

In August 2018, we received Fast Track designation from the U.S. Food and Drug Administration, or FDA, for Vicinium for the treatment of high-risk NMIBC.

In June 2017, we entered into a Cooperative Research and Development Agreement, or CRADA, with the National Cancer Institute, or NCI, for the development of Vicinium in combination with AstraZeneca's immune checkpoint inhibitor, durvalumab, for the treatment of NMIBC. Under the terms of the CRADA, the NCI will conduct a Phase 1 clinical trial in patients with high-risk NMIBC to evaluate the safety, efficacy and biological correlates of Vicinium in combination with durvalumab. This Phase 1 clinical trial is open and is actively recruiting patients.

Vicinium has also been evaluated for the treatment of squamous cell carcinoma of the head and neck, or SCCHN. Vicinium for the treatment of SCCHN had previously been designated as Proxinium™ to indicate its different fill volume and vial size as well as its different route for local administration via intratumoral injection.

In addition to our locally-administered TFPTs, our pipeline also includes systemically-administered TFPTs in development that are built around our proprietary de-immunized variant of the plant-derived cytotoxin bouganin, or deBouganin. One of these products, VB6-845d, is a TFPT consisting of an EpCAM targeting Fab genetically linked to deBouganin, a novel plant derived cytotoxic payload that we have optimized for minimal immunogenic potential and is administered by intravenous infusion.

We have deferred further development of Vicinium for the treatment of SCCHN and VB6-845d in order to focus our efforts and our resources on our ongoing development of Vicinium for the treatment of high-risk NMIBC. We are also exploring collaborations for Vicinium for the treatment of SCCHN and VB6-845d.

We maintain global development, marketing and commercialization rights for all of our TFPT-based product candidates. We intend to explore various commercialization strategies to market our approved products. If we obtain regulatory approval for Vicinium for the treatment of high-risk NMIBC, we may build a North American specialty urology sales force to market the product or seek commercialization partners. If we obtain regulatory approval for Vicinium for the treatment of SCCHN or for our other product candidates, including VB6-845d, we may seek partners with oncology expertise in order to maximize the commercial value of each asset or a portfolio of assets. We also own or exclusively license worldwide intellectual property rights for all of our TFPT-based product candidates, covering our key patents with protection ranging from 2018 to 2034.

On June 10, 2016, we entered into a License Agreement, or the License Agreement, with F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc., or collectively, Roche, pursuant to which we licensed our monoclonal antibody EBI-031 and all other IL-6 antagonistic anti-IL-6 monoclonal antibody technology owned by us. Under the License Agreement, Roche is required to continue developing EBI-031 and pursue ongoing patent prosecution at its cost. At the time of the License Agreement, EBI-031, which was derived using our previous AMP-Rx platform, was in pre-clinical development as an intravitreal injection for diabetic macular edema and uveitis. As of June 30, 2019, we have received $30.0 million in payments from Roche pursuant to the License Agreement, including a $7.5 million upfront payment and a $22.5 million milestone payment as a result of the investigational new drug application for EBI-031 becoming effective. We are also entitled to receive up to an additional $240

million upon the achievement of other specified regulatory, development and commercial milestones, as well as royalties based on net sales of potential future products containing EBI-031 or any other potential future products containing other IL-6 compounds.

Our operations to date have been limited to organizing and staffing our company, acquiring rights to intellectual property, business planning, raising capital, developing our technology, identifying potential product candidates, undertaking pre-clinical studies and conducting clinical trials. To date, we have financed our operations primarily through debt and equity offerings and collaboration and licensing arrangements. We have devoted substantially all of our financial resources and efforts to research and development activities. We have not completed development of any of our product candidates. We expect to continue to incur significant expenses and operating losses over the next several years. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year.

***Liquidity***

Since inception, we have incurred significant operating losses and expect to continue to incur operating losses for the foreseeable future. We had a net loss of $60.8 million for the six months ended June 30, 2019. As of June 30, 2019, we had an accumulated deficit of $246.8 million.

On June 21, 2019, we raised approximately $28 million in net proceeds from the sale of 20,410,000 shares of our common stock and accompanying warrants to purchase up to 20,410,000 shares of common stock in an underwritten public offering, or the June 2019 Financing. The combined purchase price for each share of common stock and accompanying warrant was $1.47. Each warrant has an exercise price of $1.47 per share and is exercisable from date of issuance through June 21, 2020.

Additionally, from January 1, 2019 through June 30, 2019, we received approximately $3.4 million in proceeds from the exercise of outstanding warrants to purchase common stock issued in connection with (i) our underwritten public offering completed in November 2017, or the November 2017 Financing and (ii) our private placement of common stock purchase warrants in March 2018, or the March 2018 Private Placement.

We do not know when, or if, we will generate any revenue from the sale of our product candidates as we seek regulatory approval for, and potentially begin to commercialize, any of our product candidates. We anticipate that we will continue to incur losses for the next several years and we expect the losses to increase as we continue the development of, and seek regulatory approvals for, our product candidates, and begin to commercialize any approved products. We are subject to all of the risks common to the development of new products and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. Until we can generate substantial revenue from commercial sales, if ever, we expect to seek additional capital through a combination of private and public equity offerings, debt financings, strategic collaborations and alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of existing shareholders will be diluted and the terms may include liquidation or other preferences that adversely affect the rights of existing shareholders. Debt financing, if available, may involve agreements that include liens or other restrictive covenants limiting our ability to take important actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through strategic collaborations and alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies or grant licenses on terms that are not favorable to us. If we are unable to raise additional funds when needed we may be required to further delay, limit, reduce or terminate our development or commercialization efforts or grant rights to develop and market our technologies that we would otherwise prefer to develop and market ourselves.

Our future capital requirements will depend on many factors, including:

- the scope, initiation, progress, timing, costs and results of pre-clinical development and laboratory testing and clinical trials for our product candidates;
- the cost and timing of any new clinical trials or studies of our product candidates;
- our ability to establish collaborations or licensing agreements on favorable terms, if at all, particularly manufacturing, marketing and distribution arrangements for our product candidates;
- the costs and timing of the implementation of commercial-scale manufacturing activities, including those associated with the manufacturing process and technology transfer to third-party manufacturers to facilitate such commercial-scale manufacturing;
- the costs and timing of establishing sales, marketing and distribution capabilities for any product candidates for which we may receive regulatory approval;

- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims;
- our obligation to make milestone, royalty and other payments to third party licensors under our licensing agreements;
- the extent to which we in-license or acquire rights to other products, product candidates or technologies;
- the outcome, timing and cost of regulatory review by the FDA and comparable foreign regulatory authorities, including the potential for the FDA or comparable foreign regulatory authorities, including Health Canada, to require that we perform more studies or clinical trials than those that we currently expect;
- our ability to achieve certain future regulatory, development and commercialization milestones under the License Agreement with Roche;
- the effect of competing technological and market developments; and
- the revenue, if any, received from commercial sales of any product candidates for which we receive regulatory approval.

Accordingly, until such time that we can generate substantial revenue from product sales, if ever, we expect to finance our operations through public or private equity or debt financings or other sources. However, we may be unable to raise additional funds or enter into such arrangements when needed on favorable terms, or at all, which would have a negative impact on our financial condition and could force us to delay, limit, reduce or terminate our development programs or commercialization efforts or grant to others rights to develop or market product candidates that we would otherwise prefer to develop and market ourselves. Failure to receive additional funding could cause us to cease operations, in part or in full. Furthermore, even if we believe we have sufficient funds for our current or future operating plans, we may seek additional capital due to favorable market conditions or strategic considerations.

**Financial Operations Overview**

***Revenue***

To date, we have not generated any revenue from the sale of products. Substantially all of our revenue to date has been derived from the License Agreement with Roche and, to a lesser extent, from our former collaboration with ThromboGenics N.V. We do not expect to generate significant product revenue unless and until we obtain marketing approval for and commercialize our product candidates.

On June 10, 2016, we entered into the License Agreement with Roche, which became effective on August 16, 2016. Under the License Agreement, we granted Roche an exclusive, worldwide license, including the right to sublicense, to its patent rights and know-how related to our monoclonal antibody EBI-031 or all other IL-6 antagonistic anti-IL-6 monoclonal antibody, to make, have made, use, have used, register, have registered, sell, have sold, offer for sale, import and export any product containing such an antibody or any companion diagnostic used to predict or monitor response to treatment with such a product, which we collectively refer to as the Licensed Intellectual Property.

During 2016, we received an upfront license fee of $7.5 million and a milestone payment of $22.5 million. We are entitled to receive up to $240.0 million in additional consideration upon the achievement of specified regulatory, development and commercial milestones. Specifically, an aggregate amount of up to $175.0 million is payable to us for the achievement of specified milestones with respect to the first indication: $50.0 million in development milestones, $50.0 million in regulatory milestones and $75.0 million in commercialization milestones. Additional amounts of up to $65.0 million are payable upon the achievement of specified development and regulatory milestones in a second indication. In addition, we are entitled to receive royalty payments in accordance with a tiered royalty rate scale, with rates ranging from 7.5% to 15% for net sales of potential future products containing EBI-031 and up to 50% of these rates for net sales of potential future products containing other IL-6 compounds, with each of the royalties subject to reduction under certain circumstances and to buy-out options.

The License Agreement is subject to the provisions of Accounting Standards Codification 606, or ASC 606, *Revenue From Contracts With Customers*, which was adopted effective January 1, 2018 utilizing a modified retrospective method. We concluded that all performance obligations had been achieved as of the adoption date and therefore the full transaction price was considered earned. The transaction price was determined to be the $30.0 million received in 2016. Additional consideration to be paid to us upon the achievement of certain milestones will be included if it is expected that the amounts will be received and the amounts would not be subject to a constraint. During the three and six months ended June 30, 2019 and June 30, 2018, we concluded that there would be no adjustments to the transaction price as we continue to not expect any

amounts to be received from any milestones within the License Agreement. This is due to the nature of the milestones and the development status of the product candidates as of the end of each reporting period. As a result, no revenue was recognized during the three and six month periods ended June 30, 2019 and June 30, 2018 as all performance obligations had been previously achieved and there was no change in the transaction price during the periods.

***Research and Development Expenses***

Research and development expenses consist primarily of costs incurred for the development of our product candidates, which include:

- employee-related expenses, including salaries, benefits, travel and stock-based compensation expense;
- expenses incurred under agreements with contract research organizations, or CROs, and investigative sites that conduct our clinical trials;
- expenses associated with developing manufacturing capabilities and manufacturing clinical study materials;
- facilities, depreciation, and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance, and other supplies; and
- expenses associated with pre-clinical and regulatory activities.

We expense research and development costs as incurred. We recognize external development costs based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors and our clinical sites.

The successful development and commercialization of any product candidate is highly uncertain. This is due to the numerous risks and uncertainties associated with product development and commercialization, including the uncertainty of:

- the scope, progress, outcome and costs of our clinical trials and other research and development activities;
- the efficacy and potential advantages of our product candidates compared to alternative treatments, including any standard of care;
- the market acceptance of our product candidates;
- the cost and timing of the implementation of commercial-scale manufacturing of our product candidates;
- obtaining, maintaining, defending and enforcing patent claims and other intellectual property rights;
- significant and changing government regulation; and
- the timing, receipt and terms of any marketing approvals.

A change in the outcome of any of these variables with respect to the development of any product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or another regulatory authority were to require us to conduct clinical trials or other testing beyond those that we currently contemplate will be required for the completion of clinical development of any product candidate, we could be required to expend significant additional financial resources and time on the completion of clinical development of that product candidate.

We allocate direct research and development expenses, consisting principally of external costs, such as fees paid to investigators, consultants, central laboratories and CROs in connection with our clinical trials, and costs related to manufacturing or purchasing clinical trial materials and technology transfer, to specific product programs. We do not allocate employee and contractor-related costs, costs associated with our platform and facility expenses, including depreciation or other indirect costs, to specific product programs because these costs may be deployed across multiple product programs under research and development and, as such, are separately classified. The table below provides research and development expenses incurred for Vicinium for the treatment of high-risk NMIBC and other expenses by category. We have deferred further development of Vicinium for the treatment of SCCHN and VB6-845d in order to focus our efforts and our resources on our ongoing development of Vicinium for the treatment of high-risk NMIBC. We expect our research and development expenses for Vicinium for the treatment of high-risk NMIBC will continue to increase during subsequent periods. We did not allocate research and development expenses to any other specific product program during the periods presented:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (in thousands) | | (in thousands) | |
| Programs: | | | | |
| Vicinium, for the treatment of high-risk NMIBC | $ 6,010 | $ 1,649 | 8,372 | 3,571 |
| Total direct program expenses | 6,010 | 1,649 | 8,372 | 3,571 |
| Personnel and other expenses: | | | | |
| Employee and contractor-related expenses | 1,347 | 879 | 3,057 | 1,844 |
| Platform-related lab expenses | 132 | 37 | 413 | 100 |
| Facility expenses | 115 | 74 | 226 | 169 |
| Other expenses | 340 | 140 | 562 | 350 |
| Total personnel and other expenses | 1,934 | 1,130 | 4,258 | 2,463 |
| Total research and development expenses | $ 7,944 | $ 2,779 | $ 12,630 | $ 6,034 |

***General and Administrative Expenses***

General and administrative expenses consist primarily of salaries and related costs for personnel, including stock-based compensation, in executive, operational, finance, business development and human resource functions. Other general and administrative expenses include facility-related costs, professional fees for legal, patent, consulting and accounting services and commercial market research.

***Changes in Fair Value of Contingent Consideration***

In connection with the acquisition of Viventia Bio, Inc., or Viventia, in September 2016, we recorded contingent consideration pertaining to the amounts potentially payable to Viventia's shareholders pursuant to the terms of the share purchase agreement between us, Viventia, and the other signatories thereto and are based on regulatory approval in certain markets and future revenue levels. The fair value of contingent consideration is assessed at each balance sheet date and changes, if any, to the fair value are recognized within the condensed consolidated statements of operations and comprehensive income (loss).

***Other Income, Net***

Other income, net consists primarily of interest income earned on cash and cash equivalents.

**Critical Accounting Policies and Significant Judgments and Estimates**

Our critical accounting policies are those policies which require the most significant judgments and estimates in the preparation of our condensed consolidated financial statements. Management has determined that our most critical accounting policies are those relating to revenue recognition, accrued research and development expenses, stock-based compensation, fair value of warrants to purchase common stock, fair value of intangible assets and goodwill, lease accounting, income taxes including the valuation allowance for deferred tax assets, contingent consideration and going concern considerations.

***Recently adopted accounting standards***

In February 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2016-02, *Leases* (Topic 842), or ASU 2016-02. ASU 2016-02 addresses the financial reporting of leasing transactions. Under past guidance for lessees, leases are only included on the balance sheet if certain criteria, classifying the agreement as a capital lease, are met. This update requires the recognition of a right-of-use asset and a corresponding lease liability, discounted to the present value, for all leases that extend beyond 12 months. For operating leases, the asset and liability are expensed over the lease term on a straight-line basis, with all cash flows included in the operating section of the statement of cash flows. For finance leases, interest on the lease liability is recognized separately from the amortization of the right-of-use asset in the statement of operations and the repayment of the principal portion of the lease liability is classified as a financing activity while the interest component is included in the operating section of the statement of cash flows. This guidance is effective for annual and interim reporting periods beginning after December 15, 2018 including interim periods within those fiscal years. In July

2018, the FASB issued ASU No. 2018-10, *Leases (Topic 842), Codification Improvements, or* ASU 2018-10, ASU No. 2018-11, *Leases (Topic 842), Targeted Improvements*, or ASU 2018-1, and ASU No. 2019-01 *Leases (Topic 842), Codification Improvements* to provide additional guidance for the adoption of ASC Topic 842, *Leases*, or ASC 842. ASU 2018-10 clarifies certain provisions and corrects unintended applications of the guidance, such as the rate implicit in a lease, impairment of the net investment in a lease, lessee reassessment of lease classifications, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments. The amendments in ASU 2018-11 allow for an additional transition method, whereby at the adoption date the entity recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, while the comparative period disclosures continue recognition under ASC 840, *Leases*. Additionally, ASU 2018-11 includes a practical expedient for separating contract components for lessors. We adopted ASC 842 using the optional transition method outlined in ASU 2018-11 as of January 1, 2019. The adoption of ASC 842 resulted in the recognition of operating lease right-of-use assets of approximately $236,000 and corresponding lease liabilities of approximately $236,000. The adoption of these ASUs did not have a material impact on our results of operations, however, the adoption resulted in significant changes to our financial statement disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairmen*t, or ASU 2017-04. ASU 2017-04 simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted and we adopted this guidance effective January 1, 2019. We do not expect an impact upon adoption of ASU 2017-04 on our condensed consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, or ASU-2018-07, *Compensation-Stock Compensation (Topic 718) - Improvements to Nonemployee Share-Based Payment Accounting*. ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees, and as a result, the accounting for share-based payments to non-employees will be substantially aligned. ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted but not earlier than an entity's adoption date of Topic 606. We have adopted this standard effective during the six months ended June 30, 2019. The adoption of ASU 2018-07 did not have a material impact our financial position and results of operations.

In July 2018, the FASB issued ASU No. 2018-09, *Codification Improvements*, or ASU 2018-09. ASU 2018-09 provides amendments to a wide variety of topics in the FASB's ASC, which applies to all reporting entities within the scope of the affected accounting guidance. The transition and effective date guidance are based on the facts and circumstances of each amendment. Some of the amendments in ASU 2018-09 do not require transition guidance and were effective upon issuance of ASU 2018-09. However, many of the amendments do have transition guidance with effective dates for annual periods beginning after December 15, 2018. ASU 2018-09 did not have a material impact on the Company's financial statements and related disclosures.

***Recently issued accounting pronouncements***

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, or ASU 2018-15. ASU 2018-15 requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance to determine which implementation costs to defer and recognize as an asset. The effective date for ASU 2018-15 is for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact ASU 2018-15 will have on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13— *Fair Value Measurement (Topic 820): Disclosure Framework— Changes to the Disclosure Requirements for Fair Value Measurements, or* ASU 2018-13. ASU 2018-13 modifies fair value measurement disclosure requirements. The effective date for ASU 2018-13 is for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact ASU 2018-13 will have on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13—*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, or ASU 2016-13. ASU 2016-13 requires measurement and recognition of expected credit losses for financial assets held. The amendments in ASU 2016-13 eliminate the probable threshold for initial recognition of a credit loss in current GAAP and reflect an entity's current estimate of all expected credit losses. ASU 2016-13 is effective for interim and annual reporting periods beginning January 1, 2020, and is to be applied using a modified retrospective transition method. Earlier adoption is permitted. We are currently evaluating the impact ASU 2016-13 will have on our consolidated financial statements.

There have been no significant changes to our critical accounting policies recently disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018 that was filed with the Securities and Exchange Commission, or SEC, on March 1, 2019, or 2018 Form 10-K, other than those related to the adoption of ASU 2016-02.

**Results of Operations**

***Comparison of the Three Months Ended June 30, 2019 and 2018***

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| | (in thousands) | | |
| Operating expenses: | | | |
| Research and development | 7,944 | 2,779 | 5,165 |
| General and administrative | 2,617 | 2,351 | 266 |
| Loss from change in fair value of contingent consideration | 44,000 | 3,900 | 40,100 |
| Total operating expenses | 54,561 | 9,030 | 45,531 |
| Loss from operations | (54,561) | (9,030) | (45,531) |
| Other income, net | 226 | 72 | 154 |
| Net loss and comprehensive loss | $ (54,335) | $ (8,958) | $ (45,377) |

***Research and development expenses***. Research and development expenses were $7.9 million for the three months ended June 30, 2019 compared to $2.8 million for the three months ended June 30, 2018. The increase of approximately $5.2 million was due primarily to increases in technology transfer and manufacturing costs associated with the Fujifilm MSA and increased internal and external staffing costs, partially offset by reduced expenses related to the Phase 3 VISTA trial.

***General and administrative expenses***. General and administrative expenses were $2.6 million for the three months ended June 30, 2019 compared to $2.4 million for the three months ended June 30, 2018. The increase of approximately $0.3 million was due primarily to increases in professional fees and employee-related compensation.

***Loss from change in fair value of contingent consideration***. The change in fair value of contingent consideration was a $44.0 million loss for the three months ended June 30, 2019 compared to a $3.9 million loss for the three months ended June 30, 2018. During the quarter ended June 30, 2019, the Company reassessed the total addressable global market for NMIBC and determined that both the global market size and estimated potential Vicinium commercial net sales within the global NMIBC market were likely higher than the Company's previous estimates. Specific drivers of the increased revenue estimates include the expectation that Vicinium could achieve peak market penetration earlier than previously estimated, and the expectation that Vicinium sales outside the United States could be two to three times the expected sales volumes in the United States. As contingent consideration incorporates a royalty rate of 2% on all commercial net sales reported through December 2033, an increase in expected future net sales correlates to an increase in the fair value of the Company's potential contingent consideration. Accordingly, the Company's contingent consideration at June 30, 2019 was adjusted to reflect the Company's updated view of the NMIBC market and Vicinium's potential sales volumes in that market. The loss in the three months ended June 30, 2019 was therefore due to changes in assumptions related to increases in projected sales volumes in both the US and OUS markets compared to prior estimates. The loss in the three months ended June 30, 2018 was primarily due to changes in discount rates. Changes in future market assumptions, including the probability of regulatory approvals, and/or different estimates of future sales volume could result in materially different fair value estimates.

***Other income (expense), net***. Other income, net was $0.2 million for the three months ended June 30, 2019 compared to other income, net of $0.1 million for the three months ended June 30, 2018. The change of approximately $0.2 million was due primarily to the increase in interest income on higher cash balances due to a completed equity financing in June 2018.

***Comparison of the Six Months Ended June 30, 2019 and 2018***

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| | (in thousands) | | |
| Operating expenses: | | | |
| Research and development | 12,630 | 6,034 | 6,596 |
| General and administrative | 5,672 | 4,303 | 1,369 |
| Loss from change in fair value of contingent consideration | 43,000 | 2,700 | 40,300 |
| Total operating expenses | 61,302 | 13,037 | 48,265 |
| Loss from operations | (61,302) | (13,037) | (48,265) |
| Other income, net | 487 | 116 | 371 |
| Net loss and comprehensive loss | $ (60,815) | $ (12,921) | $ (47,894) |

***Research and development expenses***. Research and development expenses were $12.6 million for the six months ended June 30, 2019 compared to $6.0 million for the six months ended June 30, 2018. The increase of $6.6 million was due primarily to increases in technology transfer and manufacturing costs associated with the Fujifilm MSA, and increases in employee-related compensation, partially offset by reduced expenses related to the Phase 3 VISTA trial.

***General and administrative expenses***. General and administrative expenses were $5.7 million for the six months ended June 30, 2019 compared to $4.3 million for the six months ended June 30, 2018. The increase of $1.4 million was due primarily to increases in commercial market research, employee-related compensation, professional fees and legal costs.

***Loss from change in fair value of contingent consideration***. The change in fair value of contingent consideration was a $43.0 million loss for the six months ended June 30, 2019 compared to a $2.7 million loss for the six months ended June 30, 2018. During the quarter ended June 30, 2019, the Company reassessed the total addressable global market for NMIBC and determined that both the global market size and estimated potential Vicinium commercial net sales within the global NMIBC market were likely higher than the Company's previous estimates. Specific drivers of the increased revenue estimates include the expectation that Vicinium could achieve peak market penetration earlier than previously estimated, and the expectation that Vicinium sales outside the United States could be two to three times the expected sales volumes in the United States. As contingent consideration incorporates a royalty rate of 2% on all commercial net sales reported through December 2033, an increase in expected future net sales correlates to an increase in the fair value of the Company's potential contingent consideration. Accordingly, the Company's contingent consideration at June 30, 2019 was adjusted to reflect the Company's updated view of the NMIBC market and Vicinium's potential sales volumes in that market. The loss in the six months ended June 30, 2019 was therefore due to changes in assumptions related to increases in projected sales volumes in both the US and OUS markets compared to prior estimates. The loss in the six months ended June 30, 2018 was primarily due to changes in discount rates. Changes in future market assumptions, including the probability of regulatory approvals, and/or different estimates of future sales volume could result in materially different fair value estimates.

***Other income (expense), net***. Other income, net was $0.5 million for the six months ended June 30, 2019 compared to other income, net of $0.1 million for the six months ended June 30, 2018. The change of $0.4 million was due to the increase in interest income on higher cash balances due to a completed equity financing in June 2018.

**Liquidity and Capital Resources**

***Sources of Liquidity***

Since inception, we have incurred significant operating losses and expect to continue to incur operating losses for the foreseeable future. To date, we have financed our operations primarily through debt and equity offerings and collaboration and licensing arrangements.

In June 2016, we entered into the License Agreement with Roche and received an up-front license fee of $7.5 million and up to an additional $262.5 million upon the achievement of specified regulatory, development and commercial milestones with respect to up to two unrelated indications. Specifically, an aggregate amount of up to $197.5 million is payable to us for the achievement of specified milestones with respect to the first indication: consisting of $72.5 million in development milestones, $50.0 million in regulatory milestones and $75.0 million in commercialization milestones. We received the first development

milestone payment of $22.5 million as a result of the IND for EBI-031 becoming effective. In addition, we are entitled to receive royalty payments in accordance with a tiered royalty rate scale, with rates ranging from 7.5% to 15% for net sales of potential future products containing EBI-031 and at up to 50% of these rates for net sales of potential future products containing other IL-6 compounds, with each of the royalties subject to reduction under certain circumstances and to the buy-out options of Roche. As of June 30, 2019, none of these additional milestones under the License Agreement have been achieved.

On June 21, 2019, we raised approximately $28 million in net proceeds from June 2019 Financing.

Additionally, from January 1, 2019 through June 30, 2019, we received approximately $3.4 million in proceeds from the exercise of outstanding warrants to purchase common stock issued in connection with (i) the November 2017 Financing and (ii) the March 2018 Private Placement.

***Cash Flows***

As of June 30, 2019, we had cash and cash equivalents of $64.9 million. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation.

The following table sets forth the primary sources and uses of cash for each of the periods set forth below:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | (in thousands) | |
| Net cash (used in) provided by: | | |
| Operating activities | $ (16,743) | $ (9,979) |
| Investing activities | (43) | 5 |
| Financing activities | 31,295 | 58,265 |
| Net decrease in cash and cash equivalents | $ 14,509 | $ 48,291 |

***Operating activities.*** Net cash used in operating activities was $16.7 million for the six months ended June 30, 2019 and consisted primarily of a net loss of $60.8 million, adjusted for non-cash items, including stock-based compensation expense of $0.7 million, a loss from changes in fair value of contingent consideration of $43.0 million, and a net increase in operating assets and liabilities of $0.3 million.

Net cash used in operating activities was $10.0 million for the six months ended June 30, 2018, and consisted primarily of net loss of $12.9 million, adjusted for non-cash items, including stock-based compensation expense of $0.7 million, a loss from the change in the fair value of contingent consideration of $2.7 million, and a net increase in operating assets and liabilities of $0.5 million.

***Investing activities***. Net cash provided by (used in) investing activities consisted of sales and purchases of property and equipment. We purchased $43,000 of property and equipment during the six months ended June 30, 2019, while we received cash proceeds from the sale of property and equipment of approximately $5,000 for the six months ended June 30, 2018.

***Financing activities***. Net cash provided by financing activities for the six months ended June 30, 2019 consisted primarily of (i) approximately $28 million in net proceeds from the June 2019 Financing, and (ii) $3.4 million in proceeds from the exercise of warrants to purchase our common stock. Net cash provided by financing activities for the six months ended June 30, 2018 consisted of (i) net proceeds of $8.7 million from the sale, on March 23, 2018, of 7,968,128 shares of our common stock in a registered direct offering, (ii) net proceeds of $0.3 million from the sale of common stock purchase warrants to purchase 7,968,128 shares of our common stock in the March 2018 Private Placement, (iii) net proceeds of $41.9 million from the sale of 25,555,556 shares of our common stock in an underwritten public offering in connection with our June 2018 Financing, and (iv) proceeds of $7.3 million from the cash exercise of warrants to purchase our common stock issued in connection with our November 2017 Financing and our March 2018 Private Placement.

***Funding Requirements***

We will incur substantial expenses if and as we:

- continue our Phase 3 clinical trial for Vicinium for the treatment of high-risk NMIBC;
- conduct research and pre-clinical and clinical development of our other product candidates;
- seek to discover and develop additional product candidates;
- in-license or acquire the rights to other products, product candidates or technologies;
- seek marketing approvals for any product candidates that successfully complete clinical trials;
- establish sales, marketing and distribution capabilities and scale up and validate external manufacturing capabilities (including initiating and completing the manufacturing process and technology transfer to any third-party manufacturers) to commercialize any products for which we may obtain marketing approval;
- maintain, expand and protect our intellectual property portfolio;
- add equipment and physical infrastructure to support our research and development;
- hire additional clinical, regulatory, quality control, scientific and management personnel; and
- expand our operational, financial and management systems and personnel.

Our future capital requirements will depend on many factors, including:

- the scope, initiation, progress, timing, costs and results of pre-clinical development and laboratory testing of our pre-clinical product candidates;
- the cost and timing of any new clinical trials or studies of our product candidates;
- our ability to establish collaborations on favorable terms, if at all, particularly manufacturing, marketing and distribution arrangements for our product candidates;
- the costs and timing of the implementation of commercial-scale manufacturing activities;
- the costs and timing of establishing sales, marketing and distribution capabilities for any product candidates for which we may receive regulatory approval;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims;
- our obligation to make milestone, royalty and other payments to third party licensors under our licensing agreements;
- the extent to which we in-license or acquire rights to other products, product candidates or technologies;
- the outcome, timing and cost of regulatory review by the FDA and comparable foreign regulatory authorities, including the potential for the FDA or comparable foreign regulatory authorities, including Health Canada, to require that we perform more studies than those that we currently expect;
- our ability to achieve certain future regulatory, development and commercialization milestones under the License Agreement with Roche;
- the effect of competing technological and market developments; and
- the revenue, if any, received from commercial sales of any product candidates for which we receive regulatory approval.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, government or other third-party funding, collaborations, strategic alliances, licensing arrangements and marketing and distribution arrangements. We do not have any committed external source of funds other than the amounts payable under the License Agreement with Roche. To the extent that we raise additional capital through the sale of equity or debt securities, such as the financings we completed in November 2017, March 2018, June 2018 and June 2019, our stockholders' ownership interest will be diluted and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders’ rights as holders of our common stock. Debt financing and equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through government or other third-party funding, collaborations, strategic alliances, licensing arrangements or marketing and distribution arrangements, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or

future commercialization efforts or grant rights to develop and market products or product candidates that we would otherwise prefer to develop and market ourselves.

***Contractual Obligations and Commitments***

The disclosure of our contractual obligations and commitments is set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations and Commitments" in our 2018 Form 10-K.

The following table summarized our contractual obligations at June 30, 2019:

| | Total | Less than 1 Year | 1 to 3 Years | 3 to 5 Years | More than 5 Years |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| Operating lease obligations (1) | $ 189 | $ 151 | $ 38 | $ — | $ — |
| Short term lease obligations (2) | 82 | 82 | | | |
| License maintenance fees (3) | 1,004 | 182 | 547 | 275 | — |
| Total fixed contractual obligations | $ 1,275 | $ 415 | $ 585 | $ 275 | $ — |

(1) We lease our manufacturing facility located in Winnipeg, Manitoba, Canada, which consists of an approximately 31,100 square foot manufacturing, laboratory, warehouse and office facility, under a five-year renewable lease through September 2020. The minimum monthly rent under this lease is approximately $12,600 per month. We also expect to incur approximately $12,300 in related operating expenses per month.

(2) We entered into a short-term lease for office space in Philadelphia, Pennsylvania that has a monthly rent of approximately $11,000 per month. We entered into a short-term lease for office space in Cambridge, Massachusetts that has a monthly rent of approximately $8,000 per month.

(3) We have entered into various license agreements that, upon successful clinical development, contingently trigger payments upon achievement of certain milestones, royalties and other such payments. See "License Agreements" below. Because the achievement of these milestones are uncertain, the amounts have not been included.

We enter into agreements in the normal course of business with CROs for clinical trials and with vendors for pre-clinical studies, license agreements and other services and products for operating purposes which are cancelable by us, upon prior written notice. We have an agreement with a CRO that may be terminated at any time with 30 days' notice; however, upon termination, we would be required to pay all costs incurred by the CRO up to the termination date, plus an additional fee, which is calculated as an amount equal to either (a) 5% of the unearned fees for services as provided in the budget if we have paid 50% or more of the total fees for services as specified in the work order or (b) 3% of the amount of fees we have paid for services as of the date of termination if we have paid less than 50% of the total fees for services as specified in the work order. As of June 30, 2019, we have been invoiced $7.7 million in fees for services from this CRO, which is more than 50% of the total fees for services as specified in the current work order with this CRO. Therefore, as of June 30, 2019, we would have been required to pay a termination fee of 5% of the amount of fees as of the date of termination of this agreement, which would have equaled approximately $164,000 as of June 30, 2019. Amounts owed to such CRO were not included in the "Contractual Obligations and Commitments" table above as it was considered a contingent payment as of June 30, 2019.

In connection with the acquisition of Viventia, we are obligated to pay to the sellers certain post-closing contingent cash payments upon the achievement of specified milestones and based upon net sales, in each case subject to the terms and conditions set forth in the acquisition agreement, including: (i) a one-time milestone payment of $12.5 million payable upon the first sale of Vicinium for the treatment of NMIBC or any variant or derivative thereof, other than Vicinium for the treatment of SCCHN, in the United States, or the Purchased Product; (ii) a one-time milestone payment of $7.0 million payable upon the first sale of the Purchased Product in any one of certain specified European countries; (iii) a one-time milestone payment of $3.0 million payable upon the first sale of the Purchased Product in Japan; and (iv) and quarterly earn-out payments equal to two percent (2%) of net sales of the Purchased Product during specified earn-out periods. Such earn-out payments are payable with respect to net sales in a country beginning on the date of the first sale in such country and ending on the earlier of (i) December 31, 2033 and (ii) fifteen years after the date of such sale, subject to early termination in certain circumstances if a biosimilar product is on the market in the applicable country. Because the achievement of these milestones is uncertain, the amounts have not been included in the "Contractual Obligations and Commitments" table above.

***License Agreements***

The disclosure of our obligations under our license agreements is set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations — License Agreements" in our 2018 Form 10-K. During the six-month period ended June 30, 2019, there were no material changes to our obligations under our license agreements previously disclosed in our 2018 Form 10-K.

**Off-balance Sheet Arrangements**

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

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

**Interest Rate Risk**

We are exposed to market risk related to changes in interest rates. As of June 30, 2019, we had cash and cash equivalents of $64.9 million, primarily money market mutual funds consisting of U.S. government-backed securities. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our investments are in short-term securities. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 100 basis point (1.0%) change in interest rates would not have a material effect on the fair market value of our portfolio.

**Foreign Currency Risk**

As our functional currency is in U.S. Dollars, we face foreign exchange rate risk as a result of entering into transactions denominated in Canadian dollars. As a result, our primary foreign currency exposure is to fluctuations in the Canadian dollar relative to the U.S. dollar. A hypothetical 10% change in average foreign currency exchange rates during any of the preceding periods presented would not have a material effect on our net loss. Foreign exchange rates may continue to be a factor in the future periods as we continue to expand and grow our business.

**Item 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2019. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2019, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Notwithstanding our assessment that, as noted below, our internal control over financial reporting was not effective as of December 31, 2018 related to accounting for business combinations, our management concluded that our disclosure controls and procedures were effective at the reasonable assurance level. The material weakness in our internal control over financial reporting was attributable primarily to our lack of expertise in our finance and accounting group related to the accounting for business combinations.

As more fully discussed in our 2018 Form 10-K, to remediate the material weakness referenced above, we have implemented or have plans to implement the remediation initiatives described in Part II, Item 9A of our 2018 Form 10-K and will continue to evaluate the remediation and plan to implement additional measures in the future.

**Previously Identified Material Weakness**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control system was designed to provide reasonable assurance to our management and our board of directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway

Commission in *Internal Control-Integrated Framework* (2013). Based on this evaluation, our management concluded that our internal control over financial reporting was not effective as of December 31, 2018.

As of December 31, 2018, there was a material weakness, identified in 2016, in our controls over the financial reporting process related to business combinations. As a result of a lack of expertise in our finance and accounting group related to the accounting for business combinations, we lacked sufficient review of assumptions used and conclusions reached from the perspective of a typical market participant used in the acquisition valuation model. While we implemented processes and controls in 2017 and 2018 to remediate the material weakness over the review of assumptions related to business combinations, there have been no subsequent business combination transactions since the identification of the material weakness in 2016 that could be tested to provide evidence that the new controls operate effectively. As a result, our management concluded that our internal control over financial reporting was not effective as of December 31, 2018.

**Remediation Status**

As more fully discussed in our 2018 Form 10-K, to remediate the material weaknesses referenced above, we have implemented or have plans to implement the remediation initiatives described in Part II, Item 9A of our 2018 Form 10-K. We also continue to engage independent consultants to aid in the review of our financial reporting process and continue to evaluate steps to remediate the previously identified material weakness.

**Changes in Internal Control Over Financial Reporting**

During the three and six months ended June 30, 2019, management continued to implement certain remediation initiatives discussed in Part II, Item 9A of our 2018 Form 10-K. However, there was no change to our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

We are not currently subject to any material legal proceedings.

### Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Other than as previously disclosed on our Current Reports on Form 8-K filed with the SEC, we did not issue any unregistered equity securities during the six months ended June 30, 2019.

**Item 3. Defaults Upon Senior Securities.**

Not applicable.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

On August 2, 2019, Dennis Kim, M.D., MPH, departed as our Chief Medical Officer.

In connection with his departure, we entered into a separation agreement and general release with Dr. Kim, dated August 2, 2019, or the Separation Agreement, which sets forth the terms of Dr. Kim's separation from us. Pursuant to the Separation Agreement, subject to Dr. Kim agreeing to a release of claims and complying with certain other continuing obligations contained therein, we will pay Dr. Kim the total amount of $210,000, the equivalent of six months of Dr. Kim's base salary ($420,000) immediately prior to his departure, less applicable withholdings and deductions, payable in equal installments on our regular payroll dates over a six-month period. In addition, the Separation Agreement requires us to pay Dr. Kim $10,000 for transition expenses and guarantees Dr. Kim at least $100,000 in consulting fees pursuant to the consulting agreement described below. In addition, the Separation Agreement provides for a non-competition and non-solicitation restricted period for Dr. Kim ending six months after the termination or expiration of the consulting agreement.

We entered into a consulting agreement with Dr. Kim, dated August 2, 2019, or the Consulting Agreement, pursuant to which Dr. Kim will perform clinical advisory and consulting support services as reasonably requested by us, beginning on August 3, 2019 and ending on November 2, 2019. In exchange for his services, we will pay Dr. Kim a fee of $500 per hour, not to exceed a total of $150,000.

The description of the Separation Agreement and the Consulting Agreement does not purport to be complete and is qualified in its entirety by reference to the complete text of the Separation Agreement and the Consulting Agreement, which are filed as Exhibits 10.2 and 10.3, respectively, to this Quarterly Report on Form 10-Q.

**Item 6. Exhibits**

## EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
| 3.1 | Restated Certificate of Incorporation of Eleven Biotherapeutics, Inc. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on February 18, 2014 (File No. 001-36296). |
| 3.2 | Amended and Restated By-laws of Eleven Biotherapeutics, Inc. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on April 16, 2015 (File No. 001-36296). |
| 3.3 | Certificate of Amendment of Certificate of Incorporation. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on May 17, 2018 (File No. 001-36296). |
| 3.4 | Amendment to Amended and Restated By-laws. Incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on May 17, 2018 (File No. 001-36296). |
| 4.1 | Specimen Stock Certificate evidencing the shares of common stock. Incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-1/A filed on January 23, 2014 (Reg. No. 333-193131). |
| 4.2 | Amended and Restated Investors' Rights Agreement of Eleven Biotherapeutics, Inc. Incorporated by reference to Exhibit 4.2 to our Registration Statement on Form S-1 filed on December 30, 2013 (Reg. No. 333-193131). |
| 4.3 | Registration Rights Agreement, dated as of September 20, 2016 by and among Eleven Biotherapeutics, Inc. and the shareholders named therein. Incorporated herein by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on September 21, 2016 (File No. 001-36296). |
| 4.4 | Form of Warrant to Purchase Common Stock, by and between Eleven Biotherapeutics, Inc. and the persons party thereto. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on December 1, 2014 (File No. 001-36296). |
| 4.5 | Form of Warrant issued to Silicon Valley Bank and Life Science Loans, LLC dated November 25, 2014. Incorporated by reference to Exhibit 10.23 to our Registration Statement on Form S-1 filed with the SEC on December 19, 2014 (Reg. No. 333-201176). |
| 4.6 | Form of Common Warrant. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on November 3, 2017 (File. No. 001-36296). |
| 4.7 | Form of Warrant. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on March 23, 2018 (File. No. 001-36296). |
| 4.8 | Form of Warrant, Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on June 19, 2019 (File No. 001-36296). |
| 10.1* | Employment Agreement, dated September 20, 2016, by and between Eleven Biotherapeutics, Inc. and Glen MacDonald, as amended on February 21, 2017. |
| 10.2* | Separation and General Release, dated August 2, 2019, by and between Sesen Bio, Inc. and Dennis Kim. |
| 10.3* | Consulting Agreement, dated August 2, 2019, by and between Sesen Bio, Inc. and Dennis Kim. |
| 31.1* | Rule 13a-14(a) Certification of Principal Executive Officer |
| 31.2* | Rule 13a-14(a) Certification of Principal Financial Officer |
| 32.1** | Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. §1350 |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema Document |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |

* Filed herewith.

** Furnished herewith.

## SIGNATURES

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

SESEN BIO, INC.

By: /s/ Thomas R. Cannell, D.V.M.

**Thomas R. Cannell, D.V.M.**
**President and Chief Executive Officer**
**(Principal Executive Officer and Duly Authorized Officer)**

August 8, 2019

February 21, 2017

**Personal & Confidential**
Glen MacDonald
475 Ragland Road
Winnipeg, MB R3G 3E4

Dear Glen:

The purpose of this letter (this "Letter") is to amend your employment letter agreement with Eleven Biotherapeutics, Inc. (the "Company"), dated as of September 20, 2016 (the "Letter Agreement"), to reflect that your position has recently changed from Chief Scientific Officer to Chief Technology Officer. Effective as of the date hereof, all references in the Letter Agreement to "Chief Scientific Officer" are hereby changed to "Chief Technology Officer." The Letter Agreement is, and continues to be, in full force and effect, except as otherwise provided in this Letter.

Please acknowledge your understanding of and agreement to the foregoing by signing this Letter in the space provided below.

Sincerely,

ELEVEN BIOTHERAPEUTICS, INC.

By: _____

ACKNOWLEDGED AND AGREED:

_____
Glen MacDonald

ELEVEN
BIOTHERAPEUTICS

September 20, 2016

Personal & Confidential
Glen MacDonald
475 Raglan Road
Winnipeg, MB R3G 3E4

Dear Glen:

It is my pleasure to offer you the position of Chief Scientific Officer for Eleven Biotherapeutics, Inc. ("the Company" or "Eleven Bio") reporting to Stephen Hurly, President and CEO. This letter agreement summarizes important details about your employment, should you accept this offer. This letter agreement shall be effective only upon the date of the closing (such closing date, the "Effective Date") of the acquisition by the Company of Viventia Bio Inc. ("Viventia") pursuant to a Share Purchase Agreement (the "Agreement"), by and among the Company, Viventia, the shareholders of Viventia named on the signature pages thereto and, for certain limited purposes, Clairmark Investments Ltd, pursuant to which Agreement, the Company will acquire all of the outstanding equity interests in Viventia and Viventia will become a wholly-owned subsidiary of the Company (the "Transaction"). If the Transaction does not occur by September 23, 2016, this letter agreement shall be null and void.

1. Full-Time and Best Efforts: As Eleven Bio's Chief Scientific Officer, which is a full-time position, you will have such duties and responsibilities consistent with such position, and any other duties as the Company may assign from time to time. You are expected to devote substantially all of your working time to the performance of your duties in a satisfactory manner and to the best of your abilities at all times. You shall not engage in any other business or occupation during your employment with the Company, including, without limitation, any activity that conflicts with the interests of the Company, interferes with the proper and efficient performance of your duties for the Company, or interferes with your exercise of judgment in the Company's best interests. Notwithstanding the foregoing, you will be permitted to serve as an officer, director or trustee of any charitable, educational or non-profit organization, without the Company's prior consent, provided that such services do not interfere with the performance of your duties to the Company or represent an actual or apparent conflict of interest with your role at the Company.

2. Compensation: You shall receive an annual salary of $272,496.25 CAD, which will be subject to all applicable tax reporting and withholding, paid in accordance with the Company's standard payroll practices. You will be considered for a merit review in conjunction with your performance review (which generally are conducted annually) and consistent with the Company's compensation practices, as determined by the Board.

3. Annual Bonus: You may be eligible to receive an annual target bonus of up to 30% of your base salary, based upon the achievement of certain corporate and individual goals set by the Company, and contingent upon your individual performance and the Company's performance. The determination of whether a bonus will be paid to you, and the amount of any such bonus, will be determined by the Company. Any bonus earned will be paid to you no later than March 15th of the year following the year to which it relates. No bonus is accrued or earned until the date on which it is actually paid to you. No bonus shall be pro-rated for any partial year of employment. Please note that you must be actively employed by the Company on the date any bonus is paid in order to be eligible for a bonus. No period of notice or payment in lieu of notice that is given by you to the Company or to you by the Company (or that ought to have been given by you or to you) which follows or is in respect of a period which follows your last day of actual and active employment will be deemed to extend your employment for the purposes of determining any right for you to receive a bonus hereunder, and you shall have no entitlement to damages or other compensation arising from or related to not receiving any bonus which may have been awarded, or which may have paid, after your last day of active employment with the Company or if working notice of termination had been given.

4. Stock Option: Subject to and upon approval by the Board, you will be granted a nonstatutory stock option to purchase 100,000 shares of Common Stock, $0.001 par value per share, of the Company (the "Common Stock"), which option is granted pursuant to the inducement grant exception under Nasdaq Rule 5635(c)(4) and not pursuant to the Company's 2014 Stock Incentive Plan (the "Plan") or any other equity incentive plan of the Company, as an inducement that is material to your employment with the Company (the "Inducement Grant"). The Inducement Grant shall have an exercise price equal to the closing price of the Common Stock on the NASDAQ Global Market on the date of such grant and shall vest as to 25% of the shares subject to such option on the first anniversary of the date of grant of the option and as to an additional 6.25% of the shares underlying the option at the end of each successive three-month period thereafter until the fourth anniversary of the date of grant of the option. The Inducement Grant shall be subject to such other terms as are customary for the Company's options under the Plan and the previously approved form of stock option agreement under the Plan. The Board will consider annually whether to grant additional equity awards to its employees and you will be eligible to be considered for such additional annual equity grants.

5. Employee Benefits; Expenses: The Company offers a comprehensive benefit package that includes group health, dental and vision plans as well as life and disability benefits. You will be eligible to participate in all employee benefit plans in effect from time to time for similarly situated Canadian employees of the Company subject to the plan documents governing such benefits. Notwithstanding the foregoing, you understand and agree that nothing contained herein will require the Company to establish or maintain any benefits and any such benefits may be modified, amended, terminated or cancelled at any time by the Company.

During your employment, the Company shall pay (or promptly reimburse you) for documented, out-of-pocket expenses reasonably incurred by you in performing your job, which are consistent

with the Company's policies in effect from time to time with respect to business expenses, subject to the Company's requirements with respect to reporting of such expenses.

6. Vacation Time: As a full time employee of the Company, you are eligible for up to 15 paid vacation days that are accrued on a monthly basis at a rate of 1.25 days (10 hours) per month of full time employment. The use of vacation is governed by the Company's vacation policy.

7. Term of Employment; Restrictive Covenant Agreement: Your term of employment shall commence on the Effective Date and continue until terminated in accordance with the terms of this letter agreement.

As a condition of your employment with the Company, you will be required to execute the enclosed Employee Non-Competition, Non-Solicitation, Confidentiality, and Assignment Agreement.

8. Termination: Your employment with the Company may be terminated as follows:

By you, at any time, upon providing the Company with at least 3 months' prior written notice. The Company may, in its sole discretion, waive such notice period, in whole or in part, and pay you the amount that would have been paid to you for the remainder of the relevant notice period.

By the Company for Cause, in which case you shall not be entitled to any notice of termination or payment in lieu thereof. The Company shall pay to you only any salary and vacation entitlement accrued but unpaid prior to the termination date.

By the Company without "Cause" or you for "Good Reason" (each term as defined below and in either case a "Qualifying Termination"), in which case you will be eligible for the benefits outlined in sub-paragraphs A or B (the "Severance Benefits"), subject to the terms set forth in this letter agreement:

A. If a Qualifying Termination occurs: (i) Eleven Bio will pay you severance in the form of (1) continuation of your base salary for a total of 12 months (the "Notice Period"), such amount to be paid in accordance with the Company's then current payroll practices, except as otherwise specified in this letter agreement and (ii) you will continue to be eligible to participate in the employee benefit plans (excluding short term disability and long term disability benefits which shall cease immediately) in which you were participating at the date of termination, subject to the terms of such employee benefit plans, until the earlier of: 1) the end of the Notice Period; or 2) the date you become covered under the benefit plans of another employer. The Company's obligation hereunder is conditional on you continuing to pay your share of the premiums (if any).

B. If a Qualifying Termination occurs within 12 months after a Change in Control Transaction (as defined below), then in addition to the severance payment and benefit continuation provided for in sections 8.A(i) and (ii) above, subject to the same terms, conditions, and limitations as described therein; and the vesting of 100% of your then outstanding unvested equity grants shall be accelerated, such that all unvested equity grants vest and become fully exercisable or non-forfeitable as of the date of termination.

For the sake of clarity, it shall not be a "Qualifying Termination" if your employment terminates because of your death or due to your suffering a Disability (as defined below).

C. The Severance Benefits will be subject to the following terms:

i. The Company's obligation to make the above payments and provide the above benefits will be contingent upon your execution of a full and final release of all claims in favour of the Company, in a form acceptable to the Company, and you agree that payment by the Company of the amounts set out in Section 8.A or 8.B shall be in full and final settlement of any and all actions, causes of actions, suits, claims, demands and entitlements whatsoever which you have or may have against the Company and any of its directors, officers, employees, representatives, successors and assigns arising out of your hiring, employment and the termination of your employment or this letter agreement.

ii. In the event that the Company determines that, without its express written consent, you have breached any of your post-employment obligations, including those in the Employee Non-Competition, Non- Solicitation, Confidentiality and Assignment Agreement, the Company shall have the right to suspend or terminate any or all remaining payments and/or benefits, if any, referenced in Section 8.A or 8.B of this letter agreement. Such suspension or termination of payments and/or benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against you in law or equity or pursuant to any other agreement between you and the Company.

iii. The Company's obligations to pay or provide the Severance Benefits will be contingent upon your having tendered your resignation from the Board (and any other boards on which you serve at the request of the Company), effective as of the date of termination.

9. Definitions: For purposes of this letter agreement, "for Cause" shall mean the Company has complied with the "Cause Process", as defined below, following your committing one or more of the following (each a "Cause Condition"): (i) an act of material dishonesty involving the Company, embezzlement, or misappropriation of assets or property of the Company; (ii) gross negligence or willful misconduct in connection with the performance of your duties, theft, fraud or breach of fiduciary duty to the Company; (iii) your willful, sustained, or repeated failure to substantially perform the duties or obligations of your position (other than due to illness or

injury); (iv) a violation of federal, state or provincial securities law; (v) the conviction on any charge involving moral turpitude; (vi) a material breach of any of the Company's written policies related to conduct or ethics; (vii) a material breach of your Non-Competition, Non-Solicitation, Confidentiality and Assignment Agreement; or (viii) any act or omission which would in law permit an employer to, without notice or payment in lieu of notice, terminate the employment of an employee.

"Cause Process" shall mean that (i) the Company reasonably determines, in good faith, that one of the Cause Conditions has occurred; (ii) the Company notifies you in writing of the first occurrence of the Cause Condition within 30 days of the Board becoming aware of such condition; (iii) the Company cooperates in good faith with your efforts, for a period not less than 30 days following such notice (the "Cause Cure Period"), to remedy the Cause Condition; (iv) notwithstanding such efforts, the Cause Condition continues to exist; and (v) the Company terminates your employment within thirty (30) days after the end of the Cause Cure Period, provided that the Company will not be required to provide a Cause Cure Period in the event that a Cause Condition is: (i) of the type described in clauses (iv) or (v); ii) is incapable of being cured; or (ii) is required to be publicly disclosed under applicable securities law.

If you cure to the Company's satisfaction any Cause Condition during the applicable Cause Cure Period, Cause shall be deemed not to have occurred. If the Company is not required to provide a Cause Cure Period, the Cause Process will be satisfied if the Company notifies you in writing of the first occurrence of the Cause Condition within 30 days of the Board becoming aware of such condition and terminates your employment within 30 days of such notice.

"Change in Control Transaction" shall mean (i) a merger or consolidation of the Company with or into another corporation under circumstances where the stockholders of the Company immediately prior to such merger or consolidation do not own, after such merger or consolidation, shares representing at least 50% of the voting power of the Company or the surviving, resulting or parent corporation, as the case may be, (ii) a transfer of shares representing 50% or more of the voting power of the Company to any person who was not, on the Effective Date, a holder of stock of any class or preference or any stock option of the Company, (iii) a liquidation of the Company, or (iv) a sale or other disposition of all or substantially all of the Company's assets.

"Good Reason" shall mean you have complied with the "Good Reason Process" as defined below, following the occurrence of one or more of the following events, unless otherwise consented to by you: (i) any material diminution in your duties, authority or responsibilities, (ii) any material diminution in your base compensation except as part of a general reduction of the salaries or other remuneration of all or substantially all of the senior executives of the Company, which affects you in substantially the same manner as the other senior executives who are also affected; (iii) the relocation of your primary place of work more than 80 kilometers from your primary place of work for the Company on the Effective Date of this letter agreement, or (iv) the material breach by the Company of any provision of this letter agreement or any other employment-related agreement between the Company and you.

"Good Reason Process" shall mean that (i) you reasonably determine in good faith that one of the foregoing "Good Reason" conditions has occurred; (ii) you notify the Company in writing of the first occurrence of the Good Reason condition within 30 days of the first occurrence of such condition; (iii) you cooperate in good faith with the Company's efforts, for a period not less than 30 days following such notice (the "Cure Period") to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist; and (v) you terminate your employment within 30 days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

"Disability" shall mean your inability (as determined by the Company) to perform the essential functions of your position due to physical or mental disability, which continues for a period of 90 days (whether or not consecutive) during any 12-month period, which is agreed would cause undue hardship to the Company which cannot be accommodated.

10. General: By signing below, you represent that you are not bound by any employment contract, restrictive covenant or other restriction preventing or limiting you from entering into employment with or carrying out your responsibilities for the Company, or which is in any way inconsistent with the terms of this letter agreement. You also agree that you will not disclose to anyone at the Company, bring onto Company premises, or use in the course of your employment at the Company, any confidential information or trade secrets belonging to any former employer (with the exception of Viventia) or to any other entity.

Your employment and this letter agreement will be governed by the laws of the Province of Manitoba and the federal laws of Canada applicable therein. The courts of Manitoba shall have the exclusive jurisdiction to hear any matter arising in connection with this letter agreement.

The Company has the right to assign this letter agreement to its successors and assigns, and all covenants and agreements hereunder shall enure to the benefit of and be enforceable by said successors and assigns.

Any provision of this letter agreement which expressly states that it is to continue in effect after termination of this letter agreement or your employment, or which by its nature would survive the termination of this letter agreement or your employment, shall do so, regardless of the manner or cause of termination.

If any one or more of the provisions of this letter agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, any such provision shall be severable from this letter agreement, in which event this letter agreement shall be construed as if such provision had never been contained herein.

After the Effective Date, this letter agreement (and the plans, documents, and policies referenced herein) shall constitute our entire agreement regarding the terms and conditions of your employment with the Company and shall supersede any prior agreements or other promises or statements (whether oral or written) regarding the terms of your employment, including, without

limitation, your Employment Agreement with Viventia Biotech Inc. dated October 12, 2004. The terms described herein cannot be modified except in writing by you and the Company. Failure of either party to this letter agreement to insist upon strict compliance with any of the terms, covenants or conditions hereof will not be deemed a waiver of such terms, covenants or conditions. In the event of any inconsistency between this letter agreement and any other contract between the Company and you, including the Employee Non-Competition, Non-Solicitation, Confidentiality and Assignment Agreement, the provisions of this letter agreement will prevail.

This letter agreement may be executed in counterparts, or facsimile counterparts, each of which when executed by either of the parties shall be deemed to be an original and such counterparts shall together constitute one and the same agreement.

We are thrilled to have you join the leadership team at Eleven Bio. Please contact me if you have any questions or need more information.

*[Signature Page Follows]*

ELEVEN
BIOTHERAPEUTICS

Sincerely,

**John McCabe**
**Chief Financial Officer**

I accept the above terms of employment as stated:

_____ September _____, 2016
Glen MacDonald, Ph.D. Date

*Enclosure:*

- Employee Non-Competition, Non-Solicitation, Confidentiality and Assignment Agreement

*[Signature Page to MacDonald Employment Letter]*

ELEVEN
BIOTHERAPEUTICS

Sincerely,

**John McCabe**
**Chief Financial Officer**

I accept the above terms of employment as stated:

Glen MacDonald

Sept 20, 2016
Date

*Enclosure:*

- Employee Non-Competition, Non-Solicitation, Confidentiality and Assignment Agreement

*[Signature Page to MacDonald Employment Letter]*

**SEPARATION AGREEMENT AND GENERAL RELEASE**

This Separation Agreement and General Release (the "Agreement") is being entered into between Dennis Kim ("Employee") and Sesen Bio, Inc. (the "Company") (together, the "Parties") in connection with Employee's resignation of his employment with the Company, effective August 2, 2019 (the "Resignation Date").

**1. Resignation Date.** Employee agrees that he ceased to be an employee of the Company or any of its subsidiaries as of the Resignation Date. As of the Resignation Date, Employee is no longer eligible to participate in any of the Company's benefit plans, including, but not limited to, any dental or medical insurance, long term care plans, retirement or 401(k) plans, vacation leave, sick leave, long term disability insurance, life insurance, incentive plans, or personal accident insurance. Employee will be paid all outstanding, accrued salary and accrued but unused vacation (outstanding vacation pay being $14,539 through the Resignation Date, less the appropriate federal, state and local taxes and other withholdings, as determined by the Company.

**2. Acknowledgement**. Employee acknowledges and agrees that, except as expressly provided in this Agreement, Employee has been fully paid any and all compensation due and owing to Employee, including all wages, salary, commissions, bonuses, incentive payments, profit-sharing payments, expense reimbursements, leave or other benefits. Employee further agrees that the Severance referred to in Section 3 is not compensation for Employee's services rendered through the Resignation Date, but rather constitutes consideration for the promises contained in this Agreement, and is above and beyond any wages or salary or other sums to which Employee is entitled from the Company under the terms of Employee's employment with the Company or under any other contract or law.

**3. Severance Payments**. Provided that Employee signs this Agreement no later than August 17, 2019 , does not revoke it and abides by its terms, the Company will pay to Employee the total gross amount of $210,000, the equivalent of six (6) months of Employee's base salary ("Severance Payments"), payable in equal installments on the Company's regular payroll dates over a six month period and with the first installment being paid on the first regular payroll date following the Effective Date (as defined in Section 14(b) of this Agreement).

**4. Additional Severance Payments**. The Parties acknowledge that they are entering into, or have entered into, a Consulting Agreement contemporaneously with this Agreement. Provided that Employee (a) re-executes this Agreement on the last day of the Term of the Consulting Agreement (as defined therein) and does not revoke it, and (b) complies fully with the terms of this Agreement and of the Consulting Agreement, then:

**a.** The Company shall pay Employee the total gross amount of $10,000 for transition expenses, including, without limitation, Employee's lease payments from the Separation Date through December 31, 2019 on an apartment he rents in Philadelphia, inclusive of parking fees ("Additional Severance"); and

**b.** Provided that Employee has earned less than $100,000 in Consulting Fees (as defined in the Consulting Agreement) but has provided requested services to the Company through the end of the Term of the Consulting Agreement, the Company shall pay to Employee an amount equal to the difference between $100,000 and Employee's earned Consulting Fees ("Consulting Fee Guarantee").

The Additional Severance and, if applicable, the Consulting Fee Guarantee, shall be paid in one lump sum within thirty (30) days after the end of the Term of the Consulting Agreement.

**5.** **Taxes**. The Company makes no representations concerning the tax consequences of any payment or benefit pursuant to this Agreement, and Employee shall pay any and all foreign, federal, state or local taxes that are or may become due with respect to any such payments. The Company will withhold the appropriate federal, state and local taxes and other withholdings, as determined by the Company, from any payments made to Employee pursuant to this Agreement.

**6.** **General Release**. Except for any rights granted under (i) this Agreement, (ii) that certain Nonstatutory Stock Option Agreement by and between the Company and Employee dated December 3, 2018 (the "Option Agreement") and (iii) that certain Indemnification Agreement by and between the Company and Employee dated December 3, 2018 (the "Indemnification Agreement"), each time Employee executes this Agreement, Employee, for himself, and for Employee's heirs, assigns, executors and administrators, hereby releases, remises and forever discharges the Company, its parents, subsidiaries, affiliates, divisions, predecessors, successors, assigns, and each of their respective members, managers, directors, officers, partners, attorneys, shareholders, administrators, employees, agents, representatives, employment benefit plans, plan administrators, fiduciaries, trustees, insurers and re-insurers, and investors, and all of their predecessors, successors and assigns, and each of their respective members, managers, directors, officers, partners, attorneys, shareholders, administrators, employees, agents, representatives, employment benefit plans, plan administrators, fiduciaries, trustees, insurers and re-insurers, investors (collectively, the "Releasees") of and from all claims, causes of action, covenants, contracts, agreements, promises, damages, disputes, demands, and all other manner of actions whatsoever, in law or in equity, that Employee ever had, may have had, now has, or that Employee's heirs, assigns, executors or administrators hereinafter can, shall or may have, whether known or unknown, asserted or unasserted, suspected or unsuspected, as a result of or related to Employee's employment with the Company, the termination of that employment, or under any contract, including but not limited to Employee's Letter Agreement dated December 3, 2018 ("Letter Agreement"), or any act or omission which has occurred at any time up to and including the date of the execution of this Release (collectively, the "Released Claims").

**a.** **Released Claims**. The Released Claims include, but are not limited to, claims for monetary damages; claims related to Employee's employment with the Company or the termination thereof; claims to severance or similar benefits; claims to expenses, attorneys' fees or other indemnities; claims based on any actions or failures to act that occurred on or before the date of this Agreement; and claims for other personal remedies or damages sought in any legal proceeding or charge filed with any court or federal, state or local agency either by Employee or by any person claiming to act on Employee's behalf or in Employee's interest. Employee understands that the Released Claims may have arisen under different local, state and federal statutes, regulations, or common law doctrines. Employee hereby specifically, but without limitation, agrees to release all Releasees from any and all claims under each of the following:

**i.** Antidiscrimination laws, such as Title VII of the Civil Rights Act of 1964, as amended, and Executive Order 11246 (which prohibit discrimination based on race, color, national origin, religion, or sex); Section 1981 of the Civil Rights Act of 1866 (which prohibits discrimination based on race or color); the Americans with Disabilities Act and Sections 503 and 504 of the Rehabilitation Act of 1973 (which prohibit discrimination based upon disability); the Age Discrimination in Employment Act, as amended, 29 U.S.C. Section 621 *et seq.* (which prohibits discrimination on the basis of age); the Equal Pay Act (which prohibits paying men and women unequal

pay for equal work); the Massachusetts Fair Employment Practices Law; the Massachusetts Civil Rights Act; the Massachusetts Equal Rights Act; the Massachusetts Equal Pay Act the Massachusetts Sexual Harassment Statute; the New Jersey Conscientious Employee Protection Act; retaliation claims under the New Jersey Workers' Compensation Act, the New Jersey Equal Pay Act, the New Jersey Civil Union Act; the Pennsylvania Human Relations Act, the Pennsylvania Whistleblower Law, or any other local, state or federal statute, regulation, common law or decision concerning discrimination, harassment, or retaliation on these or any other grounds or otherwise governing the employment relationship.

**ii.** Other employment laws, such as the federal Worker Adjustment and Retraining Notification Act of 1988; the Executive Retirement Income Security Act of 1974 (which, among other things, protects employee benefits); the Fair Labor Standards Act of 1938 (which regulates wage and hour matters); the Family and Medical Leave Act of 1993 (which requires employers to provide leaves of absence under certain circumstances); the Massachusetts Plant Closing Law; the Massachusetts Wage Act; the Massachusetts Parental Leave Act; the New Jersey Law Against Discrimination; the New Jersey Wage Payment Law; the New Jersey Wage and Hour Law; the New Jersey Smoking Law; the New Jersey Family Medical Leave Act; the Pennsylvania Equal Pay Law; the Pennsylvania Minimum Wage Act, as well as any amendments to such laws; the U.S. Patriot Act, the Sarbanes Oxley Act, the Dodd Frank Act; and any other federal, state, or local statute, regulation, common law or decision relating to employment, reemployment rights, leaves of absence or any other aspect of employment.

**iii.** Other laws of general application, such as federal, state, or local laws enforcing express or implied employment agreements or other contracts or covenants, or addressing breaches of such agreements, contracts or covenants; federal, state or local laws providing relief for alleged wrongful discharge or termination, physical or personal injury, emotional distress, fraud, intentional or negligent misrepresentation, defamation, invasion of privacy, violation of public policy or similar claims; common law claims under any tort, contract or other theory now or hereafter recognized, and any other federal, state, or local statute, regulation, common law doctrine, or decision regulating or regarding employment.

**b. Participation in Agency Proceedings**. Nothing in this Agreement shall prevent Employee from filing a charge with the Equal Employment Opportunity Commission (the "EEOC"), the National Labor Relations Board (the "NLRB"), or other similar federal, state or local agency, or from participating in any investigation or proceeding conducted by the EEOC, the NLRB, or similar federal, state or local agencies. However, by entering into this Agreement, Employee understands and agrees that Employee is waiving any and all rights to recover any monetary relief or other personal relief against the Releasees as a result of any such EEOC, NLRB, or similar federal, state or local agency proceeding, including any subsequent legal action.

**c. Claims Not Released**. The Released Claims do not include claims by Employee for: (1) unemployment insurance; (2) worker's compensation benefits; (3) state disability compensation; (4) previously vested benefits under any the Company-sponsored benefits plan; and (5) any other rights that cannot by law be released by private agreement.

**d. No Existing Claims or Assignment of Claims**. Employee represents and warrants that he has not previously filed or joined in any claims that are released in this Agreement and that he has not given or sold any portion of any claims released herein to anyone else, and that he will indemnify and hold harmless the Company and the Releasees from all liabilities, claims, demands, costs, expenses and/or attorneys' fees incurred as a result of any such prior assignment or transfer.

**e. Acknowledgement of Legal Effect of Release**. BY SIGNING THIS AGREEMENT, EMPLOYEE UNDERSTANDS THAT HE IS WAIVING ALL RIGHTS EMPLOYEE MAY HAVE HAD TO PURSUE OR BRING A LAWSUIT OR MAKE ANY LEGAL CLAIM AGAINST THE COMPANY OR THE RELEASEES, INCLUDING, BUT NOT LIMITED TO, CLAIMS THAT IN ANY WAY ARISE FROM OR RELATE TO EMPLOYEE'S EMPLOYMENT OR THE TERMINATION OF THAT EMPLOYMENT, FOR ALL OF TIME UP TO AND INCLUDING THE DATE OF THE EXECUTION OF THIS AGREEMENT. EMPLOYEE FURTHER UNDERSTANDS THAT BY SIGNING THIS AGREEMENT, EMPLOYEE IS PROMISING NOT TO PURSUE OR BRING ANY SUCH LAWSUIT OR LEGAL CLAIM SEEKING MONETARY OR OTHER RELIEF.

**f. Restrictions.** Notwithstanding anything to the contrary herein, Employee understands that nothing in this Agreement or any other agreement that Employee may have with the Company restricts or prohibits Employee from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including but not limited to the Securities Exchange Commission and the federal Office of Occupational Health (collectively, "Government Agencies"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation, and Employee does not need the Company's prior authorization to engage in such conduct. Notwithstanding, in making any such disclosures or communications, Employee must take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Company Confidential Information to any parties other than the Government Agencies . This Agreement does not limit Employee's right to receive an award for information provided to any Government Agencies.

**1. Proprietary and/or Confidential Information.** Employee agrees that any sensitive, proprietary, or confidential information or data relating to the Company or any of its affiliates or other Releasees as defined in Section 5 above, including, without limitation, trade secrets, processes, practices, pricing information, billing histories, customer requirements, customer lists, customer contacts, employee lists, salary information, personnel matters, financial data, operating results, plans, contractual relationships, projections for new business opportunities, new or developing business for the Company, technological innovations in any stage of development, the Company's financial data, long range or short range plans, any confidential or proprietary information of others licensed to the Company, and all other data and information of a competition-sensitive nature, including but not limited to all other data and information of a competitive-sensitive nature that Employee obtained while serving as a director, officer or employee of the Company or any of its affiliates or Releasees, together with any received from any former affiliates of the Company or its affiliates or other Releasees (collectively, "Confidential Information"), and all notes, records, software, drawings, handbooks, manuals, policies, contracts, memoranda, sales files, or any other documents generated or compiled by any employee of the Company or Releasees reflecting such Confidential Information, that Employee acquired while an employee of the Company will not be disclosed or used for Employee's own purposes or in a manner detrimental to the Company's interests. In addition, Employee hereby reaffirms Employee's existing obligations, including under that certain Employee Non-Competition, Non-Solicitation, Confidentiality and Assignment Agreement entered into by Employee and the Company, dated December 3, 2018 ("Restrictive Covenant Agreement"), to the fullest extent permitted by law, and, in the event of any inconsistency between the Restrictive Covenant Agreement and this Agreement, the Restrictive Covenant Agreement shall control. Notwithstanding the foregoing, pursuant to 18 USC § 1833(b), an individual may not be held liable under any criminal or civil federal or state trade secret law for disclosure of a trade secret: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose

of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order. Also notwithstanding the foregoing, the Parties hereby agree that Section 8 of the Restrictive Covenant Agreement shall be replaced in its entirety with the following:

> **Non-Competition and Non-Solicitation.** In order to protect the Company's Proprietary Information and goodwill, during the Term of my Consulting Agreement with the Company and for a period of six (6) months thereafter (the "Restricted Period"), I will not directly or indirectly, whether as owner, partner, shareholder, director, consultant, agent, employee, coventurer or otherwise, engage, participate or invest in any business activity anywhere in the world that develops, manufactures or markets any products, or performs any services, that are in the field of non-muscle invasive bladder cancer, except with the express written consent of the Chair of the Board of Directors of the Company; provided that the foregoing will not prohibit any possible investment in publicly traded stock of a company representing less than one percent of the stock of such company. In addition, during the Restricted Period, I will not, directly or indirectly, in any manner, (a) call upon, solicit, divert or take away any of the customers, business or prospective customers of the Company or any of its suppliers, and/or (b) solicit, entice or attempt to persuade any other employee or consultant of the Company to leave the services of the Company for any reason. I acknowledge and agree that if I violate any of the provisions of this Section, the running of the Restricted Period will be extended by the time during which I engage in such violation(s).

**2. Return of Information and Property.** Employee agrees to return to the Company all property and equipment belonging to the Company and the Releasees no later than August 2, 2019, including without limitation all computers, hard drives, phones, and access cards, the originals and all copies (regardless of medium) of all information, files, materials, documents or other property relating to the business of the Company, the Releasees, or their affiliates. If Employee fails to return any such property, the Company shall be entitled to deduct from the Severance an amount equal to the value of non-returned property.

**3. Non-disparagement.** Employee shall not make to any person or entity any false, disparaging, or derogatory comments about the Company, its business affairs, its employees, officers, directors, consultants, vendors, clients, contractors, agents, or any of the other Releasees. Employee will refer all reference requests regarding Employee's employment with the Company to the Company's Human Resources department, who will disclose only Employee's dates of employment with the Company, and last position. The Company agrees to direct its executive officers and directors not to make any false, disparaging, or derogatory comments about Employee.

**4. General Provisions**. Except for the Restrictive Covenant Agreement (as modified by Section 7 hereof), the Option Agreement and the Indemnification Agreement, this Agreement contains the entire understanding and agreement between the parties relating to the subject matter of this Agreement, and supersedes any and all prior agreements or understandings between the parties pertaining to the subject matter hereof, including but not limited to the Letter Agreement. This Agreement may not be altered or amended except by an instrument in writing signed by both parties. Employee has not relied upon any representation or statement outside this Agreement with regard to the subject matter, basis or effect of this Agreement. This Agreement and the Confidentiality Agreement will be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania , excluding the choice of

law rules thereof and any and all disputes shall be brought in a state court in Philadelphia County, Pennsylvania or federal court in the Eastern District of Pennsylvania. The language of all parts of this Agreement will in all cases be construed as a whole, according to the language's fair meaning, and not strictly for or against any of the parties. This Agreement will be binding upon and inure to the benefit of the parties and their respective representatives, successors and permitted assigns. Neither the waiver by either party of a breach of or default under any of the provisions of the Agreement, nor the failure of such party, on one or more occasions, to enforce any of the provisions of the Agreement or to exercise any right or privilege hereunder will thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any provisions, rights or privileges hereunder. The parties agree to take or cause to be taken such further actions as may be necessary or as may be reasonably requested in order to fully effectuate the purposes, terms, and conditions of this Agreement. This Agreement and the rights and obligations of the parties hereunder may not be assigned by Employee without the prior written consent of the Company, but may be assigned by the Company or its successors and assigns without Employee's permission or consent. If any one or more of the provisions of this Agreement, or any part thereof, will be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remainder of this Agreement will not in any way be affected or impaired thereby. This Agreement may be signed in one or more counterparts, each of which will be deemed an original, and all of which together will constitute one instrument.

**5. No Admission**. The parties agree that nothing contained in this Agreement will constitute or be treated as an admission of liability or wrongdoing by either of them.

**6. Cooperation.** Employee agrees that Employee will cooperate fully with the Company with respect to transitioning Employee's duties and responsibilities and any matter in which Employee was in any way involved during his employment with the Company. Employee shall render such cooperation in a timely manner on reasonable notice from the Company.

**7. Continuing Obligations.** Employee acknowledges and agrees that his obligations under the Restrictive Covenant Agreement (as modified by Section 7 hereof), the Option Agreement and the Indemnification Agreement survive Employee's termination of employment with the Company, and Employee agrees to abide any and all such obligations.

**8. Waiver of Age Discrimination Claims and Claims under ADEA; Acknowledgment/Time Periods.** With respect to the General Release in Section 6 of this Agreement, Employee agrees and understands that by signing this Agreement, Employee is specifically releasing all claims Employee may have against Releasees, including without limitation all claims for age discrimination under the Age Discrimination in Employment Act as amended, 29 U.S.C. Section 621 et seq. Employee acknowledges that he has carefully read and understands this Agreement in its entirety, and executes it voluntarily and without coercion.

**a. Consideration Period; Deadline**. Employee acknowledges that he received this Agreement on July 26, 2019. Employee further acknowledges that he is hereby being advised in writing to consult with a competent, independent attorney of his choice, at his own expense, regarding the legal effect of this Agreement before signing it. Employee further acknowledges that he is being given a period of at least twenty-one (21) days within which to consider and execute and re-execute this Agreement, unless he voluntarily chooses to execute this Agreement before the end of the twenty-one (21) day period. If Employee fails to sign this Agreement and deliver it to the Company by August 17, 2019, this Agreement shall be deemed null and void.

**b. Revocation Deadline.** Employee understands and acknowledges that Employee has seven (7) days following Employee's execution of this Agreement to revoke it in writing, and that this Agreement is effective and enforceable on the day following the expiration of the seven (7) day period without Employee's revocation ("Effective Date"). For a revocation to be effective, written notice must be delivered by email to the attention of Chair of the Board of Directors, no later than 11:59 p.m. EST on the seventh calendar day after Employee signs Agreement ("Revocation Deadline"). In the event that Employee timely revokes his acceptance of this Agreement before the Revocation Deadline, this Agreement shall be voided in its entirety at the election of the Company and the Company, in its discretion, shall be relieved of all obligations, and to the extent that Employee already received such benefits he must immediately return the amount received. Employee acknowledges that no material changes have been made to this Agreement during the course of discussions leading up to the execution of this Agreement.

**9. Internal Revenue Code Section 409A**: The Parties intend to comply with the requirements of section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"). All payments under this Agreement are intended to either be exempt from or comply with the requirements of Section 409A. All payments made under this Agreement shall be strictly paid in accordance with the terms of this Agreement. The Parties expressly understand that the provisions of this Agreement shall be construed and interpreted to avoid the imputation of any additional tax, penalty or interest under Section 409A and to preserve (to the nearest extent reasonably possible) the intended benefits payable to Employee hereunder. The Severance paid under this Agreement shall be treated as a separate payment of compensation for purposes of Section 409A. Any reimbursements or in-kind benefits provided under this Agreement that are subject to Section 409A shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in the Agreement, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit. Employee's right to any deferred compensation, as defined under Section 409A, shall not be subject to borrowing, anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors, to the extent necessary to avoid additional tax, penalties and/or interest under Section 409A. Nothing herein, including the foregoing sentence, shall change the Company's rights and/or remedies under the Agreement and/or applicable law. In the exercise of any of its remedies, the Company will consider in good faith the impact of Section 409A on Employee and shall meaningfully consult with Employee before taking any action that might have a materially adverse impact on Employee under Section 409A. In no event shall the Company be liable for any penalties, costs, damages, levies or taxes imposed on Employee pursuant to Section 409A.

**10. Headings**. Titles, headings and use of defined terms in this Agreement are for purposes of references only, and shall in no way limit, define or otherwise affect the meaning or interpretation of any of the provisions of this Agreement.

[Execution Page to Follow]

BY SIGNING BELOW, EMPLOYEE REPRESENTS AND WARRANTS THAT EMPLOYEE HAS FULL LEGAL CAPACITY TO ENTER INTO THIS AGREEMENT, EMPLOYEE HAS CAREFULLY READ AND UNDERSTANDS THIS AGREEMENT IN ITS ENTIRETY, HAS HAD A FULL OPPORTUNITY TO REVIEW THIS AGREEMENT WITH AN ATTORNEY OF EMPLOYEE'S CHOOSING, AND HAS EXECUTED THIS AGREEMENT VOLUNTARILY, WITHOUT DURESS, COERCION OR UNDUE INFLUENCE.

**FOR EXECUTION NO LATER THAN AUGUST 17, 2019**

IN WITNESS HEREOF, Employee and the Company have caused this Agreement to be executed on the latest date set forth below.

DENNIS KIM

/s/ Dennis Kim

Date: August 2, 2019

SESEN BIO, INC.

By: /s/ Thomas Cannell

Name: /s/ Thomas Cannell

Title: President & Chief Executive Officer

Date: August 2, 2019

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**FOR EXECUTION ON, BUT NOT BEFORE, THE LAST DAY OF THE TERM OF THE CONSULTING AGREEMENT**

IN WITNESS HEREOF, Employee and the Company have caused this Agreement to be executed on the latest date set forth below.

DENNIS KIM

_____

Date:_____

SESEN BIO, INC.

By:_____

Name:_____

Title:_____

Date:_____

**ELECTION TO EXECUTE PRIOR TO EXPIRATION**
**OF 21-DAY CONSIDERATION PERIOD**

I, Dennis Kim, understand that I have at least twenty-one (21) days within which to consider and execute the attached Separation Agreement and General Release. However, after having an opportunity to consult counsel, I have freely and voluntarily elected to execute the Separation Agreement and General Release before such twenty-one (21) day period has expired.

_August 2, 2019_____ ___/s/ Dennis Kim_____
**Date** **Employee Signature**

**Exhibit 10.3**

**CONSULTING AGREEMENT**

**THIS CONSULTING AGREEMENT** (together with the attached Business Terms Exhibit, the "**Agreement**"), is made effective as of August 3, 2019 (the "**Effective Date**") by and between **SESEN BIO, INC.,** a Delaware corporation with an office at 245 First Street, Suite1800, Cambridge, MA 02142 ("**SESEN**"), and Dennis Kim, with an address at 1 McVickers Lane, Mendham, NJ 07945 ("**Consultant**"). SESEN desires to have the benefit of Consultant's knowledge and experience, and Consultant desires to provide services to SESEN, all as provided in this Agreement.

1. **Services.** SESEN retains Consultant, and Consultant agrees to provide, consulting and advisory services by to SESEN as SESEN may from time to time reasonably request and as specified in the attached Business Terms Exhibit (the "**Consulting Services**"). Any changes to the Consulting Services (and any related compensation adjustments) must be agreed to in writing between Consultant and SESEN prior to implementation of the changes.

2. **Compensation.** As full consideration for Consulting Services provided under this Agreement, SESEN agrees to pay Consultant and reimburse expenses as described in the Business Terms Exhibit.

3. **Performance.** Consultant agrees to provide the Consulting Services to SESEN, or to its designee, in accordance with all applicable laws and regulations and the highest professional standards. Consultant represents and warrants that Consultant has not been, and is not under consideration to be (a) debarred from providing services pursuant to Section 306 of the United States Federal Food Drug and Cosmetic Act, 21 U.S.C. § 335a; (b) excluded, debarred or suspended from, or otherwise ineligible to participate in, any federal or state health care program or federal procurement or non-procurement programs (as that term is defined in 42 U.S.C. § 1320a-7b(f)); (c) disqualified by any government or regulatory agencies from performing specific services, and is not subject to a pending disqualification proceeding; or (d) convicted of a criminal offense related to the provision of health care items or services, or under investigation or subject to any such action that is pending.

4. **Compliance with Obligations to Third Parties.** Consultant represents and warrants to SESEN that the terms of this Agreement and Consultant's performance of Consulting Services do not and will not conflict with any of Consultant's obligations to any third parties. Consultant agrees not to use any trade secrets or other confidential information of any other person, firm, corporation, institution or other third party in connection with any of the Consulting Services. If Consultant is an employee of another company or institution, Consultant represents and warrants that Consultant is permitted to enter into this Agreement pursuant to such company's or institution's policies concerning professional consulting and additional workload. Consultant agrees not to make any use of any funds, space, personnel, facilities, equipment or other resources of a third party in performing the Consulting Services, nor take any other action that would result in a third party asserting ownership of, or other rights in, any Work Product (defined in Section 5), unless agreed upon in writing in advance by SESEN.

5. **Work Product.** Consultant will promptly and fully disclose in confidence to SESEN all inventions, discoveries, improvements, ideas, concepts, designs, processes, formulations, products, computer programs, works of authorship, databases, mask works, trade secrets, know-how, information, data, documentation, reports, research, creations and other products arising from or made in the performance of (solely or jointly with others) the Consulting Services (whether or not patentable or subject to copyright or trade secret protection) (collectively, the "**Work Product**"). Consultant

assigns and agrees to assign to SESEN all rights in the United States and throughout the world to Work Product. Consultant will keep and maintain adequate and current written records of all Work Product, and such records will be available to and remain the sole property of SESEN at all times. For purposes of the copyright laws of the United States, Work Product will constitute "works made for hire," except to the extent such Work Product cannot by law be "works made for hire". Consultant represents and warrants that Consultant has and will have the right to transfer and assign to SESEN ownership of all Work Product. Consultant will execute all documents, and take any and all actions needed, all without further consideration, in order to confirm SESEN's rights as outlined above. In the event that Consultant should fail or refuse to execute such documents within a reasonable time, Consultant appoints SESEN as attorney to execute and deliver any such documents on Consultant's behalf.

6. **Confidentiality.** "**Confidential Information**" means (a) any scientific, technical, business or financial information in whatever form (written, oral or visual) that is furnished or made available to Consultant by or on behalf of SESEN, (b) all information contained in or comprised of SESEN Materials (defined in Section 8); and (c) all Work Product. Confidential Information is, and will remain, the sole property of SESEN. During the Term (as defined in Section 9) and for a period of seven (7) years thereafter, Consultant agrees to (i) hold in confidence all Confidential Information, and not disclose Confidential Information without the prior written consent of SESEN; (ii) use Confidential Information solely in connection with the Consulting Services; (iii) treat Confidential Information with no less than a reasonable degree of care; (iv) reproduce Confidential Information solely to the extent necessary to provide the Consulting Services, with all such reproductions being considered Confidential Information; and (v) notify SESEN of any unauthorized disclosure of Confidential Information promptly upon becoming aware of such disclosure. Consultant's obligations of non-disclosure and non-use under this Agreement will not apply to any portion of Confidential Information that Consultant can demonstrate, by competent proof:

(a) is generally known to the public at the time of disclosure or becomes generally known through no wrongful act on the part of Consultant;

(b) is in Consultant's possession at the time of disclosure other than as a result of Consultant's breach of any legal obligation;

(c) becomes known to Consultant on a non-confidential basis through disclosure by sources other than SESEN having the legal right to disclose such Confidential Information; or

(d) is independently developed by Consultant without reference to or reliance upon Confidential Information.

If Consultant is required by a governmental authority or by order of a court of competent jurisdiction to disclose any Confidential Information, Consultant will give SESEN prompt written notice thereof and Consultant will take all reasonable and lawful actions to avoid or minimize the degree of such disclosure. Consultant will cooperate reasonably with SESEN in any efforts to seek a protective order.

7. **SESEN Materials.** All documents, data, records, materials, compounds, apparatus, equipment and other physical property furnished or made available by or on behalf of SESEN to Consultant in connection with this Agreement **("SESEN Materials**") are and will remain the sole property of SESEN. Consultant will use SESEN Materials only as necessary to perform the Consulting Services and will not transfer or make available to any third party the SESEN Materials without the express

prior written consent of SESEN. Consultant will return to SESEN any and all SESEN Materials upon request.

8. **Publication; Publicity.** Consultant may not publish or refer to Work Product, in whole or in part, without the prior express written consent of SESEN. Consultant will not use the name, logo, trade name, service mark, or trademark, or any simulation, abbreviation, or adaptation of same, or the name of SESEN or any of its affiliates for publicity, promotion, or other uses without SESEN's prior written consent.

9. **Expiration/Termination.** The term of this Agreement will commence on the Effective Date and expire at the end of the period specified in the "Term" Section of the Business Terms Exhibit, unless sooner terminated pursuant to the provisions of this Section 9 or extended by mutual written agreement of the parties (the "**Term**"). SESEN may terminate this Agreement upon five (5) days' prior notice to Consultant. Any expiration or termination of this Agreement shall be without prejudice to any obligation of either party that has accrued prior to the effective date of expiration or termination. Upon expiration or termination of this Agreement, neither Consultant nor SESEN will have any further obligations under this Agreement, except that (a) Consultant will terminate all Consulting Services in progress in an orderly manner as soon as practicable and in accordance with a schedule agreed to by SESEN, unless SESEN specifies in the notice of termination that Consulting Services in progress should be completed; (b) Consultant will deliver to SESEN all Work Product made through expiration or termination; (c) SESEN will pay Consultant any monies due and owing Consultant, up to the time of termination or expiration, for Consulting Services properly performed and all authorized expenses actually incurred; (d) Consultant will immediately return to SESEN all SESEN Materials and other Confidential Information and copies thereof provided to Consultant under this Agreement; (e) the terms, conditions and obligations under Sections 3, 5, 6, 7, 8, 9 and 10 will survive expiration or termination of this Agreement; and (f) SESEN will retain its obligations under the Separation Agreement, including, but not limited to any obligation to make a payment to Consultant under Section 4 of the Separation Agreement. For the sake of clarity, in the event that Consultant does not sign or revokes his signature to that Separation and General Release Agreement between Consultant and SESEN dated the same date hereof ("Separation Agreement"), this Agreement shall be deemed null and void.

**10. Miscellaneous.**

(a) **Independent Contractor.** The parties understand and agree that Consultant is an independent contractor and not an agent or employee of SESEN. Consultant has no authority to obligate SESEN by contract or otherwise. Consultant will not be eligible for any employee benefits of SESEN and expressly waives any rights to any employee benefits. Consultant will bear sole responsibility for paying and reporting Consultant's own applicable federal and state income taxes, social security taxes, unemployment insurance, workers' compensation, and health or disability insurance, retirement benefits, and other welfare or pension benefits, if any, and indemnifies and holds SESEN harmless from and against any liability with respect to such taxes, benefits and other matters.

(b) **Use of Name.** Consultant consents to the use by SESEN of Consultant's name on its website, in press releases, company brochures, offering documents, presentations, reports or other documents in printed or electronic form, and any documents filed with or submitted to any governmental or regulatory agency or any securities exchange or listing entity; provided,

that such materials or presentations accurately describe the nature of Consultant's relationship with or contribution to SESEN.

(c) **Entire Agreement.** This Agreement contains the entire agreement of the parties with regard to its subject matter, and supersedes all prior or contemporaneous written or oral representations, agreements and understandings between the parties relating to that subject matter. This Agreement may be changed only by a writing signed by Consultant and an authorized representative of SESEN. For clarity, nothing in this Agreement is intended to supersede or conflict with the terms of (i) the Separation Agreement or (ii) that certain Employee Non-Competition, Non-Solicitation, Confidentiality and Assignment Agreement by and between the Company and Employee dated December 3, 2018 (as modified by the Separation Agreement), both of which Employee acknowledges continue in full force and effect in accordance with their terms.

(d) **Certain Disclosures and Transparency**. Consultant acknowledges that SESEN and its affiliates are required to abide by federal and state disclosure laws and certain transparency policies governing their activities including providing reports to the government and to the public concerning financial or other relationships with healthcare providers. Consultant agrees that SESEN and its affiliates may, in their sole discretion, disclose information about this Agreement and about Consultant's Consulting Services including those relating to healthcare providers and any compensation paid to healthcare providers pursuant to this Agreement. Consultant agrees to promptly supply information reasonably requested by SESEN for disclosure purposes. To the extent that Consultant is independently obligated to disclose specific information concerning the Consulting Services relating to healthcare providers and compensation paid to healthcare providers pursuant to this Agreement, Consultant will make timely and accurate required disclosures.

(e) **Assignment and Binding Effect.** The Consulting Services to be provided by Consultant are personal in nature. Consultant may not assign or transfer this Agreement or any of Consultant's rights or obligations hereunder. In no event will Consultant assign or delegate responsibility for actual performance of the Consulting Services to any third party. SESEN may transfer or assign this Agreement, in whole or in part, without the prior written consent of Consultant. Any purported assignment or transfer in violation of this Section is void. This Agreement will be binding upon and inure to the benefit of the parties and their respective legal representatives, heirs, successors and permitted assigns.

(f) **Notices.** All notices required or permitted under this Agreement must be in writing and must be given by directing the notice to the address for the receiving party set forth below or at such other address as the receiving party may specify in writing under this procedure:

If to SESEN:
Sesen Bio, Inc.
245 First Street, Suite 1800
Cambridge, MA 02143
ATTN: CEO

If to Consultant:
Dennis Kim
1 McVickers Lane

Mendham, NJ 07945

All notices must be given (i) by personal delivery, with receipt acknowledged, (ii) by prepaid certified or registered mail, return receipt requested, or (iii) by prepaid recognized next business day delivery service. Notices will be effective upon receipt or at a later date stated in the notice.

(g) **Governing Law.** This Agreement and any disputes relating to or arising out of this Agreement will be governed by, construed, and interpreted in accordance with the internal laws of the state of Delaware, without regard to any choice of law principle that would require the application of the law of another jurisdiction. The parties agree to submit to the exclusive jurisdiction of the state and federal courts located in the state of Delaware and waive any defense of inconvenient forum to the maintenance of any action or proceeding in such courts.

(h) **Severability; Reformation.** Each provision in this Agreement is independent and severable from the others, and no provision will be rendered unenforceable because any other provision is found by a proper authority to be invalid or unenforceable in whole or in part. If any provision of this Agreement is found by such an authority to be invalid or unenforceable in whole or in part, such provision shall be changed and interpreted so as to best accomplish the objectives of such unenforceable or invalid provision and the intent of the parties, within the limits of applicable law.

(i) **No Strict Construction; Headings.** This Agreement has been prepared jointly and will not be strictly construed against either party. The section headings are included solely for convenience of reference and will not control or affect the meaning or interpretation of any of the provisions of this Agreement.

(j) **Waivers.** Any delay in enforcing a party's rights under this Agreement, or any waiver as to a particular default or other matter, will not constitute a waiver of such party's rights to the future enforcement of its rights under this Agreement, except with respect to an express written waiver relating to a particular matter for a particular period of time signed by Consultant and an authorized representative of the waiving party, as applicable.

(k) **Remedies.** Consultant agrees that (i) SESEN may be irreparably injured by a breach of this Agreement by Consultant; (ii) money damages would not be an adequate remedy for any such breach; (iii) as a remedy for any such breach SESEN will be entitled to seek equitable relief, including injunctive relief and specific performance, without being required by Consultant to post a bond; and (iv) such remedy will not be the exclusive remedy for any breach of this Agreement.

(l) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. A facsimile or portable document format (".pdf") copy of this Agreement, including the signature pages, will be deemed an original.

**[Signature page follows]**

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

| | |
|---|---|
| **SESEN BIO, INC.** | **DENNIS KIM** |
| By: /s/ Thomas Cannell | By: /s/ Dennis Kim |
| Name: Tom Cannell | Name: Dennis Kim |
| Title: President and CEO | Title: Consultant |
| Date: August 2, 2019 | Date: August 2, 2019 |

**BUSINESS TERMS EXHIBIT**

**Consulting Agreement with Dennis Kim**

**Dated August 3, 2019**

**1. Consulting Services:**

Consultant will provide the following Consulting Services to SESEN:

Under the direction of the CEO, provides clinical advisory and consulting support to Sesen.

All participation will be telephonic, unless mutually agreed upon

When Sesen hires an internal or other consulting medical resource, Consultant is responsible for transitioning clinical responsibilities.

Consultant responds to all requests for information, provides background, and shares knowledge

As invited, participates in meetings relating to Drug Safety, Regulatory Filings, or other Clinical-related topics.

The consultant is expected to provide responses within 48 hours of the request or provides a status update

Consultant will provide Consulting Services on a schedule and at a location or locations indicated above or as otherwise mutually agreed between Consultant and the Company's Chief Executive Officer. In addition, Consultant will be reasonably available for telephone and/or written consultations.

Consultant will not be required to provide more than sixteen and a half (16.5) hours of Consulting Services each week.

**2. Compensation:**

**Fees:** Subject to the approval by the Company's Chief Executive Officer as noted below, SESEN will pay Consultant at the rate of $500 per hour, not to exceed a total of $150,000 during the Term ("Consulting Fees").

**Expenses:** SESEN will reimburse Consultant for any pre-approved expenses actually incurred by Consultant in connection with the provision of Consulting Services. Requests for reimbursement will be in a form reasonably acceptable to SESEN, will include supporting documentation and will accompany Consultant's invoices.

**Tracking Time:** By 12:00 p.m. on Monday of each week, Consultant shall submit to the Company's Chief Executive Officer in writing the total number of hours worked the prior week for approval.

**Payment of Consulting Fees:** The Company shall pay Consultant the total Consulting Fees earned within ten (10) business days of the end of the Term (as defined below).

**3. Term:**

The Term of this Agreement shall be for a term of three months beginning on the Effective Date and ending on November 2, 2019, subject to Section 9 of the Agreement.

**Exhibit 31.1**

**Rule 13a-14(a) CERTIFICATION**

I, Thomas R. Cannell, D.V.M., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sesen Bio, 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 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 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.

/s/ Thomas R. Cannell, D.V.M.

**Thomas R. Cannell, D.V.M.**
**President and Chief Executive Officer**
**(Principal Executive Officer)**

Dated: August 8, 2019

**Exhibit 31.2**

**Rule 13a-14(a) CERTIFICATION**

I, Richard F. Fitzgerald, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sesen Bio, 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 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 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.

/s/ Richard F. Fitzgerald

**Richard F. Fitzgerald**
**Chief Financial Officer**
**(Principal Financial Officer)**

Dated: August 8, 2019

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. §1350**

In connection with the Quarterly Report on Form 10-Q of Sesen Bio, Inc. (the "Company") for the fiscal quarter ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify, pursuant to 18 U.S.C. Section 1350, that, to the best of their knowledge:

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

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

/s/ Thomas R. Cannell, D.V.M.

**Thomas R. Cannell, D.V.M.**
**President and Chief Executive Officer**
**(Principal Executive Officer)**

Dated: August 8, 2019

/s/ Richard F. Fitzgerald

**Richard F. Fitzgerald**
**Chief Financial Officer**
**(Principal Financial Officer)**

Dated: August 8, 2019