AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 22, 2000

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

XCYTE THERAPIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	2834	91-170-7622
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

1124 COLUMBIA STREET, SUITE 130
SEATTLE, WASHINGTON 98104
(206) 262-6200
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

RONALD J. BERENSON, M.D.
PRESIDENT AND CHIEF EXECUTIVE OFFICER
XCYTE THERAPIES, INC.
1124 COLUMBIA STREET, SUITE 130
SEATTLE, WASHINGTON 98104
(206) 262-6200
(NAME, ADDRESS INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

SONYA F. ERICKSON	DANIELLE CARBONE
VENTURE LAW GROUP	SHEARMAN & STERLING
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KIRKLAND, WA 98033	(650) 330-2200
(425) 739-8700	

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock $0.001 par value.....	$86,250,000	$22,770.00

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(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED

PROSPECTUS

SHARES

[XCYTE LOGO]

COMMON STOCK

This is an initial public offering of shares of common stock of Xcyte Therapies, Inc. Xcyte Therapies expects that the initial public offering price will be between $ and $ per share.

We have applied for approval for trading and quotation of our common stock on the Nasdaq National Market under the symbol "XCYT."

OUR BUSINESS INVOLVES SIGNIFICANT RISKS. THESE RISKS ARE DESCRIBED UNDER THE CAPTION "RISK FACTORS" BEGINNING ON PAGE 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to Xcyte Therapies	$	$

The underwriters may also purchase up to an additional shares of common stock at the public offering price, less the underwriting discounts and commissions, to cover over-allotments.

The underwriters expect to deliver the shares against payment in New York, New York on , 2001.

SG COWEN U.S. BANCORP PIPER JAFFRAY

DAIN RAUSCHER WESSELS

FIRST SECURITY VAN KASPER

, 2001

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UNTIL , 2001, ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS REQUIREMENT IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. WE ARE OFFERING TO SELL AND SEEKING OFFERS TO BUY SHARES OF OUR COMMON STOCK ONLY IN JURISDICTIONS WHERE OFFERS AND SALES ARE PERMITTED. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS OR OF ANY SALE OF OUR COMMON STOCK.

WE HAVE FILED FOR TRADEMARK REGISTRATION OF XCYTE, XCYTE THERAPIES, XCELLERATE AND THE XCYTE THERAPIES LOGO. THIS PROSPECTUS ALSO INCLUDES TRADEMARKS AND TRADENAMES OF OTHER PARTIES.

PROSPECTUS SUMMARY

You should carefully read the more detailed information contained in this prospectus, including our financial statements and related notes included in this prospectus. Unless otherwise noted, all information in this prospectus assumes (1) the conversion of all outstanding shares of our preferred stock into 28,059,047 shares of common stock, (2) the issuance of 1,132,287 shares of common stock upon the exercise of warrants to purchase common stock, which warrants will expire at the closing of this offering, (3) the issuance of 380,725 shares of common stock upon the exercise of the warrants to purchase preferred stock, which warrants will expire at the closing of this offering, and the subsequent conversion of the preferred stock, (4) the conversion of preferred stock warrants into common stock warrants for the purchase of 280,029 shares of common stock and (5) no exercise by the underwriters of the over-allotment option. We also intend to effect a -for- reverse stock split that would be effected prior to consummation of this offering. This prospectus does not reflect this reverse split.

OUR COMPANY

We are utilizing novel technologies to develop therapeutic products that generate effective immune responses to treat cancer and infectious diseases. We use our proprietary technology, known as Xcellerate, to activate and grow T cells. T cells are specialized cells of the immune system that play a central role in fighting diseases and infections. Our Xcellerate Technology rapidly and reproducibly activates a patient's own T cells outside of the body by mimicking normal events of the immune system. T cells activated with our technology, known as Xcellerated T Cells, may be administered to treat patients who have either poorly functioning or low numbers of T cells. We believe we have developed an efficient and commercially viable process to produce Xcellerated T Cells. Our approach, known as Xcellerate Therapy, may allow us to treat a variety of medical conditions, including:

- diseases characterized by poorly functioning immune systems, such as cancer and HIV;

- conditions due to medical treatments, such as chemotherapy and the administration of drugs following transplantation, that suppress the immune system and cause patients to be vulnerable to infections; and

- congenital disorders and advanced age that result in weakened immune systems.

In July 2000, we initiated a Phase I clinical trial of our Xcellerate Therapy in patients with metastatic kidney cancer. We intend to enroll a total of 25 patients to test the safety as well as provide preliminary data on the therapeutic effects of our Xcellerate Therapy. In this clinical trial, patients are treated with two infusions of our Xcellerated T Cells approximately four weeks apart. As of December 15, 2000, 17 patients have received a total of 32 infusions of our Xcellerated T Cells. To date, there have been no significant adverse effects related to the administration of our Xcellerated T Cells and we have observed evidence of anti-tumor activity. We expect to complete this trial in the third quarter of 2001.

Physicians have recently begun to recognize the important role that the immune system may play in controlling cancer and improving the body's defenses against infectious diseases. This has led to the development of a new therapeutic approach to cancer known as immunotherapy, which uses natural components of the immune system to fight disease. The American Cancer Society estimates that in 2000, 1.2 million new cases of cancer will occur in the United States. Surgery, radiation and chemotherapy are the primary approaches used to treat cancer patients. Chemotherapy is used to treat patients with more advanced forms of cancer, but has limited success and is associated with severe and sometimes life-threatening side effects. Infectious diseases are caused by viruses, bacteria and fungi and can be controlled in most people with antibiotics or antiviral drugs. However, when a patient's immune system is compromised, normally harmless microorganisms may cause potentially life-threatening infections. We intend to evaluate our Xcellerate Therapy as a potential treatment for a variety of cancers and infectious diseases.

Benefits of Our Xcellerate Therapy

We provide a direct and reproducible method to activate T cells and we believe our Xcellerate Therapy may be an effective treatment to fight disease. We believe our Xcellerate Therapy has the following benefits:

- Activated Immune System. We have demonstrated in the laboratory that our Xcellerated T Cells are highly responsive and generate potent immune responses because we mimic the natural process required to activate both helper T cells and killer T cells.

- Broad Clinical Applications. Our Xcellerate Therapy targets T cells, which are important components of the immune system. We believe that our Xcellerated T Cells may be useful to treat a variety of medical conditions, including cancer and infectious diseases.

- Minimal Toxicity. Our Xcellerated T Cells are produced from T cells originating from the patient. We believe that using a patient's own cells results in a safer product.

- Easy Administration. Our Xcellerate Therapy can be administered in a simple outpatient procedure in less than 30 minutes. This process uses a standard intravenous procedure that is attractive to both physicians and patients.

- Complementary to Other Technologies. The minimal toxicity associated with our Xcellerate Therapy may make it feasible to use our product with chemotherapy or antiviral drugs, as well as with other therapeutic products that are being used to activate the immune system.

Benefits of Our Xcellerate Technology

We believe our proprietary Xcellerate Technology can be developed into a commercially viable process. The benefits of our Xcellerate Technology are:

- Rapid and Reproducible Process. Our Xcellerate Technology can be used to activate and grow T cells in eight days with minimal intervention. We believe this length of time is sufficient to generate the number of T cells necessary for a therapeutic effect. We use the same process and components for every patient, eliminating the need for patient-specific materials that must be obtained by surgery, such as samples of a patient's tumor.

- Ex Vivo Process. Our Xcellerate Technology activates T cells outside of the body, or ex vivo. Activating and growing T cells outside of the body provides a more controlled environment away from tumor cells and infectious agents that can otherwise inhibit the activation and growth of T cells. In addition, therapeutic agents that are otherwise potentially toxic or fatal if administered directly to the patient can be used to improve the activity and growth of T cells.

- Standard and Cost-effective Manufacturing Process. Our Xcellerate Technology incorporates primarily commercially available medical products and standard blood bank procedures, which enables us to efficiently manufacture our Xcellerated T Cells. We believe we are able to manufacture our Xcellerated T Cells in facilities that can be cost-effectively constructed, equipped and easily scaled.

Our goal is to be a leader in the field of T cell therapy. We intend to use our expertise in T cell activation to develop and commercialize products to treat cancer, HIV and other serious illnesses. Key elements of our strategy include:

- commercializing our Xcellerate Therapy for cancer and HIV;

- expanding the Xcellerate Therapy to treat multiple diseases;

- leveraging complementary technologies and therapies;

- retaining key commercialization rights;

- evaluating collaboration opportunities for our products; and

- expanding our intellectual property.

THE OFFERING

Common stock we are offering.....	shares
Common stock to be outstanding after this offering.....	shares
Underwriters' over-allotment option.....	shares
Use of proceeds.....	We intend to use the net proceeds for clinical trials, research and development activities, expansion of our manufacturing capacity and general corporate purposes and working capital
Proposed Nasdaq National Market symbol.....	XCYT

The number of shares of our common stock to be outstanding immediately after this offering is based on the number of shares outstanding on September 30, 2000. This number:

- includes 5,965,234 shares of our outstanding common stock;
- includes an aggregate of 28,059,047 shares of common stock issuable upon the automatic conversion of all outstanding shares of preferred stock upon the closing of this offering;
- includes 1,132,287 shares of common stock issuable upon the exercise of warrants to purchase common stock at an exercise price of $0.30 per share, which warrants will expire at the closing of this offering;
- includes 380,725 shares of common stock issuable upon the exercise of warrants to purchase preferred stock at a weighted average exercise price of $0.97, which warrants will expire at the closing of this offering, and the subsequent conversion of the preferred stock;
- excludes 280,029 shares of common stock issuable upon the exercise of warrants to purchase 280,029 shares of preferred stock which were assumed to have been converted into warrants to purchase 280,029 shares of common stock upon the closing of this offering;
- excludes 1,626,221 shares of common stock issuable upon the exercise of stock options outstanding under our 1996 Stock Option Plan at a weighted average exercise price of $0.24 per share;
- excludes 785,354 shares of common stock reserved for future grant under our 1996 Stock Option Plan;
- excludes 2,100,000 shares of common stock reserved for future issuance under our 2000 Stock Option Plan;
- excludes 600,000 shares of common stock reserved for future issuance under our 2000 Employee Stock Purchase Plan;
- excludes 400,000 shares of common stock reserved for future issuance under our 2000 Directors' Stock Option Plan;
- excludes 1,056,040 shares of common stock reserved for future issuance under our Milestone Pool; and
- excludes 180,000 shares of common stock reserved for future issuance under our licence agreement with ARCH Development Corporation.

OUR HISTORY

We were incorporated in Delaware as MolecuRx, Inc. in January 1996, changed our name to CDR Therapeutics, Inc. in August 1996, and changed our name to Xcyte Therapies, Inc. in October 1997. Our principal executive offices are located at 1124 Columbia Street, Suite 130, Seattle, Washington 98104. Our telephone number at that location is (206) 262-6200. References in the prospectus to "we," "our," "us" and the "Company" refer to Xcyte Therapies. Information contained on our Web site is not part of this prospectus.

SUMMARY FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following summary historical financial data has been derived from our audited financial statements and unaudited interim financial statements and is summary financial data of our business. You should read this information together with the financial statements and the notes to those statements appearing elsewhere in this prospectus and the information under "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." See notes 1 and 10 to our financial statements for information regarding computation of net loss per share and pro forma net loss per share.

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,		PERIOD FROM INCEPTION (AUGUST 27, 1996) THROUGH
	1997	1998	1999	1999	2000	SEPTEMBER 30, 2000
				(UNAUDITED)		(UNAUDITED)
STATEMENT OF OPERATIONS DATA:						
Total revenue	$ 100	$ --	$ 16	$ --	$ 44	$ 160
Operating expenses:						
Research and development	2,397	4,311	5,413	3,573	7,176	19,625
General and administrative	1,148	1,427	1,619	1,158	1,061	5,569
Noncash stock and compensation expense	4	6	93	3	557	662
Total operating expenses	3,549	5,744	7,125	4,734	8,794	25,856
Loss from operations	(3,449)	(5,744)	(7,109)	(4,734)	(8,750)	(25,696)
Other income, net	161	298	162	232	278	992
Net loss	$(3,288)	$(5,446)	$(6,947)	$(4,502)	$(8,472)	$(24,704)
Basic net loss per share	$ (0.69)	$ (0.86)	$ (1.15)	$ (0.74)	$ (1.42)	$ (4.44)
Shares used in basic loss per share calculation	4,741	6,355	6,050	6,086	5,962	5,564
Pro forma net loss per share			$ (0.29)		$ (0.31)	$ (1.27)
Shares used in pro forma per share calculation			23,999		27,159	19,514

The following table contains a summary of our balance sheet at September 30, 2000:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all outstanding shares of preferred stock into 28,059,047 shares of common stock upon the closing of this offering, the issuance of 380,725 shares of common stock issuable upon the exercise of warrants to purchase preferred stock at a weighted average exercise price of $0.97 per share, which warrants will expire at the closing of this offering, and the subsequent conversion of the preferred stock, the issuance of 1,132,287 shares of common stock upon the exercise of warrants to purchase common stock at an exercise price of $0.30 per share, which warrants will expire at the closing of this offering and the conversion of preferred stock warrants into common stock warrants for the purchase of 280,029 shares of common stock; and
- on a pro forma, as adjusted basis, to reflect the sale of shares of common stock that we are offering at an assumed initial public offering price per share of $ after deducting estimated underwriting discounts and offering expenses.

	SEPTEMBER 30, 2000		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
BALANCE SHEET DATA:			
Cash, cash equivalents and short-term investments	$ 27,257	$ 27,967	
Working capital	26,393	27,103	
Total assets	30,336	31,046	
Long-term obligations	953	953	$ 953
Redeemable convertible preferred stock	48,394	--	--
Redeemable convertible preferred stock warrants	557	--	--
Total stockholders' equity (deficit)	(21,228)	28,434	

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are those that we currently believe may materially affect us. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial also may become important factors that affect us.

RISKS RELATED TO US AND OUR BUSINESS

WE CANNOT ASSURE YOU THAT OUR XCELLERATE THERAPY WILL MEET REGULATORY REQUIREMENTS FOR SAFETY AND EFFICACY. ANY FAILURE TO MEET THESE REQUIREMENTS WOULD HARM OUR BUSINESS.

Before we can commercialize any cell therapy product, we must complete clinical trials demonstrating that our Xcellerate Therapy is safe and effective. We have limited clinical data to date. Future clinical trials may show that our Xcellerate Therapy is not safe and effective. We do not have data on any possible harmful long-term effects of our Xcellerate Therapy.

In June 2000, we initiated our first clinical trial of our Xcellerate Therapy in patients with metastatic kidney cancer. We will not know the results of our first Phase I clinical trial for metastatic kidney cancer until at least the third quarter of 2001. Patients in this Phase I clinical trial receive low doses of interleukin-2 with our Xcellerate Therapy. We cannot guarantee that any beneficial data from this trial will be a result of our Xcellerate Therapy and not attributable to interleukin-2. Therefore, we are unable to use the limited data to support the efficacy of our Xcellerate Therapy. Following this Phase I clinical trial, we will be required to conduct extensive additional clinical trials to determine whether the data supports approval by the United States Food and Drug Administration, or FDA, of our Xcellerate Therapy.

We have not initiated the clinical development of our Xcellerate Therapy for any infectious disease, nor for any other types of cancer. Much of our data is derived from third party clinical trials, including physician-sponsored trials, performed with one of our scientific founders in which we have not participated. Clinical data collected under non-commercial or physician-sponsored investigational new drug applications, or INDs, do not fulfill the criteria necessary to be used in the support of clinical efficacy in marketing applications for commercialization by regulatory agencies. We will need to conduct extensive additional research and testing prior to initiating other clinical trials. Clinical testing is very expensive, can take many years, and the outcome is uncertain. If we fail to adequately demonstrate safety and efficacy in our clinical trials, regulatory approval would be delayed or precluded, which could harm our business.

OUR BUSINESS IS DEPENDENT ON THE SUCCESSFUL COMMERCIALIZATION OF PRODUCTS BASED ON OUR XCELLERATE TECHNOLOGY.

Our ability to successfully commercialize products based on our Xcellerate Technology for a particular cancer type substantially depends on our ability to activate T cells from the blood of patients with that type of cancer. In some patients, it may not be possible to grow a sufficient number of T cells to produce a therapeutic effect. Only a few cell-based immunotherapy products have been commercialized. We may experience numerous unforeseen events during the clinical development process that could delay or prevent commercialization of our products, including the following:

- the results of laboratory studies may be inconclusive, or they may not be indicative of results that will be obtained in clinical trials;
- after reviewing test results, we may abandon projects that we might previously have believed to be promising;
- we or regulators may suspend or terminate clinical trials if the participating subjects or patients are being exposed to unacceptable health risks; and

- our potential products may not have the desired effects or may produce undesirable side effects or other characteristics that may preclude regulatory approval or limit their commercial use if approved.

We do not expect to receive regulatory approval for commercial sale of our Xcellerate Therapy for several years. We cannot assure you that we will ever commercialize products based on our Xcellerate Technology. Any delays or difficulties we encounter in our clinical trials may harm our business.

WE MAY TAKE LONGER TO COMPLETE OUR CLINICAL TRIALS THAN WE EXPECT, OR WE MAY NOT BE ABLE TO COMPLETE THEM AT ALL.

A number of factors may cause significant delays in our clinical trials, including scheduling conflicts with participating clinicians and clinical institutions and difficulties in identifying and enrolling patients who meet eligibility criteria. As a result, we may not commence or complete clinical trials involving any of our products as expected. We rely on academic institutions or clinical research organizations to conduct, supervise or monitor some or all aspects of clinical trials involving our products. We will have less control over the timing and other aspects of these clinical trials than if we conducted them entirely on our own. If we fail to commence or complete, or experience delays in, any of our planned clinical trials, our ability to conduct our business as currently planned would be harmed.

WE ARE SUBJECT TO EXTENSIVE REGULATION, WHICH CAN BE COSTLY, TIME CONSUMING AND CAN CAUSE UNANTICIPATED DELAYS.

All of our potential cell therapy products, cell processing and manufacturing activities, are subject to comprehensive regulation by the FDA and by comparable authorities in other countries. The process of obtaining FDA and other required regulatory approvals, including foreign approvals, is expensive, often takes many years and can vary substantially based upon the type, complexity and novelty of the products involved. Our Xcellerate Therapy is novel, and therefore, regulatory agencies may lack experience in dealing with this type of product. This may lengthen the regulatory review process, increase our development costs and delay or prevent commercialization of our products. To date, the FDA has approved only a few cell therapy products. We have had only limited experience in filing and pursuing applications necessary to gain regulatory approvals, which may impede our ability to obtain timely FDA approvals, if at all. We will not be able to commercialize any of our potential products until we obtain FDA approval, and so any delay in obtaining, or inability to obtain, FDA approval would harm our business.

If we violate regulatory requirements at any stage, whether before or after FDA approval is obtained, we may be fined, forced to remove a product from the market or experience other adverse consequences that could harm our business. Additionally, we may not be able to obtain the labeling claims necessary or desirable for the promotion of our products. We may also be required to undertake post-marketing trials. In addition, if we or others identify side effects after any of our cell therapy products are on the market, or if manufacturing problems occur, regulatory approval may be withdrawn and the FDA may require reformulation of our cell therapy products, additional clinical trials, changes in labeling or additional marketing applications.

WE HAVE LIMITED MANUFACTURING EXPERIENCE AND MAY NOT BE ABLE TO MANUFACTURE OUR XCELLERATED T CELLS ON A LARGE SCALE IN A COST EFFECTIVE MANNER; UNFORESEEN CIRCUMSTANCES MAY CAUSE DELAYS OR DISRUPTIONS IN OUR MANUFACTURING PROCESS.

We have not demonstrated the ability to manufacture our Xcellerated T Cells beyond quantities sufficient for research and development and limited clinical activities. We have no experience manufacturing our Xcellerated T Cells at the capacity that will be necessary to support large clinical trials or commercial sales. Because our Xcellerate Therapy is an autologous, or patient-specific, cell-based product, manufacturing of our Xcellerated T Cells is more complicated. In addition, we may not be able to

manufacture on a large-scale or cost-effectively. Our present manufacturing process may not meet our initial expectations as to reproducibility, yield, purity or other measurements of performance.

We are the only manufacturer of our Xcellerated T Cells. For the next several years, we expect that we will conduct all of our manufacturing in our own facilities. If the facilities or the equipment in our facilities are significantly damaged or destroyed, we will not be able to quickly restore our manufacturing capacity. We may also fail to secure any additional facilities or hire qualified personnel that we may require to accommodate the expansion of our operations and the manufacturing of our products.

WE WOULD NOT BE ABLE TO MANUFACTURE OUR PRODUCTS WITHOUT THE TECHNOLOGY WE LICENSE FROM THIRD PARTIES.

Our Xcellerate Technology uses two important monoclonal antibodies, anti-CD3 and anti-CD28, which are licensed from third parties. Both antibodies are necessary components of our Xcellerate Technology. We license the anti-CD3 monoclonal antibody from the Fred Hutchinson Cancer Research Center in Seattle, Washington. We license the anti-CD28 monoclonal antibody from Diaclone S.A. in Besancon, France. The license agreement with the Fred Hutchinson Cancer Research Center is effective for 15 years following first sale of a product based on the license and may be terminated in the event of a material breach. The Diaclone agreement is effective for 15 years from the date of the first FDA approval, or its foreign equivalent, of a product based upon the license, and may be terminated in the event of a material breach.

We are contractually obligated to purchase the anti-CD28 monoclonal antibody from Diaclone until we begin Phase III clinical trials. Although we believe the anti-CD3 antibody clone component is available from other sources, few alternative suppliers of the anti-CD28 antibody clone component exist. If we lose access to the anti-CD28 antibody clone or the anti-CD3 antibody clone, and if we cannot find alternatives for these antibody clones, we will be unable to continue the development of our product.

We license several T cell activation patents and patent applications from Genetics Institute. Technology disclosed in several of these patent applications is necessary for the development of our Xcellerate Technology. Of these patent applications, the two that relate to the basic technology necessary for our business have been pending in the U.S. Patent and Trademark Office for over five years. We cannot predict when or if any patents will issue from these applications, however, we believe there is a reasonable basis for patentability. If these patents are not issued we may not be able to exclude our competitors from using our technology.

The licenses from Genetics Institute terminate upon the expiration of the last licensed patent and may also be terminated in the event of a material breach. If patents issue covering our technology and we violate the terms of our license or otherwise lose our right to license these patents and patent applications, we would be unable to continue development of our Xcellerate Technology.

WE ARE DEPENDENT ON A LIMITED NUMBER OF MANUFACTURERS AND SUPPLIERS OF SOME OF THE KEY COMPONENTS IN OUR XCELLERATE TECHNOLOGY.

We currently depend on third party suppliers for key components used to manufacture Xcellerated T Cells. We depend on Lonza Biologics PLC to develop and manufacture the antibodies used in our Xcellerate Technology. There are, in general, relatively few companies with the ability to manufacture clinical and commercial grade antibodies. Our current agreement with Lonza only provides for the manufacture of these antibodies for use in clinical trials. We are currently negotiating an agreement with Lonza to manufacture the antibodies for commercial use. If we are unable to renew our current contract with Lonza or unable to procure a suitable alternative manufacturer in a timely manner or at all, we would be unable to continue developing our Xcellerate Technology.

Our Xcellerate Technology also depends on the successful attachment of the antibodies to magnetic beads. We currently use magnetic beads developed and manufactured by Dynal S.A. in Oslo, Norway. Our contract with Dynal expires in August 2009, and we are contractually obligated to obtain our beads from Dynal as long as Dynal is able to fill our orders. If our contract with Dynal is terminated or if Dynal

discontinues manufacturing beads due to economic or other considerations, we may be unable to find a suitable alternative manufacturer in a timely manner or at all, which would limit our ability to develop and commercialize our product.

In addition, because Lonza and Dynal are located outside the United States we are subject to foreign import laws and customs regulations, which complicates, and could delay, shipment of components and the development and production of our product. Any delay in the development or production of our product would harm our business.

IF THIRD PARTIES FAIL TO PROVIDE SUFFICIENT AND TIMELY CAPACITY TO MANUFACTURE OUR BEADS AND ANTIBODIES, OR DO NOT MAINTAIN HIGH STANDARDS OF MANUFACTURE, OUR ABILITY TO DEVELOP AND COMMERCIALIZE OUR PRODUCTS COULD BE LIMITED OR DELAYED.

Although our current suppliers of antibody and bead components have produced our components with acceptable quality, quantity and cost in the past, they may be unable or unwilling to meet our future demands. Establishing additional or replacement suppliers for these components would take a substantial amount of time. In addition, we may have difficulty obtaining similar FDA-approved components from other suppliers. If we have to switch to a replacement supplier, we may face additional regulatory delays and the manufacture and delivery of our product could be interrupted for an extended period. Any such delay may harm our business.

We and any third party manufacturers that we may use must continually adhere to current Good Manufacturing Practice, or GMP, regulations enforced by the FDA through its facilities inspection program. If our facilities or the facilities of these manufacturers cannot pass a pre-approval plant inspection, the FDA pre-market approval of our Xcellerate Therapy will not be granted. In complying with GMP and foreign regulatory requirements, we and any of our third party manufacturers will be obligated to expend time, money and effort in production, record-keeping and quality control to assure that each component of our product meets applicable specifications and other requirements. In addition, we may not be able to compel our third party manufacturers or suppliers to comply with FDA standards and other regulatory requirements. If we or any of our third party manufacturers fail to comply with these requirements, we may be subject to regulatory action.

WE ARE CURRENTLY EXPANDING OUR MANUFACTURING CAPACITY AND WE MAY ENCOUNTER DELAYS AND COST-OVERRUNS.

We currently manufacture our Xcellerated T Cells in our own facility. We plan to expand our manufacturing facilities to support future research, development and commercialization activities. We have little experience in developing manufacturing facilities and may not be successful. We may encounter difficulties in designing, constructing and operating our new manufacturing facility, including:

- construction delays, including obtaining necessary governmental approvals and permits;

- cost overruns;

- delays in design, shipment and installation of equipment for our facility; and

- other unforeseeable factors inherent in the construction process.

THE EX VIVO NATURE OF OUR XCELLERATE THERAPY MAY ENHANCE OUR RISK OF PRODUCT LIABILITY AND OTHER CLAIMS AGAINST US, WHICH MAY REDUCE DEMAND FOR OUR PRODUCTS OR RESULT IN SUBSTANTIAL DAMAGES.

Our Xcellerate Therapy requires us to activate a patient's T cells ex vivo, or outside of the body, using blood collected from patients. Blood is collected through a process called leukapheresis, which may pose risks to the patient. If the leukapheresis product is inadequate, we may require another leukapheresis, or we may be unable to collect blood from the patient for our process. The Xcellerated T Cells are later administered back to the patient intravenously in an outpatient procedure. This procedure poses risks to the patient similar to those occurring with transfusions of other cell products such as red blood cells or white blood cells, including bleeding, blood clots, infection or mild to severe allergic reactions.

Blood collected in connection with our Xcellerate Therapy may contain infectious diseases and may infect medical personnel or others who come into contact with the blood. The ex vivo process also presents inherent risk that human error may result in our Xcellerated T Cells being delivered to the incorrect patient. Because patient samples are treated ex vivo after being collected and delivered to us and then are redelivered to the patient, it is possible that these samples could be inadvertently mixed up and delivered to the wrong patient. If the Xcellerated T Cells are administered to the wrong patient, the patient could suffer irreversible injury or death and sue us for liability which would cause our reputation to suffer or may result in losses that could be material.

In addition, we store our patients' cells in freezers at our manufacturing facilities and the loss or malfunction of these freezers may destroy those cells. In such case, our patients' treatments will be delayed if we need to collect additional patient cells or we may be unable to collect more cells from our patients.

We will face an even greater risk of product liability if we sell any of our therapeutic products commercially. An individual may bring a product liability claim against us if one of our cell therapy products causes, or merely appears to have caused, an injury. Regardless of merit or eventual outcome, product liability claims may result in:

- decreased demand for our cell therapy products;

- injury to our reputation;

- withdrawal of clinical trial volunteers;

- costs of related litigation; and

- substantial monetary awards to plaintiffs.

IF A SUFFICIENT NUMBER OF PHYSICIANS AND OTHER MEDICAL PROVIDERS DO NOT ACCEPT OUR XCELLERATE THERAPY, OUR BUSINESS WILL BE SIGNIFICANTLY HARMED.

Our success will depend to a substantial extent on the willingness of physicians and other medical providers to accept our Xcellerate Therapy. For example, physicians and other medical providers will need to learn and adopt the procedures necessary to properly administer our Xcellerated T Cells to patients. In addition, we may improve our Xcellerate Therapy and the procedures necessary to administer our Xcellerated T Cells to patients and physicians and other medical providers may not agree with our changes. We cannot assure you that physicians and medical providers will cooperate with us in this effort or be willing to prescribe our Xcellerate Therapy as treatment for their patients. If our Xcellerate Therapy does not achieve a high level of acceptance by physicians and other medical providers, our business will be significantly harmed.

OUR XCELLERATE THERAPY MAY CAUSE UNKNOWN LONG TERM ADVERSE EFFECTS, WHICH MAY LEAD TO PRODUCT LIABILITY CLAIMS.

We have not yet completed clinical testing of our Xcellerate Therapy. It is possible that our products may cause unforeseen harmful side effects. For example, if too many T cells are activated by our Xcellerate Therapy, it is possible that a patient could have a severe allergic reaction or could develop an autoimmune condition. In the future we may consider using cells from a healthy donor. If these cells from a healthy person are given to a patient with a weakened immune system, there is a possibility that the patient may contract graft versus host disease, a disease in which the T cells attack tissue in the body. In addition, we have not conducted studies on the long term effects associated with the use of the growth media solution used in our Xcellerate Technology. Any harmful effects from our products may result in product liability claims.

WE ARE EXPOSED TO POTENTIAL PRODUCT LIABILITY CLAIMS, AND INSURANCE AGAINST THESE CLAIMS MAY NOT BE AVAILABLE TO US AT A REASONABLE RATE IN THE FUTURE.

Our business exposes us to potential product liability risks, which are inherent in the testing, manufacturing, marketing and sale of pharmaceutical products. We have clinical trial insurance coverage and we intend to obtain product liability coverage in the future. However, insurance coverage may not be available to us at an acceptable cost, if at all. We may not be able to obtain insurance coverage that will be adequate to satisfy any liability that may arise. Regardless of merit or eventual outcome and whether or not we are insured, product liability claims may result in decreased demand for a product, injury to our reputation, withdrawal of clinical trial volunteers and loss of revenues.

WE HAVE A HISTORY OF OPERATING LOSSES; WE EXPECT TO CONTINUE TO INCUR LOSSES AND WE MAY NEVER BE PROFITABLE.

We have incurred significant operating losses since we began operation in 1996. As of September 30, 2000, we had an accumulated deficit of $24.7 million. These losses have resulted principally from costs incurred in our research and development programs and from our general and administrative costs. We have derived no revenues from product sales or royalties to date. We do not expect to have any product sales or royalty revenue for a number of years, and are not able to predict when we might do so. Our operating losses have been increasing during the past several years and will continue to increase significantly in subsequent years as we expand development and clinical trial activities.

Our ability to achieve profitability is dependent upon obtaining regulatory approvals for our products and successfully commercializing our products alone or with third parties. However, our operations may not be profitable even if we are able to commercialize any of our products currently under development.

WE WILL REQUIRE ADDITIONAL FUNDING, AND OUR FUTURE ACCESS TO CAPITAL IS UNCERTAIN.

It is expensive to develop products and conduct clinical trials for the treatment of cancer and infectious diseases. We intend to conduct clinical research and multiple clinical trials for many different therapies for cancer and infectious diseases, which is costly.

We believe that the net proceeds of this offering, together with our cash on hand, will be sufficient to meet our projected operating and capital requirements for at least the next 18 months. However, we may need additional financing within this timeframe depending on a number of factors, including:

- our degree of success in commercializing cell therapy products;
- the rate of progress and cost of our research and development and clinical trial activities;
- the costs of preparing, filing, prosecuting, maintaining and enforcing patent claims and other intellectual property rights;
- the need to access competing technologies;
- changes in or terminations of our licensing arrangements; and
- the cost of manufacturing scale-up.

We may not be able to obtain additional financing on favorable terms or at all. If we are unable to raise additional funds when we need them, we may be required to delay, reduce or eliminate some or all of our development programs and some or all of our clinical trials. We also may be forced to license to others technologies that we would prefer to develop internally. If we raise additional funds by issuing equity securities, further dilution to stockholders may result, and new investors could have rights superior to holders of shares issued in this offering.

IF WE ARE UNABLE TO SECURE FUTURE COLLABORATORS FOR RESEARCH, DEVELOPMENT, MANUFACTURING AND MARKETING ACTIVITIES RELATING TO OUR XCELLERATE TECHNOLOGY, OUR PRODUCT DEVELOPMENT AND POTENTIAL FOR PROFITABILITY MAY SUFFER.

We may need to enter into a commercial collaboration agreement for one or more of the research, development, manufacturing, marketing and other commercialization activities relating to our Xcellerate Technology in the future. However, we may not be able to successfully negotiate any collaborative arrangements. If established, these relationships may not be scientifically or commercially successful. It is possible that our potential collaborators will change their strategic focus, pursue alternative technologies or develop alternative products, either on their own or in collaboration with others, as a means for developing treatments for the diseases targeted by our collaborative programs. The effectiveness of our potential collaborators in marketing our products could also affect our potential revenues and earnings. Disputes may arise between us and our potential collaborators, as to a variety of matters, including financial or other obligations under our agreements. These disputes may be both expensive and time-consuming and may result in delays in the development and commercialization of our product.

IF WE ARE UNABLE TO PROTECT OUR PROPRIETARY RIGHTS, WE MAY NOT BE ABLE TO COMPETE EFFECTIVELY.

Our success is dependent in part on obtaining, maintaining and enforcing our patents and other proprietary rights and our ability to avoid infringing the proprietary rights of others. The United States Patent and Trademark Office may not issue patents from the patent applications owned by or licensed to us. Even if issued, the patents may not give us an advantage over competitors with similar technology.

As of December 1, 2000, we owned or held exclusive rights to two issued patents and 21 pending U.S. patent applications in the fields of or directed to ex vivo T cell stimulation. The two issued patents relate to a method of stimulating T cells and an antibody, which we are not currently using. We cannot assure you that any patent will issue from our pending or licensed patent applications concerning the technologies we do use. The issuance of a patent is not conclusive as to its validity or enforceability. It is uncertain how much protection, if any, will be given to our patents if we attempt to enforce them or if their validity is challenged in court. A third party may challenge the validity or enforceability of a patent after its issuance by the Patent Office. It is possible that a competitor may successfully challenge our patents or that a challenge will result in limiting the coverage of our patents. If the outcome of litigation is adverse to us, third parties may be able to use our patented invention without payment to us.

In addition, it is possible that competitors may infringe our patents or successfully avoid them through design innovation. The cost of litigation to uphold the validity of our patents and to prevent infringement could be substantial and the litigation may consume time and other resources. Some of our competitors may be better able to sustain the costs of complex patent litigation because they have substantially greater resources. Moreover, there is a risk that a court would decide that our patents are not valid and that we do not have the right to stop the other party from using our inventions. There is also the risk that, even if the validity of our patents were upheld, a court would refuse to stop the other party on the ground that its activities do not infringe our patents. Policing unauthorized use of our intellectual property is difficult and expensive, and we cannot assure you that we will be able to prevent misappropriation of our proprietary rights.

In addition to the intellectual property rights described above, we also rely on unpatented technology, trade secrets and confidential information. Therefore, others may independently develop substantially equivalent information and techniques or otherwise gain access to or disclose our technology. We may not be able to effectively protect our rights in unpatented technology, trade secrets and confidential information. We require each of our employees, consultants and advisors to execute a confidentiality agreement at the commencement of an employment or consulting relationship with us. However, these agreements may not provide effective protection of our information or, in the event of unauthorized use or disclosure, they may not provide adequate remedies.

THE USE OF OUR TECHNOLOGIES COULD POTENTIALLY CONFLICT WITH THE RIGHTS OF OTHERS.

Our competitors or others may have or acquire patent rights that they could enforce against us. If they do so, then we may be required to alter our Xcellerate Technology, pay licensing fees or cease activities. If our Xcellerate Technology conflicts with patent rights of others, third parties could bring legal action against us or our licensees, suppliers, customers or potential collaborators, claiming damages and seeking to enjoin manufacturing and marketing of the affected products. If these legal actions are successful, in addition to any potential liability for damages, we could be required to obtain a license in order to continue to manufacture or market the affected products. We may not prevail in any legal action and a required license under the patent may not be available on acceptable terms or at all.

Should third parties file patent applications, or be issued patents claiming technology also claimed by us in pending applications, we may be required to participate in interference proceedings in the United States Patent and Trademark Office to determine priority of invention. We may be required to participate in interference proceedings involving our issued patents or pending applications. We may be required to cease using the technology or to license rights from prevailing third parties as a result of an unfavorable outcome in an interference proceeding. A prevailing party may not offer us a license on commercially acceptable terms. Should third parties file oppositions in foreign countries, we may also be required to participate in opposition proceedings in foreign tribunals to defend the patentability of the filed patent applications.

COMPETITION IN OUR INDUSTRY IS INTENSE AND MANY OF OUR COMPETITORS HAVE SUBSTANTIALLY GREATER MANAGERIAL AND FINANCIAL RESOURCES THAN WE HAVE.

If our products cannot compete effectively in the marketplace, we would fail to become profitable and our financial position would suffer. Competition in the cancer and infectious disease fields is intense. Even if our Xcellerate Therapy proves successful, we might not be able to remain competitive because of the rapid pace of technological development in the biotechnology field.

Several companies market immunotherapy products. We are currently aware of a few companies in the early stages of developing ex vivo T cell activation as a method of treating cancer and infectious diseases. Many of our potential competitors have more financial and other resources, larger research and development staffs, and more experienced capabilities in researching, developing and testing products. Many of these companies also have more experience in conducting clinical trials, obtaining FDA and other regulatory approvals, and in manufacturing, marketing and distributing therapeutic products. Smaller companies may successfully compete with us by establishing collaborative relationships with larger pharmaceutical companies or academic institutions. Our competitors may succeed in developing, obtaining patent protection for, or commercializing their products more rapidly than us. A competing company developing, or acquiring rights to, a more effective therapeutic product for the same diseases targeted by us, or one that offers significantly lower costs of treatment, could render our products noncompetitive or obsolete.

Our ability to commercialize our Xcellerate Therapy and compete effectively will depend, in large part, on:

- our ability to advance our Xcellerate Therapy through clinical trials and to successfully manufacture our products;

- the perception by physicians and other members of the health care community of the safety, efficacy and benefits of activated T cell treatments compared to those of competing products or therapies;

- the willingness of physicians to adopt a new treatment;

- the price of our Xcellerate Therapy relative to other products or competing treatments;

- the effectiveness of our sales and marketing efforts and those of our potential marketing partners;

- our ability to protect our proprietary technology; and

- the impact of potential unfavorable publicity concerning immunotherapeutic products.

IF WE DO NOT EFFECTIVELY MANAGE GROWTH, OUR ABILITY TO GENERATE REVENUES COULD BE HARMED.

We are rapidly adding a significant number of new personnel and expanding our capabilities, which may strain our existing managerial, operational, financial and other resources. To compete effectively and manage our growth, we must:

- train, manage and motivate a growing employee base;

- accurately forecast demand for our products; and

- expand existing operational, financial and management information systems.

If we fail to manage our growth effectively, our product development and commercialization efforts could be curtailed or delayed.

WE MAY BE UNABLE TO ESTABLISH SALES AND MARKETING CAPABILITIES NECESSARY TO SUCCESSFULLY COMMERCIALIZE OUR POTENTIAL PRODUCTS.

We currently have no direct sales capabilities and only limited marketing capabilities. If we decide to market our potential products through a direct sales force, we would need to either hire a sales force with expertise in pharmaceutical sales or contract with a third party to provide a sales force to meet our needs. We may be unable to establish marketing, sales and distribution capabilities necessary to commercialize and gain market acceptance for our potential products. In addition, co-promotion or other marketing arrangements with third parties to commercialize potential products could significantly limit the revenues we derive from these potential products, and these third parties may fail to commercialize our potential products successfully.

IF WE LOSE KEY MANAGEMENT AND SCIENTIFIC PERSONNEL OR CANNOT RECRUIT QUALIFIED EMPLOYEES, OUR PRODUCT DEVELOPMENT PROGRAMS AND OUR RESEARCH AND DEVELOPMENT EFFORTS WILL BE HARMED.

Our success depends, to a significant extent, upon the efforts and abilities of Ronald J. Berenson, M.D., our president and chief executive officer, and other members of senior management. The loss of the services of one or more of our key employees could delay our product development programs and our research and development efforts. We maintain key person life insurance on Dr. Berenson, but do not maintain key person life insurance on any of our other officers, employees or consultants.

Competition for qualified employees among companies in the biotechnology and biopharmaceutical industry is intense. Our future success depends upon our ability to attract, retain and motivate highly skilled employees. In order to commercialize our products successfully, we may be required to substantially expand our workforce, particularly in the areas of manufacturing, clinical trials management, regulatory affairs, business development and sales and marketing. We may require the addition of new personnel, including management, and the development of additional expertise by existing management personnel. We may be unsuccessful in recruiting and retaining sufficient, qualified personnel.

WE MAY INCUR SIGNIFICANT COSTS COMPLYING WITH ENVIRONMENTAL LAWS AND REGULATIONS.

We use hazardous, infectious and radioactive materials that could be dangerous to human health, safety or the environment. We currently contract with a third party to store and dispose of these materials and various wastes resulting from their use at our facility. We are subject to a variety of federal, state and local laws and regulations governing the use, generation, manufacture, storage, handling and disposal of these materials and wastes resulting from their use. We may incur significant costs complying with both existing and future environmental laws and regulations. We are unable to predict whether our third party contractor will properly manage, store and dispose of the wastes as required by law and protect us from liability. In addition, we are subject to regulation by the Occupational Safety and Health Administration,

or OSHA, and the Environmental Protection Agency, or EPA, and to regulation under the Toxic Substances Control Act and the Resource Conservation and Recovery Act. We are unable to predict whether any agency will adopt any regulations, which could harm our business. Although we believe our safety procedures for handling and disposing of these materials comply with federal, state and local laws and regulations, we cannot entirely eliminate the risk of accidental injury or contamination from these materials or the risk that our third party contractor will not violate any applicable laws or regulations governing the waste. In the event of an accident, we could be held liable for any resulting damages, which could be substantial.

IF THIRD PARTY CARRIERS FAIL TO SHIP PATIENT SAMPLES AND OUR PRODUCTS IN A CAREFUL AND TIMELY MANNER, WE MAY INCUR LIABILITY AND OUR REPUTATION WILL SUFFER.

We depend on third party carriers to deliver patient-specific cells to us and Xcellerated T Cells back to the patient in a timely manner. We have not yet designed or tested a tracking system for our products once they have left our manufacturing facility. We must process the patient's blood sample within 48 hours of collection. Currently, Xcellerated T Cells must be shipped in a cold storage shipping container and the patient must receive them within 48 hours of the completion of the manufacturing process. If the carriers fail to deliver the shipment of Xcellerated T Cells in a timely manner or damage the Xcellerated T Cells during shipment because, for example, the shipping containers fail to maintain the necessary temperature of the Xcellerated T Cells, the treatment of patients could be delayed or prevented.

IF WE FAIL TO OBTAIN ADEQUATE LEVELS OF REIMBURSEMENT FOR OUR CELL THERAPY PRODUCTS FROM THIRD PARTY PAYERS, THE COMMERCIAL POTENTIAL OF OUR CELL THERAPY PRODUCTS WILL BE SIGNIFICANTLY LIMITED.

Our profitability will depend on the extent to which government administration authorities, private health insurance providers and other organizations provide reimbursement for the cost of our products. Many patients will not be capable of paying for our cell therapy products themselves. Large private payers, managed care organizations, group purchasing organizations and similar organizations may be unwilling to reimburse patients for newly approved health care products such as ours. Even if they are willing to reimburse patients, we must first obtain reimbursement codes for our products and communicate these codes to the health care community until they are officially published and generally available. Any delay in establishing reimbursement codes for our products could delay acceptance of our products. Any measures that adversely affect the pricing of cell therapy products and the amount of reimbursement available from governmental agencies or other third party payers could harm our business.

WE ARE SUBJECT TO CURRENCY FLUCTUATIONS AND WE MAY BE ADVERSELY AFFECTED BY CHANGES IN THE VALUE OF THE BRITISH POUND RELATIVE TO THE U.S. DOLLAR.

Under our agreements with Lonza we are required to make payments denominated in British pounds. As a result, we are exposed to currency exchange risks. Assuming milestones are completed as scheduled, remaining payments under the agreements will be $350,000 during the fourth quarter of the year ended December 31, 2000 and $2.7 million during the year ended December 31, 2001. We are not engaged in currency hedging and if the British pound strengthens against the U.S. dollar, our payments to Lonza will increase in U.S. dollar terms.

RISKS RELATING TO THIS OFFERING

MARKET VOLATILITY MAY AFFECT OUR STOCK PRICE AND THE VALUE OF YOUR INVESTMENT MAY BE SUBJECT TO SUDDEN DECREASES.

There is currently no public market for our common stock and an active trading market may not develop or be sustained after this offering. The price at which our common stock trades depends upon a number of factors, including our historical and anticipated operating results and general market and economic conditions, which are beyond our control. Factors such as fluctuations in our financial and

operating results, the results of our research and clinical trials, announcements of technological innovations or new commercial products by us or our competitors, developments concerning proprietary rights and publicity regarding actual or potential performance of products under development by us or our competitors could also cause the market price of our common stock to fluctuate substantially. In addition, the stock market has from time to time experienced extreme price and volume fluctuations. These broad market fluctuations may lower the market price of our common stock. During periods of stock market price volatility, share prices of many biotechnology companies have often fluctuated in a manner not necessarily related to the companies' operating performance. Accordingly, our common stock may be subject to greater price volatility than the stock market as a whole.

NEGATIVE EVALUATIONS BY RESEARCH ANALYSTS OR INVESTORS ABOUT OUR BUSINESS MAY CAUSE THE PRICE OF OUR STOCK TO DECLINE.

The price of our stock may decline even if our business is doing well. If our future quarterly operating results are below the expectations of research analysts or investors, or if negative comments regarding our business and its future prospects are publicly announced by research analysts or investors, the price of our common stock would likely decline.

WE MAY ALLOCATE THE NET PROCEEDS FROM THIS OFFERING IN WAYS WHICH YOU AND OTHER STOCKHOLDERS MAY NOT APPROVE.

We expect to use the net proceeds from this offering primarily for clinical trials, research and development activities, increasing our manufacturing capacity and the remainder for general corporate purposes and working capital. We have significant flexibility in applying the net proceeds of this offering and could use these proceeds for purposes other than those contemplated at the time of the offering. You and other stockholders will not have the opportunity to evaluate the economic, financial or other information that we may use to determine how we use these proceeds.

FUTURE SALES OF OUR COMMON STOCK MAY LOWER THE MARKET PRICE OF OUR COMMON STOCK.

Sales of a substantial number of shares of our common stock in the public market following this offering or the perception that such sales could occur could cause the market price of our common stock to decline or limit our future ability to raise capital through an offering of equity securities. The number of shares of our common stock available for sale by our existing stockholders in the public market is limited by restrictions under federal securities law and under lock-up agreements that our stockholders entered into with the underwriters in connection with our initial public offering. In connection with this offering, our officers, directors and other stockholders owning substantially all of our shares have agreed to enter into lock-up agreements pursuant to which they agree not to offer or sell any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock for 180 days after the date of this prospectus without the prior written consent of SG Cowen Securities Corporation on behalf of the underwriters. In addition, stockholders who have not executed a lock-up agreement are otherwise contractually restricted from selling or offering to sell shares of our common stock for 180 days after the date of this prospectus. Shares of our common stock, other than shares sold in this offering, will become eligible for sale in the public market as follows:

At the effective date	0 shares
90 days after effective date	0 shares
181 days after effective date	24,572,195 shares
More than 181 days after effective date	10,110,025 shares

IF YOU PURCHASE OUR COMMON STOCK IN THIS OFFERING, YOU WILL INCUR IMMEDIATE AND SUBSTANTIAL DILUTION IN THE BOOK VALUE OF YOUR SHARES.

You will experience an immediate and substantial dilution of $ per share in the pro forma net tangible book value per share of our common stock relative to the assumed public offering price of $

per share. After giving effect to this offering, our pro forma net tangible book value as of , 2000, would have been $ per share. In addition, this dilution will be increased to the extent that holders of outstanding options and warrants to purchase our common stock at prices below our net tangible book value per share after this offering exercise those options or warrants.

OUR EXECUTIVE OFFICERS, DIRECTORS AND PRINCIPAL STOCKHOLDERS WILL CONTINUE TO HAVE SUBSTANTIAL CONTROL OVER US AFTER THE OFFERING, WHICH COULD DELAY OR PREVENT A CHANGE IN OUR CORPORATE CONTROL FAVORED BY OUR OTHER STOCKHOLDERS.

Following this offering, executive officers, directors and principal stockholders will beneficially own % of our outstanding common stock, or % if the underwriters' over-allotment option is exercised in full. If our significant stockholders choose to act or vote together on other matters, they will have the power to control the approval of any other action requiring the approval of our stockholders, including any amendments to our certificate of incorporation and mergers, acquisitions or sales of all of our assets. In addition, without the consent of these stockholders, we could be prevented from entering into transactions that could be beneficial to us. Also, third parties could be discouraged from making a tender offer or bid to acquire our company at a price per share that is above the then-prevailing market price.

ANTI-TAKEOVER PROVISIONS IN OUR CHARTER DOCUMENTS AND UNDER DELAWARE AND WASHINGTON LAW COULD MAKE A CHANGE IN OUR CONTROL, WHICH MAY BE BENEFICIAL TO OUR STOCKHOLDERS, MORE DIFFICULT.

Provisions of our certificate of incorporation and bylaws will make it more difficult for a third party to acquire us on terms not approved by our board of directors and may have the effect of deterring hostile takeover attempts. We are also subject to provisions of Delaware and Washington law that could have the effect of delaying, deferring or preventing a change in control of our company. These and other impediments to a third party acquisition or change of control could limit the price investors are willing to pay in the future for shares of our common stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements under the captions "Prospectus Summary," "Risk Factors," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and in other sections of this prospectus that are forward-looking statements. You can identify these statements by forward-looking words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate," "plan," "could," "should" and "continue" or similar words. These forward-looking statements may also use different phrases. We have based these forward-looking statements on our current expectations and projections about future events. You should also consider carefully the statements under "Risk Factors" and other sections of this prospectus, which address factors that could cause our results to differ from those set forth in the forward-looking statements.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the shares of common stock offered by us at an assumed initial public offering price of $ per share will be approximately $ million after deducting the estimated underwriting discounts and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option in full, we estimate that such net proceeds will be approximately $ million.

We expect to use the net proceeds from this offering primarily for clinical trials, research and development activities, expansion of our manufacturing capacity and the remainder for general corporate purposes and working capital.

Based upon the current status of our product development and commercialization plans, we believe that the net proceeds of this offering, together with our cash, cash equivalents and investments, will be adequate to satisfy our capital needs through at least the next 18 months. Pending use of the net proceeds of this offering, we intend to invest the net proceeds in interest bearing, investment-grade non-government and U.S. government securities.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance operations and we do not anticipate paying cash dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth our capitalization at September 30, 2000:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all outstanding shares of preferred stock into 28,059,047 shares of common stock upon the closing of this offering, the issuance of 380,725 shares of common stock issuable upon the exercise of warrants to purchase preferred stock at a weighted average exercise price of $0.97 per share, which warrants will expire at the closing of this offering, and the subsequent conversion of the preferred stock, the issuance of 1,132,287 shares of common stock upon the exercise of warrants to purchase common stock at an exercise price of $0.30 per share, which warrants will expire at the closing of this offering, and the conversion of preferred stock warrants into common stock warrants for the purchase of 280,029 shares of common stock; and
- on a pro forma, as adjusted basis, to reflect the sale of shares of common stock that we are offering at an assumed initial public offering price per share of $ after deducting estimated underwriting discounts and offering expenses.

You should read the following table in conjunction with our financial statements and related notes included in this prospectus.

	SEPTEMBER 30, 2000		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)		
Long-term obligations	$ 953	$ 953	$ 953
Redeemable convertible preferred stock: actual -- 28,909,976 authorized shares, 28,059,047 issued and outstanding; pro forma and pro forma as adjusted -- none authorized and none outstanding	48,394	--	--
Redeemable convertible preferred stock warrants	557	--	--
Stockholders' equity (deficit):			
Preferred stock, par value $0.001: Actual -- 28,909,976 authorized and none outstanding, all shares have been designated redeemable and convertible; pro forma -- none authorized and none outstanding; pro forma as adjusted -- 5,000,000 authorized shares, none outstanding	--	--	--
Common stock, par value $0.001: Actual -- 60,000,000 authorized shares, 5,965,234 issued and outstanding; pro forma -- 60,000,000 authorized shares, 35,537,293 issued and outstanding; pro forma as adjusted -- 100,000,000 authorized shares, issued and outstanding;	6	36	
Additional paid-in capital	5,090	54,722	
Deferred stock compensation	(1,618)	(1,618)	(1,618)
Accumulated deficit	(24,704)	(24,704)	(24,704)
Accumulated other comprehensive loss	(2)	(2)	(2)
Total stockholders' equity (deficit)	(21,228)	28,434	
Total capitalization	$ 28,676	$ 29,387	$

The information in the table above does not include:

- 1,626,221 shares of common stock issuable upon the exercise of stock options outstanding under our 1996 Stock Option Plan at a weighted average exercise price of $0.24 per share;
- 280,029 shares of common stock issuable upon the exercise of warrants to purchase 280,029 shares of preferred stock which were assumed to have been converted into warrants to purchase 280,029 shares of common stock upon the closing of this offering;
- 785,354 shares of common stock reserved for future grant under our 1996 Stock Option Plan;
- 2,100,000 shares of common stock reserved for future issuance under our 2000 Stock Option Plan;
- 600,000 shares of common stock reserved for future issuance under our 2000 Employee Stock Purchase Plan;
- 400,000 shares of common stock reserved for future issuance under our 2000 Directors' Stock Option Plan;
- 1,056,040 shares of common stock reserved for future issuance under our Milestone Pool; and
- 180,000 shares of common stock reserved for future issuance under our license with ARCH Development Corporation.

DILUTION

Our pro forma net tangible book value as of September 30, 2000, was $28.2 million or $0.79 per share of common stock after giving effect to the conversion of all outstanding shares of preferred stock into 28,059,047 shares of common stock in connection with this offering, issuance of 380,725 shares of common stock upon the exercise of warrants to purchase preferred stock, which warrants will expire at the closing of this offering, and the subsequent conversion of the preferred stock, issuance of 1,132,287 shares of common stock upon the exercise of warrants to purchase common stock, which warrants will expire at the closing of this offering and the conversion of preferred stock warrants into common stock warrants for the purchase of 280,029 shares of common stock. Our pro forma net tangible book value per share represents the amount of total tangible assets less total liabilities, divided by the shares of common stock outstanding as of September 30, 2000, assuming the conversion of all outstanding shares of preferred stock and the exercise and the subsequent conversion of the warrants to purchase preferred stock and the exercise of the warrants to purchase common stock.

After giving effect to the sale of shares of common stock we are offering hereby at an assumed price of $ per share and after deducting estimated underwriting discounts and commissions and offering expenses, our net tangible book value as of September 30, 2000, would have been approximately $ or $ per share. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to the investors purchasing shares of common stock in this offering. The following table illustrates this per share dilution.

Assumed initial public offering price per share.....		$
Pro forma net tangible book value per share before the offering.....	$0.79	
Increase attributable to new investors.....		
Pro forma net tangible book value after the offering.....		
Dilution per share to new investors.....		$

The following table summarizes, as of September 30, 2000, on the pro forma basis described above, the number of shares of common stock purchased in this offering, the aggregate cash consideration paid and the average price per share paid by existing stockholders for common stock and by new investors purchasing shares of common stock in this offering:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing Stockholders.....	35,537,293	%	$ 50,861,000	%	$1.43
New Investors.....					
Total.....		100.0%	$	100.0%	

This discussion and tables above assume no exercise of options outstanding under our stock option plan. As of September 30, 2000, there were options outstanding to purchase a total of 1,626,221 shares of common stock at a weighted average exercise price of $0.24 per share and an aggregate of 3,885,354 shares available for future grant or issuance under our stock option plans or stock purchase plan. The discussion and tables above also assume no exercise of any outstanding warrants, other than those expected to be exercised due to their termination at the time of this offering. As of September 30, 2000, there were additional outstanding warrants to purchase 280,029 shares of our preferred stock at a weighted average exercise price of $1.09 per share that were not assumed to have been exercised in the discussion above. To the extent that any of these options or warrants are exercised, there will be further dilution to new investors.

SELECTED FINANCIAL DATA

This section presents our historical financial data. You should read carefully the financial statements included in this prospectus, including the notes to the financial statements, and Management's Discussion and Analysis of Financial Condition and Results of Operations. The statements of operations data for the year ended December 31, 1999 and the balance sheet data as of December 31, 1999 have been derived from our financial statements that have been audited by Ernst & Young LLP, independent auditors, and are included elsewhere in this prospectus. The statement of operations data for the each of the years in the two year period ended December 31, 1998, and the balance sheet data as of December 31, 1998 have been derived from our financial statements that have been audited by PricewaterhouseCoopers LLP, independent accountants, and are included elsewhere in this prospectus. The balance sheet data as of December 31, 1997, has been derived from our audited financial statements which are not included in this prospectus. The statement of operations data for the nine months ended September 30, 1999 and 2000, the period from inception (August 27, 1996) to September 30, 2000, and the balance sheet data as of September 30, 2000 have been derived from the unaudited financial statements included elsewhere in this prospectus. The statement of operations data for the period from inception (August 27, 1996) to December 31, 1996 and the balance sheet data as of December 31, 1996 have been derived from unaudited financial statements which are not included in this prospectus. We have prepared the unaudited information on the same basis as the audited financial statements and have included all adjustments, consisting only of normal occurring adjustments that we consider necessary for a fair presentation of our financial position and operating results for these periods. Historical results are not necessarily indicative of future results.

	PERIOD FROM INCEPTION (AUGUST 27, 1996) TO DECEMBER 31, 1996	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,		PERIOD FROM INCEPTION (AUGUST 27, 1996) TO SEPTEMBER 30, 2000
		1997	1998	1999	1999	2000	
	(UNAUDITED)	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)			(UNAUDITED)		(UNAUDITED)
STATEMENTS OF OPERATIONS DATA:							
Revenue:							
License fee	$ --	$ 100	$ --	$ --	$ --	$ --	$ 100
Grants	--	--	--	16	--	44	60
Total revenue	--	100	--	16	--	44	160
Operating expenses:							
Research and development	328	2,397	4,311	5,413	3,573	7,176	19,625
General and administrative	314	1,148	1,427	1,619	1,158	1,061	5,569
Noncash stock compensation expense	2	4	6	93	3	557	662
Total operating expenses	644	3,549	5,744	7,125	4,734	8,794	25,856
Loss from operations	(644)	(3,449)	(5,744)	(7,109)	(4,734)	(8,750)	(25,696)
Other income, net	93	161	298	162	232	278	992
Net loss	$ (551)	$(3,288)	$(5,446)	$(6,947)	$(4,502)	$(8,472)	$(24,704)
Basic net loss per share	$ (0.41)	$ (0.69)	$ (0.86)	$ (1.15)	$ (0.74)	$ (1.42)	$ (4.44)
Shares used in basic loss per share calculation	1,350	4,741	6,355	6,050	6,086	5,962	5,564
Pro forma net loss per share				$ (0.29)		$ (0.31)	$ (1.27)
Shares used in pro forma per share calculation				23,999		27,159	19,514

	DECEMBER 31,				SEPTEMBER 30,
	1996	1997	1998	1999	2000
	(UNAUDITED)				(UNAUDITED)
BALANCE SHEET DATA:					
Cash, cash equivalents and short-term investments	$5,307	$ 6,514	$12,152	$ 7,363	$ 27,257
Working capital	4,966	6,102	11,589	6,100	26,393
Total assets	5,821	9,035	16,044	10,055	30,336
Long term obligations	--	937	941	854	953
Redeemable convertible preferred stock and warrants	6,018	11,123	23,390	23,405	48,394
Accumulated deficit	(551)	(3,839)	(9,285)	(16,232)	(24,704)
Total stockholders' deficit	(546)	(3,499)	(8,939)	(15,804)	(21,228)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements and related notes included in this prospectus. Please refer to "Special Note Regarding Forward-Looking Statements" and "Risk Factors."

OVERVIEW

We are utilizing novel technologies to develop therapeutic products that generate effective immune system responses to treat cancer and infectious diseases. We use our proprietary technology, known as Xcellerate, to activate and grow T cells. Our Xcellerate Technology rapidly and reproducibly activates a patient's own T cells outside of the body by mimicking normal events of the immune system. Our Xcellerate Technology forms the basis for our development of our Xcellerate Therapy to fight cancer and infectious diseases.

Since our inception in 1996, our activities have been primarily associated with the development of novel therapeutic products that target the immune system for clinical applications in immunology, oncology, and infectious diseases. We have incurred significant losses since our inception. As of September 30, 2000, our accumulated deficit was $24.7 million. Our operating expenses consist of research and development expenses and general and administrative expenses.

We have recognized revenues of approximately $160,000 since inception from sublicense fees and income from a National Institutes of Health Phase I Small Business Innovation Research grant in chronic lymphocytic leukemia. In the second quarter of 2001, we intend to apply for a National Institutes of Health Phase II Small Business Innovation Research grant in the same indication. We intend to continue to apply for other grants in the future. We currently do not market any products and will not for several years, if at all. Therefore, we do not expect to have any product sales or royalty revenue for a number of years. Our net losses are a result of research and development and general and administrative expenses incurred to support our operations. We anticipate incurring net losses over at least the next several years as we complete our clinical trials, apply for regulatory approvals, continue development of our technology and expand our operations.

To date, our research and development expenses have consisted primarily of costs incurred for drug discovery and research, preclinical development, clinical trials and regulatory activities. Research and development activity-related costs include:

- payroll and personnel-related expenses;
- clinical trial and regulatory-related costs;
- laboratory supplies;
- contractual costs associated with developing our antibody and bead technology;
- intellectual property related legal fees;
- rent and facility expenses for our laboratory and GMP manufacturing areas; and
- scientific consulting fees.

General and administrative expenses are costs associated with supporting our operations including payroll and personnel-related expenses and professional fees. In addition, rent and facility expenses for our administrative office area and other general office support activities are also included in our general and administrative expenses.

We have incurred operating losses since inception. Therefore, we have not paid any income taxes and no provision for income taxes has been recorded for the period from inception, beginning August 27, 1996 to September 30, 2000.

RESULTS OF OPERATIONS

COMPARISON OF NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

Revenue

Revenue was approximately $44,000 in the nine months ended September 30, 2000, and consisted of income from a National Institutes of Health Small Business Innovation Research grant. We expect to recognize revenue from the remainder of this grant, in the amount of $90,000, by December 31, 2000. We did not recognize any revenue in the nine months ended September 30, 1999.

Operating Expenses

Research and Development. Research and development expenses increased 100%, from $3.6 million in the nine months ended September 30, 1999 to $7.2 million in the nine months ended September 30, 2000. The $3.6 million increase was primarily due to contractual payments relating to developing our antibody and bead technology, laboratory supplies, rent, and salaries and payroll related expense. We anticipate that research and development expenses will continue to increase in the foreseeable future as we expand our research, development and clinical trial activities.

General and Administrative. General and administrative expenses did not fluctuate significantly, from $1.2 million in the nine months ended September 30, 1999 to $1.1 million in the nine months ended September 30, 2000. We anticipate that general and administrative expenses will increase in the foreseeable future to support the general expansion of our operations.

Other Income (Expense), net. Other income (expense), net increased from $232,000 in the nine months ended September 30, 1999 to $278,000 in the nine months ended September 30, 2000. Interest income increased 24%, from $375,000 in the nine months ended September 30, 1999 to $465,000 in the nine months ended September 30, 2000 due to increased interest income earned on the cash proceeds from our Series D preferred stock financing. Interest expense increased 31%, from $143,000 in the nine months ended September 30, 1999 to $187,000 in the nine months ended September 30, 2000, due to higher debt balances related to equipment financings and amortization of warrants issued in conjunction with these financings. We expect to continue to enter into equipment financing contracts to support our future clinical and commercialization activities.

Noncash Stock Compensation

From our inception in August 1996 through September 30, 2000, we recorded aggregate deferred stock compensation of approximately $2.3 million, of which $662,000 was expensed in the period from inception (August 27, 1996) to September 30, 2000. We recorded amortization of deferred stock-based compensation of $4,000 in the year ended December 31, 1997, $6,000 in the year ended December 31, 1998, $93,000 in the year ended December 31, 1999 and $557,000 for the nine months ended September 30, 2000. We granted stock options to certain of our officers, employees and consultants at prices subsequently deemed to be below the fair value of the underlying stock on the date of grant during the year ended December 31, 1999 and the nine months ended September 30, 2000. Additional deferred stock-based compensation of $86,000 and $526,000 were recorded in the year ended December 31, 1999 and nine months ended September 30, 2000, respectively, based on the subsequently determined fair value of common stock options granted during these periods. These expenses have no impact on our cash flows. The remaining $1.6 million will be expensed in future periods over what is generally a four-to-five year vesting period. We estimate that our deferred stock compensation expense from options granted from our inception in August 1996 through September 30, 2000 will be $293,000, $729,000, $340,000, $179,000 and $74,000 for the remainder of fiscal 2000 and for the years ending December 31, 2001, 2002, 2003 and 2004, respectively.

Subsequent to September 30, 2000, we have granted options that will result in an additional $1.0 million of deferred stock compensation. We estimate that our deferred stock compensation expense from options granted subsequent to September 30, 2000 will be $161,000, $466,000, $208,000,

$113,000 and $50,000 for the years ending December 31, 2000, 2001, 2002, 2003 and 2004, respectively, assuming no cancellations or additional stock options grants below deemed fair value.

COMPARISON OF YEARS ENDED DECEMBER 31, 1999 AND 1998

Revenue

Revenue was approximately $16,000 in the year ended December 31, 1999 and consisted of income from a National Institutes of Health Small Business Innovation Research grant. We recognized no revenue in the year ended December 31, 1998.

Operating Expenses

Research and Development. Research and development expenses increased 26%, from $4.3 million in the year ended December 31, 1998 to $5.4 million in the year ended December 31, 1999. The $1.1 million increase was primarily due to increased salary and personnel related expenses, consulting fees and outsourced research and development services expenses as we expanded operations in support of our preclinical activity. This increase was offset partially by decreases in patent related expenses for a license that was terminated in 1999, sponsored research studies and laboratory supplies.

General and Administrative. General and administrative expenses increased 13%, from $1.4 million in the year ended December 31, 1998 to $1.6 million in the year ended December 31, 1999. The $200,000 increase was primarily due to increased facilities-related expenses, expenses related to moving to new headquarters and salary and other personnel related expenses as we expanded our operations. This increase was offset partially by a decrease in professional fees and travel expenses.

Other Income (Expense), net. Interest income was $476,000 in the year ended December 31, 1999 and $476,000 in the year ended December 31, 1998. The amounts were unchanged due to stable average yearly cash balances. Interest expense was $206,000 in the year December 31, 1999 and was $178,000 in the year ended December 31, 1998 and was relatively unchanged due to little change in debt balances. For the year ended December 31, 1999, we recognized a loss of $108,000 on the sale of property and equipment.

COMPARISON OF YEARS ENDED DECEMBER 31, 1998 AND 1997

Revenue

Revenue in the year ended December 31, 1997 was $100,000 consisting of a non-recurring fee generated from a sublicense agreement. We recognized no revenue in the year ended December 31, 1998.

Operating Expenses

Research and Development. Research and development expenses increased 80%, from $2.4 million in the year ended December 31, 1997 to $4.3 million in the year ended December 31, 1998. The $1.9 million increase was due primarily to increases in salary and other personnel related costs, patent expenses, laboratory supplies, depreciation, consulting fees and amortization of intangible assets as we expanded our business and preclinical activities.

General and Administrative. General and administrative expenses increased 24% from $1.1 million in the year ended December 31, 1997 to $1.4 million in the year ended December 31, 1998. The $300,000 increase was due primarily to increases in salary and personnel related expenses, expenses related to general office facilities and fixtures, and other general office expenses in support of our business and preclinical activities.

Other Income (Expense), net. Interest income increased 94%, from $245,000 in the year ended December 31, 1997 to $476,000 in the year ended December 31, 1998. This was attributable to higher average balances of cash, cash equivalents and short-term investments. Interest expense increased 112%, from $84,000 in the year ended December 31, 1997 to $178,000 in the year ended December 31, 1998.

The increase was due to a higher debt balance as we entered into equipment financing contracts to finance our expanding business and preclinical activities.

INCOME TAXES

We have incurred a net operating loss since inception and consequently we have not paid any federal, state or foreign income taxes. On December 31, 1999, we had net operating loss carryforwards of approximately $14.2 million and research and development tax credit carryforwards of $749,000. If not utilized, the net operating loss and tax credit carryforwards will expire at various dates beginning in 2011. If we do not achieve profitability, net operating loss carryforwards may be lost. In addition, utilization of net operating loss and tax credit carryforwards may be subject to a substantial annual limitation due to the change in the ownership provisions of the Internal Revenue Code of 1986, as amended. We are currently not subject to these limitations. However, any future annual limitations may result in the expiration of net operating loss and tax credit carryforwards before utilization.

LIQUIDITY AND CAPITAL RESOURCES

Cash, cash equivalents and short-term investments were $9.7 million on September 30, 1999 and $27.3 million on September 30, 2000. Cash, cash equivalents and investments were $6.8 million on December 31, 1997, $13.9 million on December 31, 1998, and $7.4 million on December 31, 1999. We have financed our operations since inception through private placements of equity securities, grant revenue, fees from a sublicense agreement, equipment financings and interest income earned on cash and cash equivalents and investments. Since January 1, 2000, we received net proceeds of $28.0 million from private financing activities. In 1999, we did not raise any funds from private financing activities. In 1998, we received net proceeds of $12.0 million from private financing activities. Since inception, a total of $50.2 million net proceeds from private financing has been received. To date, inflation has not had a material effect on our business.

Since our inception, investing activities, other than purchases and maturities of investments, have consisted primarily of purchases of property and equipment. On September 30, 2000, our investment in property and equipment was $2.9 million.

Net cash used in operating activities for the nine months ended September 30, 2000 was $8.1 million. During the nine months ended September 30, 1999, we used $4.1 million of net cash in our operating activities. During the years ended December 31, 1997, 1998 and 1999 cash used in operating activities were $3.2 million, $4.5 million, and $5.6 million respectively. Expenditures in these periods were generally as a result of increased research and development expenses and general and administrative expenses in support of our operations.

We have entered into agreements to develop bead and antibody technology that require significant cash expenditures, including an agreement with Dynal S.A. under which we have agreed to make payments totaling $3.0 million upon the accomplishment of bead development activities. Additionally, we have two agreements with Lonza Biologics PLC under which we have agreed to make payments totaling $3.4 million to develop and produce Phase III GMP-grade antibodies. As of September 30, 2000, we have paid $2.0 million to Dynal and $161,000 to Lonza. We anticipate that the remaining payments under these agreements will be paid in full by the end of December 2002. Under our license agreements with Genetics Institute and ARCH Development Corporation, we are required to spend a total of $2.0 million on research and development activities related to product development under these agreements by June 2001.

Borrowings outstanding under our equipment financing agreements totaled $1.7 million, and we had $530,000 available under our equipment financing agreement, at September 30, 2000.

We anticipate that the net proceeds from this offering, along with our existing cash balances will be sufficient to enable us to meet our anticipated expenditures for at least the next 18 months. However, we may need additional financing prior to that time to support our advancement into Phase III clinical trials. Furthermore, we expect to require additional funding before we are able to generate revenue, if at all, from our potential products. Additional financing may not be available on favorable terms or at all. If we are

unable to raise additional funds when we need them, we may be required to delay, reduce or eliminate some or all of our development programs and some or all of our clinical trials. We also may be forced to license technologies to others that we would prefer to develop internally.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," (SAB 101). SAB 101 is based upon existing accounting rules and provided specific guidance on how those accounting rules should be applied and specifically addresses revenue recognition for non-refundable technology access fees in the biotechnology industry. SAB 101 is effective for fiscal years beginning after December 15, 1999. The adoption of SAB 101 did not have an impact on our financial position or results of operations; however, as the company generates sales of products, SAB 101 may impact recognition of revenue.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which will be effective for the year ending 2001. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument, including derivative instruments imbedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement also requires that changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. We believe the adoption of SFAS 133 will not have a material effect on our financial statements, since we currently do not hold derivative instruments or engage in hedging activities.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of September 30, 2000, we had short-term investments of $1.5 million. Our short-term investments will decline by an immaterial amount if market interest rates increase, and therefore, our exposure to interest rate changes has been immaterial. Declines of interest rates over time will, however, reduce our interest income from our short-term investments and cash accounts. Interest rates on capital lease obligations are fixed at the beginning of the repayment term; therefore, exposure to changes in interest rates is limited to new financings.

BUSINESS

OVERVIEW

We are utilizing novel technologies to develop therapeutic products that generate effective immune system responses to treat cancer and infectious diseases. We use our proprietary technology, known as our Xcellerate, to activate and grow T cells. Our Xcellerate Technology rapidly and reproducibly activates a patient's own T cells outside of the body by mimicking normal events of the immune system. Our approach, known as Xcellerate Therapy, may allow us to treat a variety of medical conditions, including:

- diseases characterized by poorly functioning immune systems, such as cancer and HIV;

- conditions due to medical treatments, such as chemotherapy and the administration of drugs following transplantations, that suppress the immune system and cause patients to be vulnerable to infections; and

- congenital conditions and advanced age that result in weakened immune systems.

In July 2000, we initiated a Phase I clinical trial of our Xcellerate Therapy in patients with metastatic kidney cancer. As of December 15, 2000, 17 patients have received a total of 32 infusions of our Xcellerated T Cells. To date, there have been no significant adverse effects related to the administration of our Xcellerated T Cells and we have observed evidence of anti-tumor activity. We expect to complete this trial in the third quarter of 2001.

BACKGROUND

The human immune system is responsible for recognizing and eliminating cancer and pathogens, such as viruses and bacteria, from the body. A normal immune response occurs when disease-fighting white blood cells, called T cells, are activated by two simultaneous signals. Once activated, T cells alert the body to the presence of pathogens and cancer. The human body normally contains billions of T cells that are categorized as either helper T cells or killer T cells. Helper T cells are responsible for activating other cells of the immune system. Killer T cells act directly to destroy pathogens, such as viruses, or tumor cells. Both types of cells are required for an effective immune response.

Activation of T Cells

T cells remain in a resting state until they become activated and generate an immune response. The immune response begins when cells of the immune system known as antigen-presenting cells capture antigens, which are structural components of microorganisms and tumor cells. Antigens are broken down into tiny fragments by antigen-presenting cells and then presented on the cell surface to T cells. Each T cell has a unique receptor on its surface that is capable of recognizing a different antigenic fragment. This diversity of T cells makes it possible for our immune system to recognize and respond to a wide variety of different pathogens and cancers.

[GRAPHIC OF ACTIVATION OF T CELLS]

The diagram starts with an antigen-presenting cell labeled "Antigen-presenting Cell" and shows antigens entering the cell. The antigens are shown broken into tiny fragments and then presented on the cell surface of the antigen-presenting cell.

To the right of the antigen-presenting cell is a resting T cell labeled "Resting T Cell." a receptor on the resting T cell is shown to bind with the antigen fragment presented on the surface of the antigen-presenting cell, delivering Signal 1, labeled "Signal 1." Another receptor on the surface of the antigen-presenting cell binds to a different receptor on the Resting T Cell delivering Signal 2, labeled "Signal 2."

An arrow leads from the resting T cell to an activated T cell, labeled "Activated T Cell." The graphic shows that the T cell is activated.

When the proper T cell receptor binds to the presented antigen, it generates a signal, known as Signal 1, which is required to activate a T cell. A second signal, known as Signal 2, occurs when an antigen-presenting cell binds to another receptor on the surface of a T cell. Signal 1 is generated from a receptor that is unique to the specific antigen. In contrast, each antigen-presenting cell contains the same receptor that binds to a receptor of each T cell to deliver Signal 2. Both Signal 1 and Signal 2 are required for T cells to produce an effective immune response. If only Signal 1 is generated, T cells are weakly activated and die quickly. If only Signal 2 is generated, no immune response occurs at all. Only the simultaneous delivery of both Signal 1 and Signal 2 generates activated T cells that can function properly in the body. Signal 1 and Signal 2 are responsible for activating both helper T cells and killer T cells.

The Dangers of a Weakened Immune System

When the number of T cells decreases significantly, the human immune system is less able to defend the body against infectious diseases and cancer. Additionally, when T cells are not functioning properly, they may be incapable of being activated, which also creates a greater risk of these illnesses. For example, when T cells are damaged they may contain weakened or reduced numbers of receptors that cannot generate Signal 1 or Signal 2. In most medical conditions, deficits in both T cell numbers and function occur together. A variety of illnesses as well as medical treatments for life-threatening illnesses can cause T cell deficits. These include:

- diseases that attack or evade the immune system, such as HIV and cancer as well as chronic illnesses, including diabetes and kidney failure;

- medical treatments that damage T cells such as chemotherapy, immunosuppressive drugs and transplantation; and

- congenital immunodeficiencies and advanced age.

As a result of T cell deficits, patients are at increased risk of developing serious and often life-threatening infections. Common and normally benign viruses such as herpes and chicken pox can produce serious infections. Life-threatening fungal and parasitic infections as well as some bacterial infections, such as tuberculosis, also occur in patients with T cell deficits. Patients with severe T cell deficits are also at high risk of developing some types of cancer. For example, transplant patients on immunosuppressive drugs

have a very high rate of non-Hodgkin's lymphoma, and patients with HIV can suffer from both non-Hodgkin's lymphoma and Kaposi's sarcoma.

Current Approaches to Activate the Immune System and Their Limitations

Researchers have focused on developing methods to strengthen and activate a patient's immune system to combat the problems associated with T cell deficits. Current approaches include delivering therapeutic agents, such as cytokines, directly into the body to stimulate T cell responses. Cytokines are chemical messengers produced by cells of the immune system, many of which activate T cells. Unfortunately, these cytokines often cause life-threatening or fatal side effects when directly administered to patients. For example, when interleukin-2, a cytokine approved by the FDA to treat some cancers, is administered at the high doses demonstrated to be effective, it causes serious and life-threatening toxicity that requires close medical supervision in a hospital intensive care unit. The number of cytokines that can be used as therapeutics is limited because only a few can be safely administered to patients. These cytokines represent a very small portion of the many cytokines that are normally produced during an immune response.

To overcome the limitations of activating T cells inside of the body, researchers attempted to activate and grow patients' T cells ex vivo, or outside of the body, before administering them for therapeutic applications. Initial attempts were made to grow T cells outside of the body using interleukin-2. The discovery of T cell receptors generated interest in developing compounds to bind to these receptors to activate T cells. With the development of technology to manufacture monoclonal antibodies, it became possible to reproduce these antibodies in large amounts for clinical applications. Researchers developed monoclonal antibodies that bind to these receptors to deliver Signal 1 to T cells. These antibodies were used together with interleukin-2 to activate and grow T cells outside of the body. However, this process generated only one of the two signals required to activate T cells, which resulted in limited growth of T cells. Once administered to patients, these cells generally survive for only a few days. These ex vivo methods required more than a month to generate sufficient numbers of T cells for clinical applications. These methods also required frequent handling and monitoring procedures during the incubation period. Furthermore, these approaches generated primarily killer T cells and only small numbers of helper T cells, which limits immune response. The lengthy and laborious procedures required to generate T cells together with their minimal therapeutic activity has led to limited use of these approaches.

Scientists have recently begun to explore procedures that can be used to deliver both Signal 1 and Signal 2 to improve the function, activation and length of survival of T cells. One approach is to use a type of antigen-presenting cell known as a dendritic cell. In healthy individuals, dendritic cells are a natural and potent activator of T cells because they deliver both Signal 1 and Signal 2. For most clinical applications, a patient's own dendritic cells are grown outside of the body and then administered back to the patient. Dendritic cells may prove to be effective therapeutic agents, but they also have limitations. The ability to generate dendritic cells varies from patient to patient. This variability may limit the ability of dendritic cells to activate enough T cells to generate an effective immune response.

OUR SOLUTION

We have developed a proprietary technology known as Xcellerate, which can reproducibly activate and grow T cells outside of the body in large numbers for therapeutic applications. Our Xcellerate Technology employs microscopic magnetic beads that mimic the natural function of antigen-presenting cells to deliver Signal 1 and Signal 2. Each microscopic bead is densely packed with two monoclonal antibodies, one for Signal 1 and one for Signal 2, to create artificial antigen-presenting cells that are able to reproducibly and consistently activate T cells. We have developed a proprietary technique that allows optimal binding of antibody-coated beads to T cells, making it possible for us to generate more potent and highly activated T cells in a shorter period of time. In addition, we use a monoclonal antibody that directly interacts with the signaling complex of the T cell receptor to bypass the specificity that is normally required to activate Signal 1.

Our Xcellerate Technology focuses on activating T cells that are universal to the disease-fighting process. We believe this universal approach will allow us to treat a variety of medical conditions. Our technology also enables us to generate sufficient numbers of activated T cells rapidly, which may allow us to apply our Xcellerate Therapy on a commercial scale. In our Phase I clinical trial for metastatic kidney cancer, we successfully generated Xcellerated T Cells from all patients to date. In this clinical trial, we produced large numbers of T cells with high purity and activity levels. To date, all infusions of Xcellerated T Cells in our first clinical trial have been delivered to patients with no significant adverse effects and we have observed evidence of anti-tumor activity.

Benefits of Our Xcellerate Therapy

By providing a consistent method to directly activate T cells, we believe our Xcellerate Therapy may be an effective treatment for cancer and infectious diseases. We believe the Xcellerate Therapy has the following potential benefits:

- Activated Immune System. We have demonstrated in the laboratory that our Xcellerated T Cells generate an effective immune response because we deliver both Signal 1 and Signal 2 to activate both helper T cells and killer T cells. Our laboratory studies have shown that Xcellerated T Cells function properly by expressing a broad spectrum of cytokines to activate other cells of the immune system. Independent clinical trials have shown that T cells activated using our technology survive for up to one year after administration into patients.

- Broad Clinical Applications. Our Xcellerate Technology targets T cells that are required for an immune response. We believe that our Xcellerate Therapy can be applied to a variety of medical conditions. We have demonstrated in the laboratory that our Xcellerate Technology can be used to activate T cells from patients with a variety of cancers. In addition, third parties have conducted several clinical trials with one of our scientific founders using our T cell activation technology to treat patients with leukemia, lymphoma and HIV.

- Minimal Toxicity. Our Xcellerated T Cells are produced from T cells originating from the patient. We believe that using a patient's own cells may result in a safer product. Minimal side effects have been observed in approximately 100 patients to date in clinical trials conducted by us or third parties working with one of our scientific founders, using our T cell activation technology.

- Easy Administration. Our Xcellerate Therapy can be administered in a simple outpatient procedure in less than 30 minutes. This process uses a routine intravenous procedure that is convenient for both physicians and patients.

- Complementary To Other Technologies. The minimal toxicity associated with our Xcellerate Therapy suggests it may be feasible to use our product with chemotherapy drugs. We may also use Xcellerated T Cells with other agents that are being used to activate the immune system, such as cancer vaccines.

Benefits of Our Xcellerate Technology

We believe our proprietary Xcellerate Technology can be developed into a commercially viable process. The benefits of our Xcellerate Technology are:

- Rapid and Reproducible Process. Our Xcellerate Technology can activate and grow T cells in eight days with minimal laboratory effort. We believe this length of time is sufficient to generate the number of T cells necessary for a therapeutic effect. Our process optimizes the direct interaction between T cells and our proprietary monoclonal antibody-coated beads to produce consistent and strong signals that result in more highly activated and potent T cells.

- Ex Vivo Process. Our Xcellerate Technology activates T cells ex vivo. Activating and growing T cells outside of the body provides a more controlled environment away from tumor cells and infectious agents, which can otherwise inhibit the activation and growth of T cells. In addition,

therapeutic agents that are otherwise potentially toxic or fatal if administered directly to the patient can be used to improve the activity and growth of T cells.

- Standard and Cost-effective Manufacturing Process. Our Xcellerate Technology incorporates primarily commercially available medical products and standard blood bank procedures, which enables us to efficiently manufacture our Xcellerated T Cells. We use the same process and components for every patient, eliminating the need for patient-specific materials that must be obtained by surgery, such as samples of the patient's tumor. We believe we will be able to manufacture our Xcellerated T Cells in facilities that can be cost-effectively constructed, equipped and easily scaled.

OUR STRATEGY

Our goal is to be a leader in the field of T cell therapy and to leverage our expertise in T cell activation to develop and commercialize products to treat cancer and infectious diseases, such as HIV. Key elements of our strategy include:

- Commercializing Our Xcellerate Therapy. We will initially develop our Xcellerate Therapy to treat life-threatening forms of cancer, which currently have inadequate treatments. The FDA has adopted fast-track approval and priority trial procedures for such therapies. In addition, we will focus on qualifying for FDA orphan drug status for our Xcellerate Therapy by treating cancers that are prevalent in less than 200,000 patients in the United States. This status may allow us to obtain a seven year market exclusivity in similar products targeting the same patient population. We believe this strategy will facilitate rapid entry into the market for our Xcellerate Therapy.

- Expanding Our Xcellerate Therapy to Treat Multiple Diseases. We believe our Xcellerate Therapy has potential applications in many medical conditions. We intend to develop our Xcellerate Therapy to treat patients with infectious diseases, chronic illnesses, HIV and other immune deficiency conditions.

- Leveraging Complementary Technologies and Therapies. We believe our Xcellerate Therapy can be used effectively in combination with current treatments for cancer and infectious diseases, such as chemotherapy. We intend to explore opportunities to combine complementary technologies and therapies, such as cancer vaccines, with our Xcellerate Therapy to improve and expand clinical applications.

- Retaining Key Commercialization Rights. We intend to retain marketing and commercial rights in North America for products in concentrated markets, such as cancer. We believe these markets can be addressed by a small, targeted sales force that we can build and train internally.

- Evaluating Collaboration Opportunities for Our Products. We will evaluate opportunities to collaborate with large pharmaceutical and biotechnology companies to obtain development and marketing support for territories outside North America, such as Europe and Japan. In addition, we may seek development and marketing support for indications that have more diffuse patient populations in North America.

- Expanding Our Intellectual Property. We will continue to improve our Xcellerate Technology, including developing process improvements and improving activity and specificity of T cells. We intend to file patents to protect these improvements. In addition, we may supplement our internal efforts by acquiring or in-licensing technologies and product candidates that complement our existing capabilities.

CLINICAL APPLICATIONS

CANCER

The American Cancer Society estimates that in 2000, 1.2 million new cases of cancer will occur in the United States. Surgery and radiation are the primary approaches used to treat patients with localized

disease. However, many cancers spread beyond the original site of disease. In order to prevent or treat the spread of cancer, known as metastasis, many patients are treated with chemotherapy drugs. Unfortunately, chemotherapy has met with limited success in the treatment of most forms of cancer and is associated with severe and sometimes life-threatening side effects. Physicians have recently begun to recognize the important role that the immune system may play in controlling cancer. This has led to the development of a new therapeutic approach to cancer known as immunotherapy. Immunotherapy uses natural products of the immune system such as monoclonal antibodies, cytokines and even whole cells to treat cancer. This new form of therapy has been demonstrated to be effective in some forms of cancer and has been generally associated with fewer side effects than chemotherapy.

Solid Tumors

The American Cancer Society estimates that in 2000 in the United States, there will be approximately 1.0 million new patients with solid tumors, which are cancers that originate in organs of the body. The American Cancer Society estimates that in 2000, more than 400,000 people will die from solid tumors, such as breast, prostate, lung, liver and colon cancers. These cancers are typically treated with surgery or radiation. Chemotherapy is used with limited success in treating solid tumors such as breast cancer, but is generally ineffective in curing patients once cancer has metastasized.

Kidney Cancer. The American Cancer Society estimates that in 2000, approximately 31,200 patients will be diagnosed with kidney cancer in the United States. Approximately half of the patients with kidney cancer will develop metastatic disease. Once patients develop metastatic disease, they have a very poor prognosis with an average survival of approximately one year. The five-year survival for patients with metastatic kidney cancer is less than 5% and 11,900 deaths are expected to occur in the United States in 2000.

Chemotherapy has not been effective in treating kidney cancer. The only therapy that has been approved by the FDA for treating metastatic kidney cancer is a regimen of high-dose interleukin-2, a drug that activates T cells. The overall response rate to high-dose interleukin-2 is approximately 15%. However, less than 5% of patients experience complete disappearance of all detectable cancer and achieve five-year survival. High-dose interleukin-2 therapy is associated with severe and potentially life-threatening side effects that can damage kidneys, liver, lungs and brain. Due to these risks, patients receiving high-dose interleukin-2 require monitoring in hospital intensive care units for several days. Additionally, many patients do not receive interleukin-2 because the risk of side effects may outweigh its potential therapeutic benefit. Recently, attempts have been made to reduce the doses of interleukin-2 administered to patients in order to decrease the side effects. Although adverse effects appear to decrease with low-dose regimens, there are currently insufficient data to determine whether low-dose interleukin-2 will prove to be an effective treatment alternative.

In July 2000, we initiated a Phase I clinical trial of our Xcellerate Therapy in patients with metastatic kidney cancer. We intend to enroll a total of 25 patients to test the safety as well as to provide preliminary data on therapeutic effects of our Xcellerate Therapy. In this clinical trial, patients are treated with two infusions of our Xcellerate Therapy approximately four weeks apart. After each infusion of our Xcellerated T Cells, patients are treated with low doses of interleukin-2 for 10 consecutive days. As of December 15, 2000, 17 patients have received a total of 32 infusions of Xcellerated T Cells. To date, there have been no significant adverse effects related to the administration of our Xcellerated T Cells and we have observed evidence of anti-tumor activity. We expect to complete this trial in the third quarter of 2001.

Hematological Malignancies

The American Cancer Society estimates that in 2000, there will be approximately 106,700 new cases in the United States of hematological malignancies, which are cancers of the blood or bone marrow. The American Cancer Society estimates that 60,400 people will die in 2000 from hematological malignancies in the United States. Hematological malignancies include leukemia, non-Hodgkin's lymphoma, multiple

myeloma and Hodgkin's disease. Hematological malignancies have usually spread throughout the body by the time of diagnosis and therefore, require treatment with chemotherapy drugs.

Physician-sponsored clinical trials are being conducted using our T cell activation technology in patients with both non-Hodgkin's lymphoma and leukemia. A physician-sponsored clinical trial was conducted at the University of Chicago in with patients with advanced non-Hodgkin's lymphoma who were treated with high-dose chemotherapy and a bone marrow transplant. After this treatment, patients received a single infusion of T cells activated using our T cell activation technology. Clinical data available on 17 patients from this clinical trial showed that the average overall survival of patients in the study was approximately two years following the infusion. Five-year survival in similar groups of patients with advanced non-Hodgkin's lymphoma is usually less than 10%. We will continue to evaluate this data and may explore this indication in our own clinical trials.

We also plan to evaluate the potential efficacy of Xcellerate Therapy in patients with chronic lymphocytic leukemia, who have T cell deficits due to treatments for their disease. We have completed a series of laboratory studies to determine if we could generate activated T cells from the blood of these patients, which contains very few T cells. Our laboratory studies demonstrate that we can generate large numbers of activated T cells and overcome some of the defects that have been documented in these patients' T cells. Based on these results, we plan to initiate a clinical trial in the second half of 2001 to test the safety and potential therapeutic activity of Xcellerate Therapy in patients with chronic lymphocytic leukemia. This clinical trial will serve as the basis for the first test of the safety and potential clinical activity of Xcellerate Therapy in patients with severe T cell deficits.

INFECTIOUS DISEASES

We are evaluating the use of our Xcellerate Therapy in infectious disease indications, such as HIV, chronic viral hepatitis C and tuberculosis. Infectious diseases are illnesses caused by microorganisms such as viruses, fungi and bacteria and can be controlled in most people with antibiotics or antiviral agents. However, when patients' immune systems are compromised by infections, drugs, chronic illnesses, or age, they are often unable to fight these infections. A normally harmless virus can cause life-threatening infections or virally-induced cancers in patients with weakened immune systems. We plan to evaluate the potential efficacy of Xcellerate Therapy to increase T cell levels in patients with infectious diseases.

Human Immunodeficiency Virus. There are over 400,000 individuals infected with HIV in the United States. HIV patients are at high risk of infections and cancer because they have low number of T cells that do not function properly. Patients are currently treated with combinations of anti-viral drugs. Although these drug combinations have been shown to be effective in delaying viral relapse and the onset of acquired immunodeficiency syndrome, or AIDS, they do not completely eliminate the virus or cure this disease. From 10% to 50% of patients on these anti-viral drugs will relapse each year. Several third party clinical trials have been conducted with one of our scientific founders using our T cell activation technology to generate activated T cells to treat HIV-positive patients. These clinical trials demonstrated that T cells could be activated and genetically-modified and that these cells could be administered safely and are able to target sites of HIV infection. It was observed that after administration of genetically-modified T cells, there was an increase in T cell counts in these patients and decrease in HIV in sites of infection. We intend to conduct a Phase I clinical trial to assess the ability of genetically-modified Xcellerated T Cells to delay viral relapse in HIV patients.

POTENTIAL FUTURE INDICATIONS

Cancer

We are evaluating the use of our Xcellerate Therapy in the following cancer indications:

TYPE OF CANCER	INCIDENCE (NEW CASES/YEAR)(1)	DEATHS/YEAR(1)
Liver(2)	15,000	13,000
Non-Hodgkin's Lymphoma	55,000	26,000
Ovarian	23,000	14,000
Melanoma	48,000	8,000
Multiple Myeloma	14,000	11,000
Colorectal	130,000	56,000
Lung	164,000	157,000

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(1) American Cancer Society estimated incidence and death rates for 2000 in the United States.
(2) The worldwide incidence for liver cancer is estimated at 1,000,000 (source: DeVita, V.T., Principles and Practice of Oncology, 1997).

Clinical trials conducted by third parties have demonstrated that therapeutic products that activate the immune system, including activated T cells, may be used to treat these types of cancer. For example:

- 150 patients were evaluated in a randomized Phase III clinical trial conducted by the National Cancer Center of Japan that demonstrated that activated T cells can reduce the risk of tumor recurrence of patients undergoing surgical removal of cancerous tumor tissue in the liver. In this clinical trial, patients who received activated T cells had a 41% decrease in tumor recurrence and demonstrated a statistically significant improvement in tumor-free survival compared to patients who did not receive activated T cells. This trial used T cells that were activated using monoclonal antibodies that target Signal 1 alone. Xcellerated T Cells are activated using monoclonal antibodies that deliver both Signal 1 and Signal 2 and may be a more effective therapeutic alternative.

- a physician-sponsored clinical trial was conducted at the University of Chicago with patients with advanced non-Hodgkin's lymphoma who were treated with high-dose chemotherapy and a bone marrow transplant. After this treatment, patients received a single infusion of T cells activated using our T cell activation technology. Clinical data available on 17 patients from this clinical trial showed that the average overall survival of patients in the study was approximately two years following the infusion.

- a randomized Phase III clinical trial was conducted in 148 patients with ovarian cancer by several academic centers in Europe. These patients received a cytokine, known as interferon-gamma, which improved tumor-free survival from 17 months to 48 months in patients who were treated with standard chemotherapy. We have shown in the laboratory that our Xcellerated T Cells produce large amounts of interferon-gamma.

- interleukin-2, a drug that activates T cells, is approved by the FDA to treat metastatic melanoma.

- we have successfully completed laboratory studies using our Xcellerate Technology to activate and grow T cells from patients with melanoma and multiple myeloma.

We plan to further evaluate the use of our Xcellerate Technology to activate T cells in patients with many of these cancers. Based on these preclinical studies, in addition to ongoing clinical trials being conducted by our scientific founders and their collaborators, we plan to initiate a clinical trial in one or more of these types of cancer.

OUR XCELLERATE TECHNOLOGY

Our Xcellerate Technology uses our novel proprietary process to activate and grow both helper T cells and killer T cells by delivering both Signal 1 and Signal 2. In our process, T cells are stimulated, and

increase in number outside of the body, using microscopic magnetic beads densely coated with two monoclonal antibodies that deliver Signal 1 and Signal 2. Signal 1 is delivered by a monoclonal antibody that binds to and activates the CD3 complex, which is part of the T cell receptor complex, and is expressed on every T cell. Signal 2 is delivered by another monoclonal antibody, which binds to the CD28 receptor on T cells. Both of these antibodies are attached to the surface of the magnetic beads. When T cells bind to the monoclonal antibodies on these magnetic beads, they become activated and increase in number.

Our Xcellerate Technology requires that a patient's white blood cells be collected in an outpatient clinical setting using a standard procedure called leukapheresis. These cells are then sent to our manufacturing facility, where trained specialists process the patient's blood in a closed system without exposing the cells to the outside environment, which reduces the risk of microbial contamination during the process. In this process, the patient's white blood cells are placed in sterile, disposable plastic bags containing a solution of nutrients and a low level of interleukin-2 that sustains the growth of the T cells. We then add our proprietary microscopic magnetic beads coated with anti-CD3 and anti-CD28 monoclonal antibodies to activate T cells. The beads bind to the T cells in the bag and mimic the normal process of T cell activation that takes place inside the human body. The activated T cells in the bag are maintained at the same temperature as the human body for approximately eight days. During this eight day period, we monitor the T cells to ensure consistent and adequate levels of their growth and activity. At the end of our process, the antibody-coated magnetic beads are removed from the activated T cells using a commercially available magnetic device. The activated T cells are then formulated in a standard clinical infusion solution for administration to the patient.

[GRAPHIC OF XCELLERATE TECHNOLOGY]

The circle diagram is set up as a circle of five graphics. Beginning at the top, the first graphic shows a female figure as the patient. From the patient, there is an arrow to the left leading to the second graphic of a sterile bag containing blood cells collected from the patient. A tube connects the female patient to the sterile bag. The text above the sterile bag states "Collect Blood."

From the second graphic, a downward arrow leads to the third graphic of a sterile bag containing a mixture of the patient's blood cells and a vial of our antibody-coated beads. This graphic also contains another arrow from the vial to the bag indicating that the vial of antibody-coating beads is being added to the sterile bag with the patient's blood cells. In this sterile bag, beads are shown binding to a T cell, causing activation of the T cell. To the right of the vial of antibody-coated beads, the text states "Add Antibody-coated Beads."

From the third graphic is an arrow to the right leading to the fourth graphic. Below the arrow, the text states "Activate and Expand T Cells." The fourth graphic is a sterile bag filled with an increased number of successfully activated T cells, our Xcellerated T Cells. In addition, the graphic shows the beads being removed and collected to the right of the sterile bag. Above the fourth graphic is text stating "Remove Beads."

Next, an upward arrow leads from the fourth graphic to the fifth graphic, which is a sterile bag filled with Xcellerated T Cells. Text above this fifth graphic states "Infuse Xcellerated T Cells." An arrow from this fifth graphic leads back to the first graphic of the female figure, which shows the tube from the sterile bag to the female patient, illustrating the infusion of the activated T cells into the female patient.

We have established procedures to track patients' cells during the manufacture and shipment of Xcellerated T Cells. Each patient receives a unique identifying number that also contains a code for the site at which they are being treated. This unique identifying number is used to track, monitor and record all documentation, labels and materials relating to the production of our Xcellerated T Cells from blood collection through to re-infusion of the final product. Before we release the shipment to the clinical site, we conduct quality control procedures in our laboratory to assure that our Xcellerated T Cells meet strict acceptance criteria. These quality control tests include:

- Purity -- substantially free of other cell types;

- Identity -- a T cell product as determined by characteristics unique to T cells;

- Dose -- a defined number of viable T cells;

- Potency -- T cells that have biological function relevant to proposed therapeutic effect; and

- Safety and Sterility -- free from microorganisms and residual components.

RESEARCH AND DEVELOPMENT

Our current Xcellerate Technology is based on a prototype version developed by two of our scientific founders, Drs. Carl June and Craig Thompson, who are leaders in the field of immunology. We have made several improvements to this technology. We use monoclonal antibodies that are more reproducible and thus are easier to manufacture. In addition, we manufacture large batches of sterile antibody-coated magnetic beads and have reduced the overall process time from an average of 14 days to an average of 8 days. We use a closed system in a sterile environment, which reduces the chances of contamination by microorganisms. We believe these modifications are essential to developing a product that can be commercialized. We intend to continuously evaluate and improve our technology and will file patents on our advancements. For example, we have recently filed a patent application to cover a novel method that both further simplifies our Xcellerate Technology and also generates T cells with greater activity. The simplification of our process reduces labor and materials and lowers the costs associated with the production of Xcellerated T Cells. We are completing development of our improved Xcellerate Technology and plan to introduce it into clinical trials in the first half of 2001.

Our scientific founders continue to conduct physician-sponsored clinical trials using our T cell activation technology. These studies are conducted independently with our scientific founders' own procedures using our T cell activation technology. We will continue to assess these data together with our own laboratory and clinical results to determine the best clinical opportunities for Xcellerate Therapy.

We are focusing our research and development efforts on increasing the activity of T cells in our Xcellerate Therapy. We are currently evaluating whether other molecules of the immune system or genes could be used to improve the therapeutic activity of the activated T cells. We are also considering the therapeutic potential of using our Xcellerate Therapy in cancer patients to improve the effectiveness of cancer vaccines. We are working with several groups to evaluate the use of recently discovered antigens with our Xcellerate Technology to activate and expand T cells with specificity toward cancer and infectious disease targets. Previous approaches to activate and grow antigen-specific T cells have involved complicated and laborious procedures, which have had limited commercial feasibility. We have conducted laboratory studies demonstrating that we can use our Xcellerate Technology to generate large numbers of antigen-specific T cells with anti-tumor activity in several forms of cancer including melanoma and lung cancer.

MANUFACTURING

We have designed, built, and are operating a modern GMP pilot plant facility in Seattle, Washington to manufacture our Xcellerated T Cells for initial clinical trials. We have also recently leased an additional 40,500 square foot facility that we intend to develop to manufacture our Xcellerated T Cells for our future large-scale clinical trials and initial commercialization. We expect to complete initial modifications and begin manufacturing our Xcellerated T Cells at this facility by the second half of 2001.

We are currently improving the process by which we manufacture our Xcellerated T Cells. For example, we plan to develop more streamlined processing procedures that reduce labor and provide more uniform activation and process efficiency. Except for our proprietary anti-CD3 and anti-CD28 antibody-coated beads, all of the components including tissue culture media, nutrients, disposable bags, tubing sets and processing equipment that are required for our Xcellerate Technology are standard laboratory or clinical supplies that are readily available from commercial vendors.

In June 2000, we entered into two service agreements with Lonza Biologics PLC, for the GMP manufacture of anti-CD3 and anti-CD28 monoclonal antibodies for uses in clinical trials. We retain all

proprietary rights to our intellectual property that is used by Lonza under these agreements. These agreements may be terminated at will by either party for a material breach.

In August 1999, we entered into a contract with Dynal S.A., for the GMP manufacture of our proprietary antibody-coated magnetic beads for clinical and commercial uses. We retain all proprietary rights to our intellectual property that is used by Dynal under this agreement. The agreement will terminate in August 2009 or earlier upon breach by either party. The term may be extended for an additional five year term by either party.

COMPETITION

The biotechnology and pharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. Many entities, including pharmaceutical and biotechnology companies, academic institutions and other research organizations are actively engaged in the discovery, research and development of products that could compete with our products under development. They may also compete with us in recruiting and retaining skilled scientific talent.

Several companies market immunotherapy products. We are currently aware of a few companies in the early stages of developing ex vivo T cell activation products as a method of treating cancer and infectious diseases. However, even if our Xcellerate Technology proves successful, we might not be able to remain competitive in this rapidly advancing area of technology. Many of our potential competitors have more financial and other resources, larger research and development staffs, and more experienced capabilities in researching, developing and testing products. Many of these companies also have more experience in conducting clinical trials, obtaining FDA and other regulatory approvals, and in manufacturing, marketing and distributing of medical products. Smaller companies may successfully compete with us by establishing collaborative relationships with larger pharmaceutical companies or academic institutions. Our competitors may succeed in developing, obtaining patent protection for, or commercializing their products more rapidly than us. A competing company developing, or acquiring rights to, a more effective therapeutic product for the same diseases targeted by us, or one that offers significantly lower costs of treatment, could render our products noncompetitive or obsolete.

Our ability to commercialize our Xcellerate Therapy and compete effectively will depend, in large part, on:

- our ability to advance our Xcellerate Therapy through clinical trials and to successfully manufacture our products;

- the perception by physicians and other members of the health care community of the safety, efficacy and benefits of activated T cell treatments compared to those of competing products or therapies;

- the willingness of physicians to adopt a new treatment;

- the price of our Xcellerate Therapy relative to other products or competing treatments;

- the effectiveness of our sales and marketing efforts and those of our potential marketing partners; and

- our ability to protect our proprietary technology.

INTELLECTUAL PROPERTY

We rely on a combination of patent, trademark, copyright and trade secret laws to protect our proprietary technologies and products. We aggressively seek U.S. and international patent protection to further our business strategy and for major components of our Xcellerate Technology, including important antibody clone components and methods of T cell activation. We also rely upon trade secret protection for our confidential and proprietary information, and we enter into licenses to technologies we view as necessary to pursue our corporate goals.

As of December 1, 2000, we owned or held exclusive rights to two issued patents and 21 pending U.S. patent applications in the fields of or directed to ex vivo T cell stimulation. The two issued patents relate to a method of stimulating T cells and an antibody, which we are not currently using. We also have 34 currently pending foreign patent applications corresponding to T cell stimulation technology.

In general, we apply for patent protection of methods and products relating to immunotherapy for treatment of cancer and infectious diseases. With respect to proprietary know-how that is not patentable, we have chosen to rely on trade secret protection and confidentiality agreements to protect our interests. We have taken security measures to protect our proprietary know-how, technologies and confidential data and continue to explore further methods of protection.

We require all employees, consultants and collaborators to enter into confidentiality agreements, and all employees and most consultants enter into invention assignment agreements with us. The confidentiality agreements generally provide that all confidential information developed or made known to the individual during the course of such relationship will be kept confidential and not disclosed to third parties, except in specified circumstances. These invention agreements generally provide that all inventions conceived by the individual in the course of rendering services to us shall be our exclusive property. There can be no assurance, however, that these agreements will provide meaningful protection or adequate remedies for any breach, or that our trade secrets will not otherwise become known or be independently discovered by our competitors. Any of these events could adversely affect our competitive position in the marketplace.

In the case of a strategic partnership or other collaborative arrangement which requires the sharing of data, our policy is to disclose to our partner only such data as are relevant to the partnership or arrangement, under controlled circumstances and only during the contractual term of the strategic partnership or collaborative arrangement, subject to a duty of confidentiality on the part of our partner or collaborator. Disputes may arise as to the inventorship and corresponding rights in know-how and inventions resulting from research by us and our future corporate partners, licensors, scientific collaborators and consultants. There can be no assurance that we will be able to maintain our proprietary position, or that third parties will not circumvent any proprietary protection we have. Our failure to maintain exclusive or other rights to such technologies could harm our competitive position.

To continue developing and commercializing our current and future products, we may license intellectual property from commercial or academic entities to obtain the rights to technology that is required for our discovery, research, development and commercialization activities.

In anticipation of the commercial distribution of our products and services, we have filed a number of trademark applications.

TECHNOLOGY LICENSES

Where consistent with our strategy, we seek to obtain technologies that complement and expand our existing technology base. We have licensed and will continue to license technology from selected research and academic institutions, as well as other organizations. Under these license agreements, we generally seek to obtain unrestricted sublicense rights. We are generally obligated under these agreements to pursue product development, make development milestone payments and pay royalties on any product sales. In addition to license agreements, we seek relationships with other entities that may benefit us and support our business goals.

ARCH Development Corporation

In June 1999, we entered into an exclusive license agreement with ARCH Development Corporation, an Illinois not-for-profit corporation, for rights to a pending patent application that lists Dr. Carl June, one of our scientific founders, as an inventor. This agreement assisted in consolidating our patent protection in the field of therapies based on ex vivo activation of T cells.

Under the license agreement, ARCH granted us an exclusive, worldwide license to make, sell, use and import products until expiration of any patents that might be issued from our licensed patent

applications. In consideration for the license, we issued shares of our common stock to ARCH and agreed to pay an annual usage royalty upon commercialization of a product for the remainder of the license term.

Diaclone S.A.

In October 1999, we entered into a license agreement with Diaclone S.A., a French corporation. Under the agreement, Diaclone granted us an exclusive, worldwide license to the anti-CD28 antibody and the cell line which produces the antibody, for the development and commercialization of the anti-CD28 antibody for all ex vivo uses. We are currently obligated to purchase all our anti-CD28 antibody requirements from Diaclone until we enter into Phase III clinical trials.

This agreement has a term of 15 years from the date of first approval by FDA or its foreign equivalent, of a product based upon the licensed patent. We currently do not have FDA approval of any products based upon the licensed patent. At the end of the term, we will have a perpetual, irrevocable, royalty-free exclusive license. We paid an initial license fee to Diaclone and are required to pay royalties if our product is approved and commercialized.

Fred Hutchinson Cancer Research Center

In October 1999, we entered into a license agreement with the Fred Hutchinson Cancer Research Center. Under the agreement, the Fred Hutchinson Cancer Research Center granted us a non-exclusive, worldwide license to make, use and sell the anti-CD3 antibody for any ex vivo use involving therapeutic and research applications.

We paid upfront licensing fees to the Fred Hutchinson Cancer Research Center and we are obligated to pay the Fred Hutchinson Cancer Research Center an annual royalty fee when our product is commercialized. On December 1, 2000, we amended this license agreement to broaden the field of use in exchange for an additional upfront fee and issuance of additional shares of our common stock to the Fred Hutchinson Cancer Research Center. Based on this license, this agreement will remain in effect for 15 years following commercialization of our product based on this agreement.

Genetics Institute, Inc.

In July 1998, we entered into a license agreement with Genetics Institute, Inc. Under the agreement, Genetics Institute granted us an exclusive license for methods of ex vivo activation or expansion of human T cells for treatment and prevention of infectious diseases, cancer and immunodeficiency.

The term of the Genetics Institute license runs until the end of the enforceable term of any patents issued for the methods licensed. To date, one patent, whose term expires in 2016, has been issued for the methods licensed. In consideration of the license, we paid Genetics Institute an upfront license fee, issued shares of our preferred stock to Genetics Institute, and issued a warrant under which, if one of three milestones is reached, Genetics Institute will have the right to purchase additional shares of our preferred stock. We are also obligated to pay royalties to Genetics Institute on sales of products covered by the patents licensed to us under the agreement.

GOVERNMENTAL REGULATION

Governmental authorities in the United States and other countries extensively regulate the preclinical and clinical testing, manufacturing, labeling, storage, record-keeping, advertising, promotion, export, marketing and distribution, among other things, of immunotherapeutics. In the United States, the FDA under the Federal Food, Drug, and Cosmetic Act, the Public Health Service Act and other federal statutes and regulations subjects pharmaceutical products to rigorous review. If we do not comply with applicable requirements, we may be fined, our products may be recalled or seized, our production may be totally or partially suspended, the government may refuse to approve our marketing applications or allow us to distribute our products, and we may be criminally prosecuted. The FDA also has the authority to revoke previously granted marketing authorizations.

In order to obtain approval of a new product from the FDA, we must, among other requirements, submit proof of safety and efficacy as well as detailed information on the manufacture and composition of the product, also know as an investigational new drug applications. In most cases, this proof entails extensive laboratory tests, and preclinical and clinical trials. This testing, the preparation of necessary applications, the processing of those applications by the FDA and review of the application by an advisory panel of outside experts are expensive and typically take several years to complete. The FDA may not act quickly or favorably in reviewing these applications, and we may encounter significant difficulties or costs in our efforts to obtain FDA approvals that could delay or preclude us from marketing any products we may develop. The FDA may also require post-marketing testing and surveillance to monitor the effects of approved products or place conditions on any approvals that could restrict the commercial applications of these products. Regulatory authorities may withdraw product approvals if we fail to comply with regulatory standards or if we encounter problems following initial marketing. With respect to patented products or technologies, delays imposed by the governmental approval process may materially reduce the period during which we will have the exclusive right to exploit the products or technologies.

There are two types of investigational new drug applications. The first is a commercial investigational new drug application intended to collect data on the safety and efficacy of a new drug prior to submitting an application for marketing approval. The second type of investigational new drug application is the non-commercial or physician-sponsored investigational new drug application which allows physicians to gain an initial understanding of the compound without going through the rigors of an investigational new drug application development program in support of commercial approval. Data from physician-sponsored trials can be used to support the safety but not the efficacy of a product.

After an investigational new drug application becomes effective, a sponsor may commence human clinical trials. The sponsor typically conducts human clinical trials in three sequential phases, but the phases may overlap. In Phase I clinical trials, the product is tested in a small number of patients or healthy volunteers, primarily for safety at one or more doses. In Phase II, in addition to safety, the sponsor evaluates the efficacy of the product in a patient population somewhat larger than Phase I clinical trials. Phase III clinical trials typically involve additional testing for safety and clinical efficacy in an expanded population at geographically dispersed test sites. The sponsor must submit to the FDA a clinical plan, or "protocol," accompanied by the approval of the institution participating in the trials, prior to commencement of each clinical trial. The FDA may order the temporary or permanent discontinuation of a clinical trial at any time.

The sponsor must submit to the FDA the results of the preclinical and clinical trials, together with, among other things, detailed information on the manufacture and composition of the product, in the form of a new drug application or, in the case of a biologic, a biologics license application. The FDA is regulating our therapeutic immunotherapy products as biologics and, therefore, we will be submitting biologics license applications to the FDA to obtain approval of our products. A biologics license application requires data showing the safety, purity and potency of the product. In a process which generally takes several years, the FDA reviews this application and, when and if it decides that adequate data is available to show that the new compound is both safe and effective and that other applicable requirements have been met, approves the drug or biologic for marketing. The amount of time taken for this approval process is a function of a number of variables, including the quality of the submission and studies presented, the potential contribution that the compound will make in improving the treatment of the disease in question, and the workload at the FDA. It is possible that our Xcellerate Therapy will not successfully proceed through this approval process or that the FDA will not approve them in any specific period of time, or at all.

Congress enacted the Food and Drug Administration Modernization Act of 1997, in part, to ensure the availability of safe and effective drugs, biologics and medical devices by expediting the FDA review process for new products. The Modernization Act establishes a statutory program for the approval of fast track products, including biologics. A fast track product is defined as a new drug or biologic intended for the treatment of a serious or life-threatening condition that demonstrates the potential to address unmet medical needs for this condition. Under the fast track program, the sponsor of a new drug or biologic may

request the FDA to designate the drug or biologic as a fast track product at any time during the clinical development of the product.

The Modernization Act specifies that the FDA must determine if the product qualifies for fast track designation within 60 days of receipt of the sponsor's request. The FDA can base approval of a marketing application for a fast track product on an effect on a clinical endpoint or on another endpoint that is reasonably likely to predict clinical benefit. The FDA may subject approval of an application for a fast track product to post-approval studies to validate the surrogate endpoint or confirm the effect on the clinical endpoint and prior review of all promotional materials. In addition, the FDA may withdraw its approval of a fast track product on an expedited basis on a number of grounds, including the sponsor's failure to conduct any required post-approval study with due diligence.

If the FDA's preliminary review of clinical data suggests that a fast track product may be effective, the agency may initiate review of sections of a marketing application for a fast track product before the sponsor completes the application. This rolling review is available if the applicant provides a schedule for submission of remaining information and pays applicable user fees. However, the time periods specified under the Prescription Drug User Fee Act concerning timing goals to which the FDA has committed in reviewing an application, do not begin until the sponsor submits the entire application.

We may request fast track designation and orphan drug status for our Xcellerate Therapy. Orphan drug designation may be granted to those products developed to treat diseases or conditions that affect fewer than 200,000 persons in the United States. We believe that some of our target cancer patient populations meet these criteria. Under the law, the developer of an orphan drug may be entitled to seven years of market exclusivity following the approval of the product by the FDA, exemption from user fee payments to the FDA, and a 50% tax credit for the amount of money spent on human clinical trials. We cannot predict whether the FDA will grant these designations, or whether our products will ultimately receive approval or orphan drug exclusivity nor can we predict the ultimate impact, if any, of the fast track process on the timing or likelihood of FDA approval of our immunotherapeutics.

The FDA may, during its review of a new drug application or biologics license application, ask for additional test data. If the FDA does ultimately approve the product, it may require post-marketing testing, including potentially expensive Phase IV studies, and surveillance to monitor the safety and effectiveness of the drug. In addition, the FDA may in some circumstances impose restrictions on the use of the drug, which may be difficult and expensive to administer, and may require prior approval of promotional materials.

Before approving a new drug application or biologics license application, the FDA will also inspect the facilities at which the product is manufactured and will not approve the product unless the manufacturing facilities are in compliance with current Good Manufacturing Practices. In addition, the manufacture, holding, and distribution of a product must be in compliance with current Good Manufacturing Practices. Manufacturers must continue to expend time, money and effort in the area of production and quality control and record keeping and reporting to ensure full compliance with those requirements. The labeling, advertising, promotion, marketing and distribution of a drug or biologic product must be in compliance with FDA regulatory requirements. In addition, manufacturers are required to report adverse events, and errors and accidents in the manufacturing process. Changes to an approved product, or changes to the manufacturing process, may require the filing of a supplemental application for FDA review and approval. Failure to comply with applicable requirements can lead to the FDA demanding that production and shipment cease, and, in some cases, that the manufacturer recall products, or to FDA enforcement actions that can include seizures, injunctions and criminal prosecution. These failures can also lead to FDA withdrawal of approval to market the product.

We are also subject to regulation by the Occupational Safety and Health Administration and the Environmental Protection Agency and to regulation under the Toxic Substances Control Act, the Resource Conservation and Recovery Act and other regulatory statutes, and may in the future be subject to other federal, state or local regulations. Either or both of OSHA or the EPA may promulgate regulations that

may affect our research and development programs. We are unable to predict whether any agency will adopt any regulation which could limit or impede on our operations.

Sales of pharmaceutical products outside the United States are subject to foreign regulatory requirements that vary widely from country to country. Whether or not we have obtained FDA approval, we must obtain approval of a product by comparable regulatory authorities of foreign countries prior to the commencement of marketing the product in those countries. The time required to obtain this approval may be longer or shorter than that required for FDA approval. The foreign regulatory approval process includes all the risks associated with FDA regulation set forth above, as well as country-specific regulations.

LEGAL PROCEEDINGS

We are not party to any material legal proceedings.

EMPLOYEES

As of November 30, 2000, we had 64 employees, 27 of these employees are directly involved in research and development, and 15 employees are involved in manufacturing operations. We consider our relations with our employees to be good.

FACILITIES

We currently occupy a total of 61,069 square feet of space at two facilities, one in Seattle, Washington and one in Bothell, Washington. We have a total of 20,659 square feet of office, laboratory space and a pilot cell manufacturing facility in Seattle. This pilot plant facility is compliant with FDA guidelines and proposals for the GMP manufacture of cell-based therapeutic products for initial clinical trials. The lease on this space expires in October 1, 2006, and we have options to renew for two additional five-year terms.

We have also leased 40,500 square feet of space in Bothell and we intend to initially renovate approximately 15,000 square feet of space for manufacturing to support large-scale clinical trials and initial commercialization of any approved products. The initial lease term on this space expires on December 1, 2010 and we have options to renew until December 1, 2020. Under the terms of the lease, we also have rights to negotiate for further expansion space in the building.

MANAGEMENT

EXECUTIVE OFFICERS, KEY EMPLOYEES AND DIRECTORS

The following table sets forth certain information regarding our executive officers, key employees and directors as of November 30, 2000:

NAME(1)	AGE	POSITION
Ronald J. Berenson, M.D.(4)	48	Chief Executive Officer, President and Director
Stewart Craig, Ph.D	39	Chief Operating Officer and Vice President
Kathi L. Cordova	40	Vice President, Finance
Dawn M. McCracken	33	Vice President, Regulatory and Clinical Affairs
Mark L. Bonyhadi, Ph.D	46	Director of Biological Research
Robert E. Curry, Ph.D.(2)(3)(4)	54	Director
Jean Deleage, Ph.D.(2)	60	Director
Peter Langecker, M.D., Ph.D	49	Director
Robert T. Nelsen(2)(3)(4)	37	Director
Michael Steinmetz, Ph.D.(2)	53	Director
Robert M. Williams, Ph.D	47	Director

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(1) David J. Maki resigned from our board of directors, effective December 19, 2000.

(2) Member of Audit Committee

(3) Member of Compensation Committee

(4) Member of Milestone Committee

RONALD J. BERENSON, M.D., our founder, has served as President and Chief Executive Officer and a director since our inception. From April 1989 until February 1995, Dr. Berenson held several positions at CellPro, Inc., a stem cell therapy company that he founded, with his last positions being as Executive Vice President and Chief Medical and Scientific Officer as well as serving on the Board of Directors. From July 1984 to March 1989, Dr. Berenson was a faculty member at the Fred Hutchinson Cancer Research Center, where he last held the position of Assistant Member. He is a board-certified internist and medical oncologist, who completed his medical oncology fellowship training at Stanford Medical Center. Dr. Berenson received a B.S. in biology from Stanford University and an M.D. from Yale Medical School.

STEWART CRAIG, PH.D., our Chief Operating Officer and Vice President, joined us in October 1999. Prior to joining us, he served as Vice President of Development and Operations at Osiris Therapeutics, Inc., a stem cell therapy company, from July 1996 to September 1999. From January 1994 to June 1996, Dr. Craig served as Vice President of Product and Process Development at SyStemix Inc., a stem cell and gene therapy company. From June 1987 to December 1993, Dr. Craig held the positions of Group Leader and Senior Scientist at British Biotech, a cancer treatment development company. Dr. Stewart received a B.Sc. in biochemistry and a Ph.D. in physical biochemistry from the University of Newcastle upon Tyne, U.K.

KATHI L. CORDOVA, C.P.A., Vice President of Finance, joined us in March 1997. Prior to joining us, Ms. Cordova held the positions of Assistant Controller and Controller in a joint venture between American Life Insurance Company, an insurance company, and Italy's Confederazione Italiana Sindicati dei Lavoratori, an insurance company, from February 1994 to February 1997. From August 1991 to January 1994, Ms. Cordova served as Management Associate with the Life Division of American International Group. Ms. Cordova received a B.A. in international relations from Stanford University and an M.A. in international relations from The Johns Hopkins University.

DAWN M. MCCRACKEN, Vice President of Regulatory and Clinical Affairs, joined us in November 1998. Prior to joining us, Ms. McCracken held the position of Senior Manager of Regulatory and Clinical Affairs at Neopath, Inc. a medical device company, from November 1996 to October 1998. From April 1996 to November 1996, Ms. McCracken served as Contract Consultant of Regulatory and Clinical Affairs

with Bartels, Inc., an immunotherapy development company, and Sonus Pharmaceuticals, Inc., a drug delivery product company. From January 1995 to March 1996, Ms. McCracken served as Manager of the West Coast Region for Novum, Inc., a contract consulting company. Ms. McCracken received a B.S. in zoology from the University of Washington.

MARK L. BONYHADI, PH.D., our Director of Biological Research, joined us in October 1997. Prior to joining us, Dr. Bonyhadi served as Senior Scientist with SyStemix, Inc., a stem cell and gene therapy company, from 1990 to 1997. Dr. Bonyhadi received a B.A. in biology from Reed College and a Ph.D. in immunology from the University of California at Berkeley.

ROBERT E. CURRY, PH.D. has served as one of our directors since May 2000. Dr. Curry has been a general partner of Sprout Group, a venture capital firm, since May 1991 and currently serves as Vice President. He is a director of Allos Therapeutics, Inc., a cancer therapy company and Tripath Imaging, Inc., a cancer therapy company. Dr. Curry received a B.S. in physics from the University of Illinois and an M.S. and Ph.D. in chemistry from Purdue University.

JEAN DELEAGE, PH.D. has served as one of our directors since August 1996. Dr. Deleage is a founder and managing director of Alta Partners, a venture capital firm. Dr. Deleage serves as a director of ACLARA BioSciences, Inc., a genomics company, BioMedicines, Inc., a pharmaceutical company, Neurogenetics, Inc., a biopharmaceutical company, and Rigel Pharmaceuticals, Inc., a pharmaceutical company, as well as several private company boards. Dr. Deleage received an M.S. in electrical engineering from the Ecole Superieure d'Electricite and a Ph.D. in economics from the Sorbonne.

PETER LANGECKER, M.D., PH.D. has served as one of our directors since January 2000. Dr. Langecker has served as Chief Medical Officer and Vice President of Clinical Affairs of BioMedicines, Inc., a pharmaceutical company since October 1999. From July 1997 to September 1999, Dr. Langecker served as Vice President of Clinical Affairs of Sugen, Inc., a biotechnology company. From July 1995 to July 1997, Dr. Langecker served as Vice President of Clinical Research of Coulter Pharmaceutical, Inc., a biotechnology company. Dr. Langecker received an M.D. and a Ph.D. in medical sciences from Ludwig Maximilians University in Munich.

ROBERT T. NELSEN has served as one of our directors since August 1996. Since 1992, Mr. Nelsen has served as director of ARCH Venture Corporation, a venture capital firm. Mr. Nelsen serves as a director of Adolor Corporation, an analgesics development company, Caliper Technologies Corporation, a biochip company, Genomica Corporation, a pharmacogenomics software company, and Illumina Corporation, a biotechnology company. Mr. Nelsen received a B.S. in biology and economics from the University of Puget Sound and an M.B.A. from the University of Chicago.

MICHAEL STEINMETZ, PH.D. has served as one of our directors since August 2000. Since 1997, Dr. Steinmetz has been a general partner of MPM Asset Management LLC, a venture capital firm. From 1986 to 1997, Dr. Steinmetz headed the Biology Department in Basel, Switzerland as well as the Biotechnology Department and the Preclinical Research and Development Department in Nutley, New Jersey at Hoffmann-La Roche Inc., a developer of diagnostic systems. Dr. Steinmetz serves as a director of Caliper Technologies, a lab processing company, Arena Pharmaceuticals, a biopharmaceutical company, and GPC Biotech, a pharmaceutical company, as well as several private company boards. Dr. Steinmetz received a Diploma in chemistry from the University of Hamburg and a Ph.D. in biochemistry and molecular biology from the University of Munich.

ROBERT M. WILLIAMS, PH.D. has served as one of our directors since November 1996. Since September 1980, Dr. Williams has served as a Professor of Chemistry at Colorado State University. From 1988 to present, Dr. Williams has also provided consulting services to several biotechnology and pharmaceutical companies, including Cubist Pharmaceutical Company, Microcide Pharmaceuticals, Hoffman-La Roche, G.D. Searle and EPIX Medical, Inc. Dr. Williams received a B.A. in chemistry from Syracuse University and a Ph.D. in organic chemistry from the Massachusetts Institute of Technology. Following graduate school, Dr. Williams served as a postdoctoral fellow at Harvard University.

SCIENTIFIC ADVISORY BOARD

The Scientific Advisory Board is our network of medical, scientific and clinical advisors and collaborators who consult with our scientists. In addition, our Scientific Advisory Board members advise us regarding our research and development programs, the design of our clinical trials as well as other medical and scientific matters relating to our business. One of our Scientific Advisory Board members, E. Donnall Thomas, was awarded the 1990 Nobel Prize in Medicine. Our Scientific Advisory Board members are:

NAME	POSITION	AFFILIATION
Joseph Bertino, M.D.	Chairman of Molecular Pharmacology and Therapeutics Program	Memorial Sloan-Kettering Cancer Center
Jeffrey Bluestone, Ph.D., Founder.....	Professor and Director of the UCSF Diabetes Center	University of California, San Francisco
Edward Clark, Ph.D.	Professor and Program Director	Department of Microbiology, University of Washington
John Hansen, M.D.	Member and former Director of Clinical Research	Fred Hutchinson Cancer Research Center
Carl June, M.D., Founder.....	Vice Chairman of the Department of Molecular and Cellular Engineering	University of Pennsylvania
Ronald Levy, M.D.	Chairman of the Division of Medical Oncology	Stanford Medical Center
Gerald Nepom, M.D., Ph.D.	Director	Virginia Mason Research Center
E. Donnall Thomas, M.D.	Member and former Director of Clinical Research	Fred Hutchinson Cancer Research Center
Craig Thompson, M.D., Founder.....	Scientific Director, Abramson Cancer Research Institute	University of Pennsylvania
Robert Williams, Ph.D.	Professor of Chemistry	Colorado State University

BOARD COMPOSITION

Our board is currently comprised of seven directors and one vacancy. Our board of directors is divided into three classes, with each director serving a three-year term and one class being elected at each year's annual meeting of stockholders. Director Robert Williams will be in the class of directors whose initial term expires at the 2001 annual meeting of stockholders. Directors Jean Deleage, Peter Langecker and Michael Steinmetz will be in the class of directors whose initial term expires at the 2002 annual meeting of the stockholders. Directors Ronald J. Berenson, Robert E. Curry and Robert T. Nelsen will be in the class of directors whose initial term expires at the 2003 annual meeting of stockholders.

BOARD COMMITTEES

Our board of directors has established an audit committee, a compensation committee and a milestone committee.

Audit Committee

The audit committee is composed of Robert Curry, Robert Nelsen and Michael Steinmetz. It is responsible for assuring the integrity of our financial control, audit and reporting functions. It reviews with our management and our independent auditors the effectiveness of our financial controls, accounting and reporting practices and procedures. In addition, the audit committee reviews the qualifications of our independent auditors, makes recommendations to the board of directors regarding the selection of our

auditors, reviews the scope, fees and results of activities related to audit and non-audit services. Prior to December 2000, the audit committee responsibilities were conducted by the full board of directors, which met annually with representatives of our independent auditors, including executive sessions from which members of management were excused.

Compensation Committee

The compensation committee is composed of Robert E. Curry, Jean Deleage, and Robert T. Nelsen. Its principal responsibility is to administer our stock plans and to set the salary and incentive compensation, including stock option grants, for the Chief Executive Officer and senior staff members.

Milestone Committee

The milestone committee is composed of Ronald J. Berenson, Robert E. Curry and Robert T. Nelsen. In connection with our acquisition of CellGenEx, Inc., we initially reserved an aggregate of 1,582,340 shares of our common stock in a Milestone Pool, for issuance to our scientific founders upon the achievement of specific milestones determined by the milestone committee. Several of these milestones have expired and to date, 1,056,040 shares remain available for issuance.

DIRECTOR COMPENSATION

Our six outside directors serve without cash compensation. In November 1996, Jean Deleage and Robert Williams were each awarded non-statutory options for 30,000 shares of our common stock. In November 1999, Peter Langecker was awarded a non-statutory option for 30,000 shares of our common stock. These shares vest over a four-year period at a rate of 25% of the total number of shares subject to the option one year after the date of grant and 1/48th of the total number of shares subject to the option vesting each month thereafter. Directors who are our employees are eligible to participate in our 1996 stock option plan and, beginning in 2000, they will also be eligible to participate in our 2000 stock option plan and 2000 employee stock purchase plan. Beginning in 2001, directors who are not our employees will be eligible to participate in our 2000 directors' stock option plan as well as our 2000 stock option plan.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of our board of directors or compensation committee.

LIMITATION OF LIABILITY AND INDEMNIFICATION

Our Amended and Restated Certificate of Incorporation limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for:

- breach of their duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; and
- any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under the federal or state securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission. Our bylaws provide that we will indemnify our directors, officers, employees and other agents to the fullest extent permitted by the Delaware General Corporation Law. We believe that indemnification under our bylaws covers at least negligence and gross negligence on the part of indemnified parties. Our bylaws also permit

us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether the bylaws would permit such indemnification.

We have obtained directors and officers' insurance providing indemnification for all of our directors, officers and employees for certain liabilities. Prior to the closing of this offering we will enter into agreements to indemnify our directors and executive officers in addition to the indemnification provided for in our bylaws. These agreements, among other things, will indemnify our directors and executive officers for expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by any such person in any action or proceeding, out of such person's services as a director, officer, employee, agent or fiduciary of ours, any subsidiary of ours or any other company or enterprise to which the person provides services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers. At present, there is no litigation or proceeding involving any of our directors or officers in which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

EXECUTIVE COMPENSATION

The following table summarizes the compensation paid to or earned during the year ended December 31, 1999, by our Chief Executive Officer and our other most highly compensated executive officers whose total salary and bonus exceeded $100,000 for services rendered to us in all capacities during 1999. The executive officers listed in the table below are referred to as named executive officers.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS	
	SALARY	BONUS	SECURITIES UNDERLYING OPTIONS(#)	ALL OTHER COMPENSATION
Ronald J. Berenson, M.D. President and Chief Executive Officer	$196,352	$15,000	150,000	--
Jeffrey Ledbetter, Ph.D.(1) Former Chief Scientific Officer	44,978	--	--	$121,265(2)
Mark Murray, Ph.D.(3) Former Vice President, Business Development	157,940	--	--	--
Dawn M. McCracken Vice President, Regulatory and Clinical Affairs	98,028	10,000	40,000	--
Alan R. Hardwick, Ph.D.(4) Former Director, Cell Processing Systems	102,000	--	--	--

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(1) Dr. Ledbetter resigned in March 1999.

(2) Constitutes severance payment.

(3) Dr. Murray resigned in December 1999.

(4) Dr. Hardwick resigned in December 2000.

OPTION GRANTS IN YEAR ENDED DECEMBER 31, 1999

The following table sets forth information concerning the individual grants of stock options to each of the named executive officers during the fiscal year ended December 31, 1999. The exercise price per share was valued by our board of directors on the date of grant and were issued at estimated fair market value on the date of grant based upon the assumed offering price and the purchase price paid by investors for shares of our preferred stock, taking into account the liquidation preferences and other rights, privileges and preferences associated with such preferred stock.

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR(1)	EXERCISE PRICE PER SHARE	EXPIRATION DATE	5%	10%
Ronald J. Berenson, M.D.....	150,000(3)	24.1%	$0.167	11/16/09	$15,754	$39,923
Jeffrey Ledbetter, Ph.D.....	--	--	--	--	--	--
Mark Murray, Ph.D.....	--	--	--	--	--	--
Dawn M. McCracken.....	40,000(4)	6.4%	0.167	10/18/09	4,201	10,646
Alan R. Hardwick, Ph.D.....	--	--	--	--	--	--

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(1) In the last fiscal year, we granted options to employees to purchase an aggregate of 639,748 shares.

(2) Amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term based on the ten-year term of the option at the time of grant. These gains are based on assumed rates of stock price appreciation of 5% and 10% compounded annually from the date the respective options were granted to their expiration date. These assumptions are not intended to forecast future appreciation of our stock price. The potential realizable value computation does not take into account federal or state income tax consequences of option exercises or sales of appreciated stock. The price to the public in this offering is higher than the estimated fair market value on the date of grant. Therefore, the potential realizable value of the option grants would be significantly higher than the calculations shown above.

(3) This option was granted under our 1996 Stock Option Plan and vests over a five-year period at a rate of 20% of the total number of shares subject to the option one year after the date of grant and 1/60th of the total number of shares subject to the option vesting each month thereafter.

(4) This option was granted under our 1996 Stock Option Plan and vests over a four-year period at a rate of 25% of the total number of shares subject to the option one year after the date of grant and 1/48th of the total number of shares subject to the option vesting each month thereafter.

AGGREGATE OPTION EXERCISES IN 1999
AND 1999 YEAR-END OPTION VALUES

The following table provides summary information concerning stock options granted under our 1996 Stock Option Plan during the year ended December 31, 1999, and exercised options subject to repurchase held as of December 31, 1999, by each of the named executive officers. The exercise price for the options granted in 1999 is $0.167 per share. Generally, these stock options are immediately exercisable. We have the right to repurchase all unvested shares at the original exercise price within three months of the date on which the optionee's service terminates. Each of the options has a ten-year term, subject to earlier termination if the optionee's service terminates. Our named executive officers did not exercise any options during the fiscal year ended December 31, 1999.

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES SUBJECT TO REPURCHASE DECEMBER 31, 1999(#)	VALUE OF SHARES SUBJECT TO REPURCHASE DECEMBER 31, 1999($)(1)
Ronald J. Berenson, M.D.	--	--	--	--
Jeffrey Ledbetter, Ph.D.	--	--	--	--
Mark Murray, Ph.D.	--	--	--	--
Dawn M. McCracken	--	--	--	--
Alan R. Hardwick, Ph.D.	--	--	--	--

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(1) There was no public trading market for our common stock as of December 31, 1999. Accordingly, the value of unexercised in-the-money options as of that date was calculated on the basis of an assumed initial public offering price of $ per share, less the aggregate exercise price of the options. The securities subject to repurchase are all unvested options purchased under early exercise stock purchase agreements.

EMPLOYEE BENEFIT PLANS

2000 Stock Option Plan

Our 2000 stock option plan provides for the grant of incentive stock options to employees (including employee directors) and nonstatutory stock options to employees, directors and consultants. The purposes of the 2000 plan are to attract and retain the best available personnel, to provide additional incentives to our employees and consultants and to promote the success of our business. The 2000 plan was adopted by our board of directors in December 2000 and will be submitted for approval by our stockholders prior to the completion of this offering. A total of 2,100,000 shares of common stock has been reserved for issuance under the 2000 plan. The number of shares reserved for issuance under the 2000 plan will be subject to an automatic annual increase on the first day of each of our fiscal years beginning in 2002 and ending in 2008 equal to the lesser of 500,000 shares, 3% of our outstanding common stock on the last day of the immediately preceding fiscal year, or such lesser number of shares as the board of directors determines.

The 2000 plan may be administered by the board of directors or a committee of the board, each known as the administrator. The administrator determines the terms of options and stock purchase rights granted under the 2000 plan, including the number of shares subject to the award, the exercise or purchase price, and the vesting and/or exercisability of the award and any other conditions to which the award is subject. In no event, however, may an employee receive awards for more than 1,000,000 shares under the 2000 plan in any fiscal year. Incentive stock options granted under the 2000 plan must have an exercise price of at least 100% of the fair market value of the common stock on the date of grant, and not less than 110% of the fair market value in the case of incentive stock options granted to an employee who holds more than 10% of the total voting power of all classes of our stock or any parent or subsidiary's stock. After the date of this offering, the exercise price of nonstatutory stock options and the purchase price of stock purchase rights will be the price determined by the administrator, although nonstatutory stock options and stock purchase rights granted to our chief executive officer and our four other most highly compensated officers will generally equal at least 10% of the grant date fair market value if we intend that

the awards to those individuals will qualify as performance-based compensation under applicable tax law. Payment of the exercise or purchase price may be made in cash or such other consideration determined by the administrator.

With respect to options granted under the 2000 plan, the administrator determines the term of options, which may not exceed 10 years, or 5 years in the case of an incentive stock option granted to a holder of more than 10% of the total voting power of all classes of our stock or a parent or subsidiary's stock. Generally, an option granted under the 2000 plan is nontransferable other than by will or the laws of descent or distribution and may be exercised during the lifetime of the optionee only by such optionee. However, the administrator may, in its discretion, provide for the limited transferability of nonstatutory stock options granted under the 2000 plan. Stock issued pursuant to stock purchase rights granted under the 2000 plan is generally subject to a repurchase right at the purchaser's original purchase price exercisable by us upon the termination of the holder's employment or consulting relationship with us for any reason, including death or disability. This repurchase right will lapse at such rate as the administrator may determine.

If we sell all or substantially all of our assets or if we are acquired by another corporation each outstanding option and stock purchase right may be assumed or an equivalent award substituted by the successor corporation, with appropriate adjustments made to both the price and number of shares subject to the option or purchase right. If the successor does assume outstanding options and purchase rights, 25% of the shares subject to an option or initially subject to repurchase will vest on the closing of the transaction, and if the holder is involuntarily terminated within one year after the closing another 25% of the shares subject to such option or initially subject to repurchase will vest on termination. If the successor corporation does not assume options and purchase rights or substitute equivalent options or purchase rights, then vesting of all shares subject to options will accelerate fully and all repurchase rights will lapse immediately prior to the closing of the transaction, and options and purchase rights will terminate as of the closing of the transaction.

The administrator has authority to amend or terminate the 2000 plan, but no action may be taken that impairs the rights of any holder of an outstanding option or stock purchase right without the holder's consent. In addition, we must obtain stockholder approval of amendments to the plan as required by applicable law. Unless terminated earlier by the board of directors, the 2000 plan will terminate in 2010.

1996 Stock Option Plan

Our 1996 stock option plan was originally adopted by our board of directors in September 1996 and approved by our stockholders in August 1997. As of November 30, 2000, an aggregate of 2,500,000 shares was reserved for issuance under the 1996 stock option plan, 1,218,686 were issuable upon exercise of outstanding options granted under the 1996 stock option plan at a weighted average exercise price of $0.22, 743,335 shares of common stock have been issued upon exercise of options at purchase prices ranging between $0.10 and $0.40, and 537,979 shares of common stock remain available for future grants under the 1996 stock option plan.

The terms of the options under the 1996 stock option plan are generally the same as those that may be issued under the 2000 stock plan, except for the following features. Only options could be granted under the 1996 stock option plan and nonstatutory stock options granted under the 1996 stock option plan are nontransferable in all cases. The 1996 stock option plan does not impose a limitation on the number of shares subject to options that may be issued to any individual employee.

If we sell all or substantially all of our assets or if we are acquired by another corporation, each outstanding option may be assumed or an equivalent award substituted by the successor corporation, with appropriate adjustments made to both the price and number of shares subject to the option. If the successor does assume outstanding options, 25% of the shares subject to an option that are unvested immediately prior to the consummation of the transaction will vest on the closing of the transaction. If the successor corporation does not assume options or substitute equivalent options, then vesting of all shares

subject to options will accelerate fully immediately prior to the closing of the transaction, and options will terminate as of the closing of the transaction.

2000 Employee Stock Purchase Plan

Our 2000 employee stock purchase plan was adopted by the board of directors in December 2000 and will be submitted for approval by our stockholders prior to completion of this offering. A total of 600,000 shares of common stock has been reserved for issuance under the 2000 purchase plan, none of which have been issued as of the date of this offering. The number of shares reserved for issuance under the 2000 purchase plan will be subject to an automatic annual increase on the first day of each of our fiscal years beginning in 2002 and ending in 2008 and equal to the lesser of:

- 300,000 shares;

- 1% of our outstanding common stock on the last day of the immediately preceding fiscal year;

- or such lesser number of shares as the board of directors determines.

The 2000 purchase plan becomes effective upon the date of this offering. Unless terminated earlier by the board of directors, the 2000 purchase plan shall terminate in 2010.

The 2000 purchase plan, which is intended to qualify under Section 423 of the Internal Revenue Code, will be implemented by a series of offering periods of approximately 6 months duration, with new offering periods, other than the first offering period, commencing generally on February 1 and August 1 of each year. Each offering period will consist of a single purchase period of approximately six months duration. At the end of each purchase period an automatic purchase will be made for participants. The initial offering period and purchase period is expected to commence on the date of this offering and end on July 31, 2001. Each eligible employee will be granted an option on the effective date of this offering to purchase shares in the initial offering period in an amount equal to the maximum number of shares that an individual can purchase under the terms of the 2000 purchase plan.

The 2000 purchase plan will be administered by the board of directors or by a committee appointed by the board. Our employees, including officers and employee directors, or employees of any majority-owned subsidiary designated by the board, are eligible to participate in the 2000 purchase plan if they are employed by us or any such subsidiary for at least 20 hours per week and more than five months per year. The 2000 purchase plan permits eligible employees to purchase common stock through payroll deductions, which in any event may not exceed 15% of an employee's eligible cash compensation. The purchase price is equal to the lower of 85% of the fair market value of the common stock at the beginning of each offering period or at the end of each purchase period. Employees may end their participation in the 2000 purchase plan at any time during an offering period, and participation ends automatically on termination of employment.

An employee cannot be granted an option under the 2000 purchase plan if immediately after the grant such employee would own stock and/or hold outstanding options to purchase stock equaling 5% or more of the total voting power or value of all classes of our stock or stock of our subsidiaries, or if such option would permit an employee's rights to purchase stock under the 2000 purchase plan at a rate that exceeds $25,000 of fair market value of such stock for each calendar year in which the option is outstanding. In addition, no employee may purchase more than 2,500 shares of common stock under the 2000 purchase plan in any one purchase period.

If we merge or consolidate with or into another corporation or sell all or substantially all of our assets, each right to purchase stock under the 2000 purchase plan may be assumed or an equivalent right substituted by the successor corporation. However, in the event that the successor corporation refuses to assume each purchase right or to substitute an equivalent right, the board of directors will shorten any ongoing offering period so that employees' rights to purchase stock under the 2000 purchase plan are exercised prior to the transaction. Outstanding options will be adjusted if we effect a stock split, stock dividend or similar change in our capital structure. The board of directors may extend future offering

periods to up to 27 months duration, consisting of consecutive purchase periods of approximately six months duration, and may increase the maximum contribution rate up to 20% of an employee's eligible cash compensation. The board of directors has the power to amend or terminate the 2000 purchase plan as long as the action does not adversely affect any outstanding rights to purchase stock under the plan. However, the board of directors may amend or terminate the 2000 purchase plan or an offering period even if it would adversely affect outstanding options in order to avoid our incurring adverse accounting charges or if the board of directors determines that termination of the plan or offering period is in our best interests and the best interests of our stockholders. We must obtain stockholder approval for any amendment to the purchase plan to the extent required by law.

2000 Directors' Stock Option Plan

The 2000 directors' stock option plan was adopted by the board of directors in December 2000 and will be submitted for approval by our stockholders prior to completion of this offering. It will become effective upon the date of this offering. A total of 400,000 shares of common stock have been reserved for issuance under the 2000 directors' plan, all of which remain available for future grants. The directors' plan is designed to work automatically without administration; however, to the extent administration is necessary, it will be performed by the board of directors. To the extend they arise, it is expected that conflicts of interest will be addressed by abstention of any interested director from both deliberations and voting regarding matters in which such director has a personal interest. Unless terminated earlier by the board of directors, the directors' plan will terminate in 2010.

The directors' plan provides that each person who becomes a non-employee director after the completion of this offering will be granted a nonstatutory stock option to purchase 25,000 shares of common stock on the date on which such individual first becomes a member of our board of directors. On first day of each fiscal year, each of our nonemployee directors will be granted an option to purchase 5,000 shares of common stock if, on such date, the director has served on our board of directors for at least 6 months. The directors' plan provides that each option granted to a new director shall vest at the rate of 1/3rd of the total number of shares subject to such option twelve months after the date of grant with the remaining shares vesting thereafter in equal monthly installments over the next 2 years so that the option will be fully vested after 3 years, and each annual option granted to a director shall vest in full at the end of one year.

All options granted under the directors' plan will have a term of 10 years and an exercise price equal to the fair market value on the date of grant. If a non-employee director ceases to serve as a director for any reason other than death or disability, he or she may, but only within 90 days after the date he or she ceases to be a director, exercise options granted under the directors' plan. If he or she does not exercise the option within such 90-day period, the option shall terminate. If a directors' service terminates as a result of his or her disability or death, or if a director dies within 3 months following termination, the director or his or her estate will have twelve months after the date of termination or death, as applicable, to exercise options that were vested as of the date of termination. Options granted under the directors' plan are generally non-transferable by the option holder other than by will or the laws of descent or distribution, pursuant to a qualified domestic relations order or to family members or family trusts or foundations, and each option is exercisable, during the lifetime of the option holder, only by that option holder or a permitted transferee.

If we are acquired by another corporation, each option outstanding under the directors' plan will be assumed or equivalent options substituted by our acquirer, unless our acquirer does not agree to such assumption or substitution, in which case the options will terminate upon consummation of the transaction to the extent not previously exercised. In connection with an acquisition, each director holding options under the directors' plan will have the right to exercise his or her options immediately before the consummation of the merger as to all shares underlying the options. Outstanding options will be adjusted if we effect a stock split, stock dividend, or other similar change in our capital structure. Our board of directors may amend or terminate the directors' plan as long as such action does not adversely affect any

outstanding option and we obtain stockholder approval for any amendment to the extend required by applicable law.

401(k)Plan

We have established a tax-qualified employee savings and retirement plan, or 401(k) plan, which covers all of our employees. Under the 401(k) plan, eligible employees may defer up to 15% of their pre-tax earnings, subject to the Internal Revenue Service's annual contribution limits, which deferral contributions are fully vested at all times. The 401(k) plan permits discretionary matching contributions by such percentage amount as may be determined annually by the board of directors, and additional discretionary contributions by us on behalf of all participants in the 401(k) plan, which additional company contributions vest 25% per year of service with full vesting after 4 years of service. The 401(k) plan is intended to qualify under Section 401 of the Internal Revenue Code so that contributions by us to the 401(k) plan, if any, will be deductible by us when made. The trustee under the 401(k) plan invests an employee's account balance under the plan in accordance with an employee's written direction. To the extent an employee directs the investment of his or her account balance under the plan, ERISA relieves the trustee from liability for any loss resulting from employee direction of the investment.

CERTAIN TRANSACTIONS

We have issued since our inception through November 30, 2000, in private placement transactions shares of common and preferred stock as follows: an aggregate of 6,334,212 shares of Series A preferred stock at $0.95 per share in January and August 1996, an aggregate of 3,757,205 shares of Series B preferred stock at $1.10 per share in August 1997, an aggregate of 7,185,630 shares of Series C preferred stock at $1.67 per share in July 1998, an aggregate of 10,109,825 shares of Series D preferred stock at $2.78 per share in May and August 2000. In addition, an aggregate of 2,999,910 shares of common stock and 526,300 shares of Series A preferred stock were issued in August 1997 in exchange for all of the outstanding capital stock of CellGenEx, Inc. Also, 145,875 shares of Series B preferred stock and 20,000 shares of common stock were issued in July 1998 and June 1999, respectively, in connection with license agreements. In addition, as of November 30, 2000, an aggregate of 660,754 warrants to purchase shares of preferred stock issued between 1996 and 2000 remained outstanding and an aggregate of 1,132,287 warrants to purchase shares of common stock issued in August 2000 remained outstanding.

Each share of preferred stock is convertible, without payment of additional consideration, into one share of common stock. All of the currently outstanding shares of preferred stock will be converted into 28,059,047 shares of common stock upon closing of this offering.

The following table summarizes the shares of preferred stock purchased by our greater than 5% stockholders, our directors and our executive officers in private placement transactions:

INVESTOR(1)	COMMON STOCK	SERIES A PREFERRED STOCK	SERIES B PREFERRED STOCK	SERIES C PREFERRED STOCK	SERIES D PREFERRED STOCK
Directors and Executive Officers					
Ronald J. Berenson, M.D.(2).....	2,373,256	57,895	--	--	--
Robert M. Williams, Ph.D.	200,000	--	--	--	--
Entities Affiliated with Directors					
Alta Partners(3).....	--	1,894,737	805,281	971,331	584,547
ARCH Venture Corporation(4).....	--	789,469	2,045,454	1,119,265	1,321,942
Sprout Group(5).....	--	2,631,579	545,454	1,142,937	323,741
MPM Asset Management LLC(6).....	--	--	--	--	4,316,547
5% Stockholders					
Ronald J. Berenson, M.D.(2).....	2,373,256	57,895	--	--	--
Alta Partners(3).....	--	1,894,737	805,281	971,331	584,547
ARCH Venture Corporation(4).....	--	789,469	2,045,454	1,119,265	1,321,942
Sprout Group(5).....	--	2,631,579	545,454	1,142,937	323,741
MPM Asset Management LLC(6).....	--	--	--	--	4,316,547
Tredegar Investments.....	--	--	--	1,976,051	286,022

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(1) See "Principal Stockholders" for more detail on shares held by these purchasers.

(2) Includes shares held in trust.

(3) Jean Deleage, Ph.D., a director, is managing director of Alta Partners.

(4) Robert T. Nelsen, a director, is director of ARCH Venture Corporation. Excludes shares held by ARCH Development Corporation, which was previously affiliated with ARCH Venture Corporation.

(5) Robert E. Curry, Ph.D., a director, is vice president of Sprout Group.

(6) Michael Steinmetz, Ph.D., a director, is a general partner of MPM Asset Management LLC.

In connection with our acquisition of all the outstanding capital stock of CellGenEx, we issued warrants to purchase 368,410 shares of Series A preferred stock at $0.95 per share in August 1997. In addition, in connection with our Series D preferred stock private placement, we issued warrants to purchase 1,132,287 shares of common stock at $0.30 per share in August 2000. The following table

summarizes the number of shares of common stock and preferred stock issuable pursuant to warrants granted to greater than 5% stockholders, directors, executive officers and entities affiliated with our executive officers and directors in private placement transactions:

INVESTOR(1)	COMMON WARRANT SHARES	SERIES A WARRANT SHARES
Alta Partners	65,468	--
ARCH Venture Corporation	148,056	276,307
Sprout Group	36,257	--
MPM Asset Management LLC	483,453	--
Tredegar Investments	32,034	--

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(1) See "Principal Stockholders" for more detail on shares held by these purchasers.

In connection with the resignation in March 1999 of Dr. Jeffrey Ledbetter, our former Chief Scientific Officer, we entered into an agreement with Dr. Ledbetter providing for a severance payment of $121,265. See "Management -- Executive Compensation."

In July 1999, we entered into a License Agreement with Genecraft LLC of which Dr. Ledbetter is a principal founder. Under this agreement, we granted an exclusive sublicense to Genecraft for the rights to several pending patent applications in the field of in vivo activation of T cells.

We have entered into a consulting agreement with Dr. James Berenson who is the brother of Dr. Ronald J. Berenson, our President and Chief Executive Officer. In connection with this consulting agreement, Dr. James Berenson will serve as a consultant, will be available for consultation up to five days per year and will be paid up to a maximum of $7,500 per year.

We have entered into indemnification agreements with our officers and directors containing provisions which may require us, among other things, to indemnify our officers and directors against liabilities that may arise by reason of their status or service as officers or directors (other than liabilities arising from willful misconduct of a culpable nature) and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified. See "Management -- Limitation of Liability and Indemnification Matters."

We maintain key man life insurance, under which we are the beneficiary, on Dr. Ronald J. Berenson, our President and Chief Executive Officer, in the amount of $2,000,000 of which we are the beneficiary.

In June 1999, we entered into an exclusive license agreement with ARCH Development Corporation to obtain rights to a pending patent application in the field of therapies based on ex vivo activation of T cells. In consideration for the license, we issued shares of our common stock to ARCH Development Corporation. Dr. Carl June, one of our founders, was previously affiliated with ARCH Development Corporation and is listed as an inventor on the patent application licensed from ARCH Development Corporation. ARCH Development Corporation was previously affiliated with ARCH Venture Corporation, one of our principal stockholders.

In connection with our acquisition of all of the outstanding capital stock of CellGenEx, Inc., we reserved an aggregate of 1,582,340 shares of our common stock in a Milestone Pool, for issuance to our scientific founders, Drs. Jeffrey Bluestone, Carl June, Jeffrey Ledbetter and Craig Thompson, upon the achievement of scientific milestones determined by the Milestone Committee. Several of these milestones have expired and to date, 1,056,040 shares remain available for issuance.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of November 30, 2000, and as adjusted to reflect the sale of common stock offered hereby for:

- each person known by us to own beneficially more than 5% of our common stock;
- each of our directors;
- our chief executive officer and our other most highly compensated executive officer; and
- our executive officers and directors as a group.

Except as otherwise noted, the address of each person listed in the table is c/o Xcyte Therapies, Inc., 1124 Columbia Street, Suite 130, Seattle, WA 98104. The table includes all shares of common stock issuable within 60 days of November 30, 2000, upon the exercise of options and warrants beneficially owned by the indicated stockholders on that date based on options and warrants outstanding as of November 30, 2000. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to shares. To our knowledge, except under applicable community property laws or as otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all shares beneficially owned. The applicable percentage of ownership for each stockholder is based on 34,682,220 shares of common stock outstanding as of November 30, 2000, in each case together with applicable options and warrants for that stockholder. Shares of common stock issuable upon exercise of options and warrants beneficially owned are deemed outstanding for the purpose of computing the percentage of ownership of the person holding those options and warrants, but are not deemed outstanding for computing the percentage ownership of any other person.

BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED	PERCENT BENEFICIALLY OWNED(1) BEFORE OFFERING	PERCENT BENEFICIALLY OWNED(1) AFTER OFFERING
Robert T. Nelsen(2)..... ARCH Venture Corporation 1000 Second Avenue, Suite 3710 Seattle, WA 98104-1053	5,700,493	16.2%	
Michael Steinmetz(3)..... MPM Asset Management LLC One Cambridge Center Cambridge, MA 02142	4,800,000	13.7%	
Robert E. Curry(4)..... Sprout Group 3000 Sand Hill Road Building 1, Suite 170 Menlo Park, CA 94025	4,679,968	13.5%	
Jean Deleage(5)..... Alta Partners One Embarcadero Center, Suite 4050 San Francisco, CA 94111	4,346,676	12.4%	
Ronald J. Berenson(6).....	2,581,151	7.4%	
Tredegar Investments(7)..... 6501 Columbia Center 701 Fifth Avenue Seattle, WA 98104	2,294,107	6.6%	
Jeffrey A. Ledbetter(8).....	631,560	1.8%	
Robert M. Williams(9).....	225,312	*	
Dawn M. McCracken(10).....	80,000	*	
Alan R. Hardwick(11).....	30,000	*	
Peter Langecker(12).....	7,000	*	
Mark Murray.....	--	*	
All directors and officers as a group (14 persons)(13).....	25,737,933	70.8%	

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* less than one percent of outstanding shares

(1) Assumes total conversion of preferred stock into common stock and includes all shares of common stock issuable (within 60 days of September 30, 2000) upon the exercise of outstanding options (including unvested options) held by the above listed stockholders and upon the exercise of outstanding warrants held by the above listed stockholders. Except as otherwise noted, the persons named in the table have sole voting and investment power with respect to all shares of common stock owned by them, subject to community property laws where applicable.

(2) Includes 631,579 shares of Series A preferred stock and 363,636 shares of Series B preferred stock held by ARCH Venture Fund II, L.P. Includes 157,890 shares of Series A preferred stock, 1,681,818 shares of Series B preferred stock, 1,119,265 shares of Series C preferred stock, 1,321,942 shares of Series D preferred stock held by ARCH Venture Fund III, L.P. and includes 276,307 shares of Series A preferred stock and 148,056 shares of common stock issuable upon the exercise of immediately exercisable warrants held by ARCH Venture Fund III, L.P. Excludes shares held by ARCH Development Corporation, which was previously affiliated with ARCH Venture Corporation. Robert T. Nelsen, one of our directors, is a general partner of both of these partnerships, shares voting and dispositive power with respect to the shares held by each such entity and disclaims beneficial ownership of such shares in which he has no pecuniary interest.

(3) Includes 66,906 shares of Series D preferred stock held by MPM Asset Management Investors and 7,494 shares of common stock issuable upon the exercise of immediately exercisable warrants held by MPM Asset Management Investors. Includes 1,023,022 shares of Series D preferred stock held by MPM Bioventures GMBH & Co. Parallel-Beteiligungs KG and 114,578 shares of common stock issuable upon the exercise of immediately exercisable warrants held by MPM Bioventures GMBH & Co. Parallel-Beteiligungs KG. Includes 320,719 shares of Series D preferred stock held by MPM Bioventures II, L.P. and 35,921 shares of common stock issuable upon the exercise of immediately exercisable warrants held by MPM Bioventures II, L.P. Includes 2,905,900 shares of Series D preferred stock held by MPM Bioventures II-Q, L.P. and 325,460 shares of common stock issuable upon the exercise of immediately exercisable warrants held by MPM Bioventures II-Q, L.P. Michael Steinmetz, Ph.D., one of our directors, is a general partner of each of these partnerships, shares voting and dispositive power with respect to the shares held by each such entity and disclaims beneficial ownership of such shares in which he has no pecuniary interest.

(4) Includes 52,632 shares of Series A preferred stock, 10,909 shares of Series B preferred stock, 22,859 shares of Series C preferred stock, 6,475 shares of shares of Series D preferred stock held by DLJ Capital Corporation and includes 725 shares of common stock issuable upon the exercise of immediately exercisable warrants held by DLJ Capital Corporation. Includes 263,158 shares of Series A preferred stock, 54,545 shares of Series B preferred stock, 114,294 shares of Series C preferred stock, 32,374 shares of shares of Series D preferred stock held by DLJ First ESC, L.P. and includes 3,625 shares of common stock issuable upon the exercise of immediately exercisable warrants held by DLJ First ESC, L.P. Includes 2,289,197 shares of Series A preferred stock, 474,488 shares of Series B preferred stock, 994,235 shares of Series C preferred stock, 281,622 shares of shares of Series D preferred stock held by Sprout Capital VII, L.P. and includes 31,541 shares of common stock issuable upon the exercise of immediately exercisable warrants held by Sprout Capital VII, L.P. Includes 26,592 shares of Series A preferred stock, 5,512 shares of Series B preferred stock, 11,549 shares of Series C preferred stock, 3,270 shares of shares of Series D preferred stock held by the Sprout CEO Fund, L.P. and includes 366 shares of common stock issuable upon the exercise of immediately exercisable warrants held by the Sprout CEO Fund, L.P. Robert E. Curry, Ph.D., one of our directors, is a general partner of each of these partnerships, shares voting and dispositive power with respect to the shares held by each such entity and disclaims beneficial ownership of such shares in which he has no pecuniary interest.

(5) Includes 1,840,086 shares of Series A preferred stock, 787,294 shares of Series B preferred stock, 949,635 shares of Series C preferred stock, 571,491 shares of shares of Series D preferred stock held by Alta California Partners, L.P. and includes 64,006 shares of common stock issuable upon the exercise of immediately exercisable warrants held by Alta California Partners, L.P. Includes 54,651

shares of Series A preferred stock, 17,987 shares of Series B preferred stock, 21,696 shares of Series C preferred stock, 13,056 shares of shares of Series D preferred stock held by Alta Embarcadero Partners, L.L.C. and includes 1,462 shares of common stock issuable upon the exercise of immediately exercisable warrants held by Alta Embarcadero Partners, L.L.C. Includes 24,375 shares issuable upon the exercise of immediately exercisable options held by Dr. Deleage within 60 days of November 30, 2000, none of which are subject to a repurchase right. Jean Deleage, Ph.D., one of our directors, is a general partner of each of these partnerships, shares voting and dispositive power with respect to the shares held by each such entity and disclaims beneficial ownership of such shares in which he has no pecuniary interest.

(6) Includes 2,162,282 shares of common stock and 57,895 shares of Series A preferred stock held by Dr. Berenson. Includes 150,000 shares issuable upon the exercise of immediately exercisable options held by Dr. Berenson within 60 days of November 30, 2000, 580,941 of which are subject to a repurchase right that lapses over the vesting of Dr. Berenson's option. Includes 210,974 shares of common stock held by the "Irrevocable Intervivos Trust Agreement of Ronald J. Berenson and Cheryl L. Berenson."

(7) Includes 1,796,410 shares of Series C preferred stock and 286,022 shares of Series D preferred stock held by TGI Fund II, L.C., 32,034 shares of common stock issuable upon the exercise of immediately exercisable warrants held by TGI Fund II, L.C. and 179,641 shares of Series C preferred stock held by Vengott L.C.

(8) Includes 473,670 shares of common stock and 157,890 shares of Series A preferred stock held by Dr. Ledbetter.

(9) Includes 200,000 shares of common stock held by Dr. Williams and 24,375 shares issuable upon the exercise of immediately exercisable options held by Dr. Williams within 60 days of November 30, 2000, none of which are subject to a repurchase right.

(10) Includes 51,667 shares of common stock and 28,333 shares issuable upon the exercise of immediately exercisable options held by Ms. McCracken within 60 days of November 30, 2000, 47,917 of which are subject to a repurchase right that lapses over the vesting of Ms. McCracken's option.

(11) Includes 30,000 shares issuable upon the exercise of immediately exercisable options held by Dr. Hardwick within 60 days of November 30, 2000, 19,688 of which are subject to a repurchase right that lapses over the vesting of Dr. Hardwick's option.

(12) Includes 7,000 shares issuable upon the exercise of immediately exercisable options held by Dr. Langecker within 60 days of November 30, 2000, none of which are subject to a repurchase right.

(13) Includes shares referred to in footnotes (1) - (12), 75,000 shares of common stock and 305,000 shares issuable upon exercise of immediately exercisable options held by other officers within 60 days of November 30, 2000, 243,088 of which are subject to a repurchase right that lapses over time.

DESCRIPTION OF CAPITAL STOCK

GENERAL

Our Amended and Restated Certificate of Incorporation, which will become effective upon the closing of this offering, authorizes the issuance of up to 100,000,000 shares of common stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.001 per share, the rights and preferences of which may be established from time to time by our board of directors. As of November 30, 2000, 6,623,173 shares of common stock were issued and outstanding and 28,059,047 shares of preferred stock convertible into 28,059,047 shares of common stock upon the completion of this offering were issued and outstanding. As of November 30, 2000, we had 50 common stockholders of record and 80 preferred stockholders of record.

Immediately after the closing of this offering, we will have shares of common stock outstanding, assuming no exercise of options to acquire 1,218,686 additional shares of common stock or warrants to purchase 280,029 shares of preferred stock convertible into 280,029 shares of common stock that are outstanding as of the date of this prospectus.

The description below gives effect to the filing of the certificate of incorporation and the adoption of the amended and restated bylaws. The following summary is qualified in its entirety by reference to our certificate and amended and restated bylaws, copies of which are filed as exhibits to the registration statement of which this prospectus is a part.

COMMON STOCK

Each holder of common stock is entitled to one vote for each share on all matters to be voted upon by the stockholders and there are no cumulative voting rights. Subject to preferences to which holders of preferred stock issued after the sale of the common stock offered hereby may be entitled, holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available therefor. In the event of a liquidation, dissolution or winding up of us, holders of common stock would be entitled to share in our assets remaining after the payment of liabilities and the satisfaction of any liquidation preference granted the holders of any outstanding shares of preferred stock. Holders of common stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are, and the shares of common stock offered by us in this offering, when issued and paid for will be, fully paid and nonassessable. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate in the future.

PREFERRED STOCK

Upon the closing of this offering, our board of directors will be authorized, subject to any limitations prescribed by law, without stockholder approval, to issue from time to time up to an aggregate of 5,000,000 shares of preferred stock, in one or more series, each of such series to have such rights and preferences, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences as shall be determined by the board of directors. The rights for the holders of common stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future. Issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of our outstanding voting stock. We have no present plans to issue any shares of preferred stock.

WARRANTS

As of November 30, 2000, we have issued and outstanding warrants to purchase an aggregate of 280,029 shares of our preferred stock convertible into 280,029 shares of common stock upon the closing of

this offering that expire between March 2003 and January 2007, warrants to purchase an aggregate of 380,725 shares of our preferred stock that will expire upon the closing of this offering and warrants to purchase an aggregate of 1,132,287 shares of our common stock that will expire upon the closing of this offering.

REGISTRATION RIGHTS

The holders of preferred stock, certain holders of warrants to purchase preferred stock and certain holders of our common stock are parties with us to an investor rights agreement, dated May 25, 2000, as amended August 8, 2000 and October 18, 2000, pursuant to which those holders have customary demand and piggyback registration rights with respect to the shares of common stock held or to be issued upon conversion or exercise of their preferred stock and warrants, respectively. In addition, the holders of Preferred Stock are entitled to receive quarterly and annual financial statements, subject to certain conditions and limitations.

Demand Registration

According to the terms of the investor rights agreement, beginning six months after the closing of this offering, the holders of 28,059,047 shares of common stock shall have the right to require us to register their shares with the Securities and Exchange Commission so that those shares may be resold to the public. To demand such a registration, holders who hold together an aggregate of at least 50% of the shares having registration rights must request that the registration statement register shares for an aggregate offering price of at least $10,000,000, net of underwriting discounts and commissions. We are not required to effect more than two demand registrations. We may defer the filing of a demand registration for a period of up to 90 days once in any 12-month period.

Piggyback Registration

If we register in a public offering any of our securities, other than a registration relating solely to employee benefit plans or a registration relating solely to a Rule 145 transaction, the holders of demand registration rights will have the right to include their shares in the registration statement.

Form S-3 Registration

At any time after we become eligible to file a registration statement on Form S-3, holders of shares of common stock having demand and piggyback registration rights may require us to file a Form S-3 registration. We are obligated to file only one Form S-3 registration statement in any 12-month period. We are also not obligated to file a Form S-3 within 180 days after any registered offering by us, except for a registration relating solely to employee benefit plans or a registration relating solely to a Rule 145 transaction. Further, the aggregate offering proceeds of the requested Form S-3 registration, before deduction of underwriting discounts and expenses, must be at least $500,000. We may defer one registration request in any 12-month period for 120 days.

The registration rights are subject to certain conditions and limitations, including the right of the underwriters of an offering to limit the number of shares of common stock to be included in the registration. We are generally required to bear the expenses of all registrations, except underwriting discounts and commissions. However, we will not pay for any expenses of any demand registration if the request is subsequently withdrawn by the holders requesting the demand registration. The investors rights agreement also contains our commitment to indemnify the holders of registration rights for losses attributable to statements or omissions by us incurred with registrations under the agreement. The registration rights terminate five years from the closing of this offering.

DELAWARE AND WASHINGTON ANTI-TAKEOVER LAW AND CHARTER AND BYLAW PROVISIONS

Provisions of our amended and restated certificate of incorporation and bylaws, which will become effective upon the closing of this offering, may have the effect of making it more difficult for a third party

to acquire, or of discouraging a third party from attempting to acquire, control of us. Such provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. Our Bylaws eliminate the right of stockholders to call special meetings of stockholders or to act by written consent without a meeting and require advance notice for stockholder proposals and director nominations, which may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders. The authorization of undesignated preferred stock makes it possible for the board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of us. In addition, we are subject to Section 203 of the Delaware General Corporation which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any business combination with any interested stockholder, unless:

- prior to such date, our board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers, and (b) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or subsequent to such date, the business combination is approved by our board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

The laws of the State of Washington, where our principal executive offices are located, impose restrictions on certain transactions between certain foreign corporations and significant stockholders. Chapter 23B.19 of the Washington Business Corporation Act, or the WBCA, prohibits a target corporation, with certain exceptions, from engaging in certain significant business transactions with a person or group of persons who beneficially own 10% or more of the voting securities of the target corporation, an acquiring person, for a period of five years after such acquisition, unless the transaction or acquisition of such shares is approved by a majority of the members of the target corporation's board of directors prior to the time of acquisition. Such prohibited transactions include, among other things, a merger or consolidation with, disposition of assets to, or issuance or redemption of stock to or from, the acquiring person, termination of 5% or more of the employees of the target corporation as a result of the acquiring person's acquisition of 10% or more of the shares or allowing the acquiring person to receive disproportionate benefit as a stockholder. After the five-year period, a significant business transaction may take place as long as it complies with certain fair price provisions of the statute. A target corporation includes a foreign corporation if:

- the corporation has a class of voting stock registered pursuant to Section 12 or 15 of the Exchange Act,

- the corporation's principal executive office is located in Washington, and

- any of (a) more than 10% of the corporation's stockholders of record are Washington residents, (b) more than 10% of its shares are owned of record by Washington residents, (c) 1,000 or more of its stockholders of record are Washington residents, (d) a majority of the corporation's employees are Washington residents or more than 1,000 Washington residents are employees of the corporation, or (e) a majority of the corporation's tangible assets are located in Washington or the corporation has more than $50.0 million of tangible assets located in Washington.

A corporation may not opt out of this statute and, therefore, we anticipate this statute will apply to us. Depending upon whether we meet the definition of a target corporation, Chapter 23B.19 of the WBCA may have the effect of delaying, deferring or preventing a change in control of us.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for our common stock is Computershare Investor Services, 515 S. Figueroa Street, Suite 1020, Los Angeles, CA 90071, (213) 362-4910.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock, and we cannot assure you that a significant public market for the common stock will develop or be sustained after this offering. Future sales of substantial amounts of common stock, including shares issued upon exercise of outstanding options and warrants, in the public market following this offering could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our equity securities. As described below, no shares currently outstanding will be available for sale immediately after this offering.

SALES OF RESTRICTED SECURITIES

Upon completion of the offering, we will have outstanding an aggregate of shares of common stock, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or outstanding warrants after November 30, 2000. Of these outstanding shares, the shares sold in the offering will be freely tradable without restriction or further registration under the Securities Act of 1933, unless purchased by our affiliates as that term is defined in Rule 144 under the Securities Act of 1933. The remaining 34,682,220 shares of common stock outstanding upon completion of the offering and held by existing stockholders will be restricted securities as that term is defined in Rule 144 under the Securities Act of 1933. Restricted shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144, 144(k) or 701 promulgated under the Securities Act of 1933, which rules are summarized below, or another exemption. Sales of the restricted shares in the public market, or the availability of such shares for sale, could adversely affect the market price of the common stock. All officers, directors and certain other holders of common stock have entered into contractual lock-up agreements providing that they will not offer, sell, contract to sell or grant any option to purchase or otherwise dispose of shares of common stock owned by them or that could be purchased by them through the exercise of options or warrants for a period of 180 days after the date of this prospectus without the prior written consent of SG Cowen Securities Corporation. As a result of these contractual restrictions, notwithstanding possible earlier eligibility for sale under the provisions of Rules 144, 144(k) and 701, additional shares will be eligible for sale beginning 181 days after the effective date of the offering, subject in some cases to volume limitations.

ELIGIBILITY OF RESTRICTED SHARES FOR SALE IN THE PUBLIC MARKET

At the effective date	0 shares
90 days after effective date	0 shares
181 days after effective date	24,572,195 shares
More than 181 days after effective date	10,110,025 shares

Rule 144

In general, under Rule 144 as currently in effect, beginning 91 days after the date of this prospectus, a person, or persons whose shares are aggregated, who has beneficially owned restricted shares for at least one year, including persons who may be deemed to be our affiliates, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately shares immediately after the offering; or

- the average weekly trading volume of the common stock as reported through the Nasdaq National Market during the four calendar weeks preceding the filing of a Form 144 with respect to such sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been our affiliate at any time during the 90 days preceding a sale, and who has beneficially owned for at least two years the restricted shares proposed to be sold, including the holding period of any prior owner

except an affiliate, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Rule 701

Subject to limitations on the aggregate offering price of a transaction and other conditions, Rule 701 permits resales of shares issued prior to the date the issuer becomes subject to the reporting requirements of the Securities Exchange Act of 1934, pursuant to certain compensatory benefit plans and contracts commencing 90 days after the issuer becomes subject to the reporting requirements of the Securities and Exchange Act of 1933, in reliance upon Rule 144 but without compliance with certain restrictions, including the holding period requirements. In addition, the Securities and Exchange Commission has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, along with the shares acquired upon exercise of such options, including exercises after the date the issuer becomes so subject. Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 91 days after the date of this prospectus, may be sold by persons other than affiliates subject only to the manner of sale provisions of Rule 144 and by affiliates under Rule 144 without compliance with its one-year minimum holding period requirements.

LOCK-UP AGREEMENTS

The directors and executive officers, and substantially all of our other stockholders, have entered into lock-up agreements under which they have agreed not to sell or otherwise dispose of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the common stock, for a period of 180 days after the date of this prospectus. SG Cowen may, in its sole discretion, at any time without notice, release all or any portion of the shares subject to the lock-up agreements, which would result in more shares being available for sale in the public market at an earlier date.

We intend to file a registration statement under the Securities Act of 1933 covering the shares of common stock subject to outstanding options or reserved for issuance under the 1996 stock option plan, the 2000 stock option plan, the 2000 directors stock option plan and the 2000 employee stock purchase plan. We expect to file this registration statement within 90 days of effectiveness of the registration statement covering the shares of common stock in this offering and it will automatically become effective upon filing. Accordingly, shares registered under such registration statement will, subject to Rule 144 volume limitations applicable to affiliates and the expiration of a 180-day lock-up period, be available for sale in the open market, except to the extent that such shares are subject to our vesting restrictions or the contractual restrictions described above.

UNDERWRITING

Pursuant to the terms of an underwriting agreement dated , 2001, which is filed as an exhibit to the registration statement relating to this prospectus, the underwriters of the offering named below, for whom SG Cowen Securities Corporation, U. S. Bancorp Piper Jaffray Inc., Dain Rauscher Incorporated and First Security Van Kasper, Inc. are acting as representatives, have severally agreed to purchase from us the respective number of shares of common stock set forth opposite its name below:

UNDERWRITERS	NUMBER OF SHARES
SG Cowen Securities Corporation	
U.S. Bancorp Piper Jaffray Inc.	
Dain Rauscher Incorporated	
First Security Van Kasper, Inc.	
Total	

The underwriting agreement provides that the underwriters' obligations to purchase shares of common stock depend on the satisfaction of the conditions contained in the underwriting agreement, and that if any of the shares of common stock are purchased by the underwriters under the underwriting agreement, then all of the shares of common stock which the underwriters have agreed to purchase under the underwriting agreement must be purchased. The conditions contained in the underwriting agreement include the requirement that the representations and warranties made by us to the underwriters are true, that there is no material change in the financial markets and that we deliver to the underwriters customary closing documents.

We have granted to the underwriters an option to purchase up to an aggregate of additional shares of common stock, exercisable solely to cover over-allotments, if any, at the public offering price less the underwriting discounts and commissions shown on the cover page of this prospectus. The underwriters may exercise this option at any time until 30 days after the date of the underwriting agreement. If this option is exercised, each underwriter will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase a number of additional shares of common stock proportionate to the underwriter's initial commitment as indicated in the preceding table and we will be obligated, under the over-allotment option, to sell the shares of common stock to the underwriters.

The underwriters propose to offer the common stock directly to the public at the public offering price set forth on the cover page of this prospectus. The underwriters may offer the common stock to securities dealers at that price less a concession not in excess of $ per share. Securities dealers may reallow a concession not in excess of $ per share to other dealers. After the shares of common stock are released for sale to the public, the underwriters may vary the offering price and other selling terms from time to time.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares described below.

	PER SHARE	WITHOUT OPTION	WITH OPTION
Public offering price			
Underwriting discount			
Proceeds, before expenses, to Xcyte			

We estimate that the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $1.3 million.

We have agreed to indemnify the underwriters against liabilities, including liabilities under the Securities Act of 1933 and liabilities arising from breaches of the representations and warranties contained

in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities.

We, our executive officers and directors and substantially all of our other stockholders, have agreed not to directly or indirectly do any of the following, whether any transaction described in clause (1) or (2) below is to be settled by delivery of common stock or other securities, in cash or otherwise, in each case without the prior written consent of SG Cowen Securities Corporation on behalf of the underwriters, for a period of 180 days after the date of this prospectus:

(1) offer, sell or otherwise dispose of, or enter into any transaction or arrangement which is designed or could be expected to, result in the disposition or purchase by any person at any time in the future of, any shares of common stock or securities convertible into or exchangeable for common stock or substantially similar securities, other than any of the following:

- the common stock sold under this prospectus

- shares of common stock we issue under employee benefit plans, qualified stock option plans or other employee compensation plans existing on the date of this prospectus or under currently outstanding options, warrants or rights

(2) sell or grant options, rights or warrants with respect to any shares of our common stock or securities convertible into or exchangeable for our common stock or substantially similar securities, other than the grant of options under option plans existing on the date hereof.

The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed five percent of the total number of shares of common stock offered by them.

We have applied for inclusion of our common stock on the Nasdaq National Market under the symbol XCYT, subject to official notice of issuance.

Prior to the offering, there has been no public market for the shares of our common stock. The initial public offering price will be negotiated between the representatives and us. In determining the initial public offering price of the common stock, the representatives will consider, among other things and in addition to prevailing market conditions, our historical performance and capital structure, estimates of our business potential and earnings prospects, an overall assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

Until the distribution of the common stock is completed, rules of the Securities and Exchange Commission may limit the ability of the underwriters and selling group members to bid for and purchase shares of common stock. As an exception to these rules, the representatives are permitted to engage in transactions that stabilize the price of the common stock. These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of common stock.

The representatives may engage in over-allotment, open market purchases, stabilizing transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934. In connection with this offering, the underwriters may make short sales by selling more shares than they are obligated to purchase under the underwriting agreement. Covered short sales are sales made in an amount not greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters may close out a covered short sale by exercising their over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the price of shares in the open market compared to the price at which they may purchase shares under the over-allotment option. Naked short sales are sales made in an amount in excess of the number of shares available under the over-allotment option. The underwriters must close out any naked short sale by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Penalty bids permit the

representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by such syndicate member is purchased in a syndicate covering transaction to cover syndicate short positions. Any of these activities may cause the price of the common stock to be higher than it would otherwise be in the absence of these transactions. These transactions may be effected on the Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

At our request, the underwriters have reserved up to % shares of the common stock offered by this prospectus for sale to our directors and to our business associates at the initial public offering price set forth on the cover page of this prospectus. These persons must commit to purchase no later than the close of business on the day following the date of this prospectus. The number of shares available for sale to the general public will be reduced to the extent these persons purchase the reserved shares.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Venture Law Group, A Professional Corporation, Kirkland, Washington. Certain legal matters in connection with this offering will be passed upon for the underwriters by Shearman & Sterling, Menlo Park, California. Investment partnerships associated with Venture Law Group and individual attorneys of Venture Law Group beneficially own an aggregate of 16,188 shares of our Series D Preferred Stock and warrants to purchase 1,812 shares of our common stock.

EXPERTS

Ernst & Young LLP, independent auditors, have audited our financial statements at December 31, 1999, and for the year then ended and for the period from inception (August 27, 1996) to December 31, 1999, as set forth in their report, which as to the period from inception (August 27, 1996) to December 31, 1998 is based on the report of PricewaterhouseCoopers LLP, independent accountants. We have included these financial statements in the prospectus and elsewhere in the registration statement in reliance upon such reports, given on the authority of these firms as experts in accounting and auditing.

The financial statements as of December 31, 1998 and for the years ended December 31, 1997 and 1998 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

CHANGE IN INDEPENDENT PUBLIC ACCOUNTANTS

Effective January 12, 2000, Ernst & Young LLP was engaged as our independent auditors and replaced other auditors who were dismissed as our independent accountants on the same date. The decision to change auditors was approved by our board of directors.

Prior to January 12, 2000, our former auditors issued reports on our financial statements for the period from inception to December 31, 1998 and for each of the two years in the period ended December 31, 1998. These reports of our former auditors did not contain any adverse opinion or disclaimer of opinion nor were such reports qualified or modified as to audit scope or accounting principle. In connection with the audits for the periods from inception to December 31, 1998, there were no disagreements with our former auditors on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements if not resolved to the satisfaction of our former auditors, would have caused them to make reference thereto in their reports.

Prior to January 12, 2000, we had not consulted with Ernst & Young LLP on items that involved our accounting principles or the form of audit opinion to be issued on our financial statements. We have requested that our former auditors furnish us with a letter addressed to the SEC stating whether or not they agree with the above statements. A copy of this letter is filed as an exhibit to the registration statement of which this prospectus forms a part.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, and the rules and regulations promulgated thereunder, with respect to the shares of common stock offered by this prospectus. This prospectus, which constitutes part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits thereto. Statements contained in this prospectus as to the contents of any contract or other document that is filed as an exhibit to the registration statement are not necessarily complete and each such statement is qualified in all respects by reference to the full text of such contract or document.

You may read and copy all or any portion of the registration statement and the exhibits at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the SEC located at Seven World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You can request copies of these documents, upon payment of a duplication fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the SEC's public reference rooms. Also, the SEC maintains a World Wide Web site on the Internet at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

As a result of this offering, we will become subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 and, in accordance therewith, will file periodic reports, proxy and information statements and other information with the SEC. These periodic reports, proxy and information statements and other information will be available for inspection and copying at the public reference facilities, regional offices and SEC's Web site referred to above.

XCYTE THERAPIES, INC.

INDEX TO FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors
Xcyte Therapies, Inc.

We have audited the accompanying balance sheet of Xcyte Therapies, Inc. (a development stage enterprise) (the Company) as of December 31, 1999, and the related statements of operations, stockholders' deficit, and cash flows for the year then ended and for the period from inception (August 27, 1996) to December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company for each of the years in the two year period ended December 31, 1998 and for the period from inception (August 27, 1996) to December 31, 1998 were audited by other auditors whose report, dated September 1, 1999, expressed an unqualified opinion on those financial statements. The financial statements for the period from inception (August 27, 1996) to December 31, 1998 include total revenues and net loss of $100,000 and $9,285,000, respectively. Our opinion on the statements of operations, stockholders' deficit, and cash flows for the period from inception (August 27, 1996) to December 31, 1999, insofar as it relates to amounts for prior periods through December 31, 1998, is based solely on the report of other auditors whose report indicates that the financial statements for each of the years in the two year period ended December 31, 1998 and for the period from inception (August 27, 1996) to December 31, 1998 have been restated.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Xcyte Therapies, Inc. (a development stage enterprise) at December 31, 1999, and the results of its operations and its cash flows for the year then ended, and for the period from inception (August 27, 1996) to December 31, 1999, in conformity with accounting principles generally accepted in the United States.

As described in Note 1, the financial statements referred to in the above paragraph have been restated.

Ernst & Young LLP

/s/ Ernst & Young LLP

Seattle, Washington
June 25, 2000, except for paragraph 2 of Note 5,
as to which the date is August 14, 2000,
paragraph 1 of Note 12, as to which the date is November 7, 2000
and the last paragraph of Note 1, as to which
the date is December 20, 2000.

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Stockholders of
Xcyte Therapies, Inc.

In our opinion, the accompanying December 31, 1998 balance sheet and the related statements of operations, of changes in stockholders' deficit and of cash flows present fairly, in all material respects, the financial position of Xcyte Therapies, Inc. (the Company) at December 31, 1998, and the results of its operations and its cash flows for the years ended December 31, 1997 and 1998 and for the period from inception (August 27, 1996) to December 31, 1998 (not presented herein), in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As described in Note 1, the financial statements referred to in the above paragraph have been restated.

PricewaterhouseCoopers LLP

/s/ PricewaterhouseCoopers LLP

September 1, 1999,
except as to the last paragraph of Note 1,
which is as of December 20, 2000
Portland, Oregon

XCYTE THERAPIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31,		SEPTEMBER 30,	PRO FORMA STOCKHOLDERS' EQUITY AT SEPTEMBER 30,
	1998	1999	2000	2000
			(UNAUDITED)	(UNAUDITED)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,265	$ 124	$ 25,761	
Receivable from lessor	--	232	--	
Employee receivables	--	5	5	
Short-term investments	10,887	7,239	1,496	
Prepaid research and development expenses	--	--	527	
Prepaid expenses and other current assets	89	100	264	
Total current assets	12,241	7,700	28,053	
Property and equipment, net	1,506	1,824	1,931	
Long-term investments	1,701	--	--	
Intangible assets, net	534	334	184	
Deposits and other assets	62	197	168	
Total assets	$16,044	$ 10,055	$ 30,336	
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable	$ 233	$ 1,005	$ 691	
Accrued vacation	57	94	117	
Other accrued liabilities	13	13	41	
Current portion of equipment financings	349	488	811	
Total current liabilities	652	1,600	1,660	
Equipment financings, less current portion	941	839	896	
Other liabilities	--	15	57	
Commitments (Notes 8, 11, and 12)				
Redeemable convertible preferred stock:				
Issued and outstanding shares -- 17,949,222 at December 31, 1998 and 1999 and 28,059,047 at September 30, 2000 (aggregate preference of $22,810 and $50,915 at September 30, 2000 and December 31, 1999, respectively) (none pro forma)	22,866	22,866	48,394	
Redeemable convertible preferred stock warrants (none pro forma)	524	539	557	
Stockholders' equity (deficit):				
Preferred stock, par value $.001:				
Authorized and designated as redeemable and convertible shares -- 19,383,209 at December 31, 1998 and 1999 and 28,909,976 at September 30, 2000 (no shares outstanding pro forma)	--	--	--	$ --
Common stock, par value $.001:				
Authorized shares -- 40,000,000 at December 1998 and 1999 and 60,000,000 at September 30, 2000; issued and outstanding shares -- 6,269,809 and 5,943,579 at December 31, 1998 and 1999, respectively, and 5,965,234 at September 30, 2000 (34,024,281 shares outstanding pro forma)	6	6	6	34
Additional paid-in capital	352	1,079	5,090	54,013
Deferred stock compensation	(12)	(639)	(1,618)	(1,618)
Accumulated deficit	(9,285)	(16,232)	(24,704)	(24,704)
Accumulated other comprehensive loss	--	(18)	(2)	(2)
Total stockholders' equity (deficit)	(8,939)	(15,804)	(21,228)	$27,723
Total liabilities and stockholders' equity (deficit)	$16,044	$ 10,055	$ 30,336	

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

XCYTE THERAPIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	YEARS ENDED DECEMBER 31,			PERIOD FROM INCEPTION (AUGUST 27, 1996) TO DECEMBER 31,	NINE MONTHS ENDED SEPTEMBER 30,		PERIOD FROM INCEPTION (AUGUST 27, 1996) TO SEPTEMBER 30,
	1997	1998	1999	1999	1999	2000	2000
					(UNAUDITED)		(UNAUDITED)
Revenue:							
License fee	$ 100	$ --	$ --	$ 100	$ --	$ --	$ 100
Government grant	--	--	16	16	--	44	60
Total revenue	100	--	16	116	--	44	160
Operating expense:							
Research and development	2,397	4,311	5,413	12,449	3,573	7,176	19,625
General and administrative	1,148	1,427	1,619	4,508	1,158	1,061	5,569
Noncash stock compensation expense	4	6	93	105	3	557	662
Total operating expense	3,549	5,744	7,125	17,062	4,734	8,794	25,856
Loss from operations	(3,449)	(5,744)	(7,109)	(16,946)	(4,734)	(8,750)	(25,696)
Other income (expense):							
Loss on sale of property and equipment	--	--	(108)	(108)	--	--	(108)
Interest income	245	476	476	1,290	375	465	1,755
Interest expense	(84)	(178)	(206)	(468)	(143)	(187)	(655)
Other income, net	161	298	162	714	232	278	992
Net loss	$ (3,288)	$ (5,446)	$ (6,947)	($16,232)	$ (4,502)	$ (8,472)	($24,704)
Basic and diluted net loss per share	$ (0.69)	$ (0.86)	$ (1.15)		$ (0.74)	$ (1.42)	
Shares used in computation of basic and diluted net loss per share	4,740,629	6,355,442	6,050,042		6,085,919	5,961,946	

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

XCYTE THERAPIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(IN THOUSANDS, EXCEPT SHARE DATA)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	DEFERRED STOCK COMPENSATION	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL
	SHARES	AMOUNT					
Common stock issued upon incorporation	3,374,634	$ 3	$ --	$ --	$ --	$ --	$ 3
Deferred stock-based compensation		--	7	(7)	--	--	--
Amortization of deferred compensation		--	--	2	--	--	2
Common stock issued for technology license	198,609	--	--	--	--	--	--
Net loss		--	--	--	(551)	--	(551)
Balance at December 31, 1996	3,573,243	3	7	(5)	(551)	--	(546)
Common stock repurchased	(635,000)	(1)	--	--	--	--	(1)
Common stock issued in acquisition	2,999,910	3	327	--	--	--	330
Deferred stock-based compensation	--	--	9	(9)	--	--	--
Amortization of deferred compensation	--	--	--	4	--	--	4
Common stock issued for technology license	407,198	1	--	--	--	--	1
Stock options exercised	12,750	--	1	--	--	--	1
Net loss	--	--	--	--	(3,288)	--	(3,288)
Balance at December 31, 1997	6,358,101	6	344	(10)	(3,839)	--	(3,499)
Repurchase of founder's stock	(88,542)	--	--	--	--	--	--
Stock options exercised	250	--	--	--	--	--	--
Deferred stock-based compensation	--	--	8	(8)	--	--	--
Amortization of deferred compensation	--	--	--	6	--	--	6
Net loss	--	--	--	--	(5,446)	--	(5,446)
Balance at December 31, 1998	6,269,809	6	352	(12)	(9,285)	--	(8,939)
Common stock returned for technology license termination	(400,000)	--	--	--	--	--	--
Common stock issued for technology license	20,000	--	2	--	--	--	2
Deferred stock-based compensation	--	--	720	(720)	--	--	--
Amortization of deferred compensation	--	--	--	93	--	--	93
Stock options exercised	53,770	--	5	--	--	--	5
Change in unrealized loss on investments	--	--	--	--	--	(18)	(18)
Net loss	--	--	--	--	(6,947)	--	(6,947)
Comprehensive loss							(6,965)
Balance at December 31, 1999	5,943,579	6	1,079	(639)	(16,232)	(18)	(15,804)
Issuance of common stock warrants (unaudited)	--	--	2,717	--	--	--	2,717
Deferred stock-based compensation (unaudited)	--	--	1,536	(1,536)	--	--	--
Amortization of deferred compensation (unaudited)	--	--	--	557	--	--	557
Stock options exercised (unaudited)	21,655		3	--	--	--	3
Accretion of redeemable convertible preferred stock (unaudited)	--	--	(245)	--	--	--	(245)
Change in unrealized loss on investments (unaudited)	--	--	--	--	--	16	16
Net loss (unaudited)	--	--	--	--	(8,472)	--	(8,472)
Comprehensive loss (unaudited)							(8,456)
Balance at September 30, 2000 (unaudited)	5,965,234	$ 6	$5,090	$(1,618)	$(24,704)	$ (2)	$(21,228)

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

XCYTE THERAPIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,			PERIOD FROM INCEPTION (AUGUST 27, 1996) TO DECEMBER 31,	NINE MONTHS ENDED SEPTEMBER 30,		PERIOD FROM INCEPTION (AUGUST 27, 1996) TO SEPTEMBER 30,
	1997	1998	1999	1999	1999	2000	2000
					(UNAUDITED)		(UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net loss	$(3,288)	$(5,446)	$(6,947)	$(16,232)	$(4,502)	$(8,472)	$(24,704)
Adjustments to reconcile net loss to net cash used in operating activities:							
Non-cash research and development expense	--	291	2	293	--	--	293
Non-cash stock based compensation expense	4	6	93	105	3	557	662
Non-cash interest expense	12	16	18	18	14	18	36
Depreciation and amortization	268	609	717	1,592	538	492	2,084
Loss on sale of property and equipment	--	--	108	108	--	--	108
Changes in assets and liabilities:							
(Increase) decrease in receivable from lessor	--	--	(232)	(232)	--	232	--
Increase in employee receivables	--	--	(5)	(5)	--	--	(5)
Prepaid expenses and other current assets	--	(27)	(11)	(38)	--	(691)	(729)
(Increase) decrease in deposits and other assets	(53)	(5)	(135)	(269)	(157)	29	(240)
Increase (decrease) in accounts payable	(234)	170	771	1,005	(27)	(314)	691
Increase (decrease) in accrued liabilities	110	(92)	52	122	39	93	215
Net cash used in operating activities	(3,181)	(4,478)	(5,569)	(13,533)	(4,092)	(8,056)	(21,589)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of property and equipment	(1,100)	(566)	(976)	(3,091)	(150)	(449)	(3,540)
Proceeds from sale of property and equipment	--	--	33	33	--	--	33
Net cash acquired in acquisition	437	--	--	437	--	--	437
Purchases of investments available-for-sale	--	--	(5,816)	(5,816)	--	--	(5,816)
Purchases of investments held-to-maturity	(1,794)	(15,939)	--	(17,732)	--	--	(17,732)
Proceeds from sales and maturities of investments available-for-sale	--	--	11,147	11,147	6,929	5,760	16,907
Proceeds from sales and maturities of investments held-to-maturity	--	5,145	--	5,145	--	--	5,145
Net cash provided by (used in) investing activities	(2,457)	(11,360)	4,388	(9,877)	6,779	5,311	(4,566)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from issuance of preferred and common stock	4,134	11,975	6	22,148	5	28,003	50,151
Common stock repurchased	(1)	--	--	(1)	--	--	(1)
Proceeds from equipment financings	1,237	362	451	2,151	421	865	3,016
Principal payments on equipment financings	--	(273)	(417)	(764)	(304)	(486)	(1,250)
Net cash provided by financing activities	5,370	12,064	40	23,534	122	28,382	51,916
Net increase (decrease) in cash	(268)	(3,774)	(1,141)	124	2,809	25,637	25,761
Cash at beginning of period	5,307	5,039	1,265	--	1,265	124	--
Cash at end of period	$ 5,039	$ 1,265	$ 124	$ 124	$ 4,074	$25,761	$ 25,761
SUPPLEMENTAL CASH FLOW AND NONCASH ACTIVITY INFORMATION:							
Interest paid	$ 72	$ 193	$ 207	$ 472	$ 143	$ 189	$ 661
Issuance of common stock warrants	--	--	--	--	--	2,717	2,717

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

XCYTE THERAPIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO FINANCIAL STATEMENTS
(INFORMATION AS OF SEPTEMBER 30, 2000 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 2000 IS UNAUDITED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Xcyte Therapies, Inc., a development stage enterprise, was incorporated on January 5, 1996 as MolecuRx, Inc. under the laws of the state of Delaware, changed its name to CDR Therapeutics, Inc. upon commencement of operations on August 27, 1996, and changed its name to Xcyte Therapies, Inc. (the Company) in October 1997. The Company operates in one business segment developing products based on T cell activation to treat cancer and infectious disease. As a development stage company, substantially all efforts of the Company have been devoted to conducting research and experimentation, developing and acquiring intellectual properties, raising capital, and recruiting and training personnel.

The Company has incurred operating losses and negative operating cash flows since inception. Management expects to incur operating losses for the foreseeable future as the Company executes its business plans. In August 2000, the Company completed a $28.0 million private placement of preferred stock, net of offering costs (see Note 5). Management believes that the additional cash from the private placement, combined with existing cash, provides the Company with the financing necessary for it to execute its business plans and to continue operations through at least the year ended December 31, 2001.

UNAUDITED INTERIM FINANCIAL INFORMATION

The financial information as of September 30, 2000 and for the nine months ended September 30, 1999 and 2000, and the period from inception (August 27, 1996) to September 30, 2000 is unaudited. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2000 are not necessarily indicative of results that may be expected for the entire year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC).

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash equivalents include highly liquid investments with an original maturity of three months or less. The Company's cash equivalents consist of money market securities.

Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Interest on securities classified as held-to-maturity is included in interest income. Securities not classified as held-to-maturity are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in a separate component of stockholders' equity. Amortization, accretion, interest and dividends, realized gains and losses, and declines in value judged to be other-than-temporary on available-for-sale securities are included in interest income. The cost of securities sold is based on the specific identification method. Investments in securities with maturities of less than one year or whose management's intent is to use the investments to fund current operations are classified as short-term investments.

XCYTE THERAPIES, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AS OF SEPTEMBER 30, 2000 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 2000 IS UNAUDITED)

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and is depreciated using the straight-line method over the assets' useful lives, which range from three to six years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the term of the lease.

INTANGIBLE ASSETS

Intangible assets represent the excess of the purchase price of acquiring CellGenEx, Inc. (see Note 11) over identifiable net assets acquired. Intangible assets are being amortized using the straight-line method over four years. Accumulated amortization at December 31, 1998, 1999 and September 30, 2000 totaled $268,000, $468,000, and $618,000, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the discounted future cash flows expected to be generated by such assets.

REVENUE RECOGNITION

To date, the Company has generated no revenues from sales of products. Revenues relate to fees received for licensed technology and a Small Business Innovation Research grant awarded to the Company by the National Institutes of Health. Revenue from license fee income is recognized when the Company no longer has any obligation to provide significant services to the licensee. Revenue from government grants is recognized once the conditions of a grant have been satisfied.

OTHER COMPREHENSIVE INCOME

Other comprehensive income (loss) includes certain changes in equity that are excluded from net income (loss). The Company's only component of other comprehensive income (loss) is unrealized loss on investments. There were no components of other comprehensive income (loss) prior to 1999.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to expense as incurred. The Company records up-front payments related to the funding milestone payments under development agreements as prepaid research and development expenses and amortizes the amount into expense over the period that the development work is performed. The Company's policy is to expense the payments for beads used in research in the period the beads are delivered by the suppliers.

SEGMENTS

The Company has adopted Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information" (SFAS 131) and related disclosures about its products, services, geographic areas and major customers. The Company has determined that it operates in

only one segment. Accordingly, the adoption of SFAS 131 had no impact on the Company's financial statements.

STOCK-BASED COMPENSATION

The Company has adopted the disclosure-only provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), and applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations in accounting for stock options. Stock options granted to nonemployees are recorded using the fair value approach in accordance with SFAS 123 and Emerging Issues Task Force Consensus (EITF) Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" (EITF 96-18). The options to nonemployees are subject to periodic revaluation over their vesting terms.

Deferred stock-based compensation includes amounts recorded when the exercise price of an option is lower than the deemed fair value of the underlying common stock on the date of grant. Deferred stock-based compensation is amortized over the vesting period of the underlying option using the graded vesting method.

NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted net loss per share reflects the dilutive effect of common stock equivalents, if any. Other common stock equivalents, including redeemable convertible preferred stock, stock options and warrants, are excluded from the computation as their effect is anti-dilutive. For the periods presented, there is no difference between the basic and diluted net loss per share.

FINANCIAL INSTRUMENTS

Financial instruments, including cash and cash equivalents and payables, are recorded at cost which approximates fair values based on the short-term maturities of these instruments. The fair value of investments is determined based on quoted market prices. Refer to Note 2 for further information on the fair value of investments. The carrying value of equipment financing arrangements approximates fair value because the underlying interest rates approximate market rates at the balance sheet dates.

CONCENTRATIONS OF CREDIT

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and receivables. The Company generally invests its excess cash in money market funds, and obligations issued by or fully collateralized by the U.S. government or federal agencies. While cash and cash equivalents held by financial institutions at times exceed federally insured limits, management believes that no credit or market risk exposure exists due to the high quality of the institutions. The Company places its investments with high-credit quality counterparties. The Company does not require collateral or other security related to receivables.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivatives and Hedging Activities" (SFAS 133), which establishes accounting and reporting standards

for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as "derivatives") and for hedging activities. SFAS 133 (as deferred by SFAS 137) is effective for fiscal years beginning after June 15, 2000, and will be adopted by the Company during the year beginning January 1, 2001. As the Company does not currently hold derivatives or engage in hedging transactions, the Company anticipates that there will be no impact on the Company's results of operations, financial position, or cash flows upon the adoption of SFAS 133.

In December 1999 the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition" (SAB 101), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. The Company has recognized revenue and made disclosures in accordance with SAB 101. The adoption of SAB 101 did not have any impact on the Company's financial position or results of operations.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain prior year balances have been reclassified to conform to the current year presentation.

RESTATEMENT

In December 2000, the Company determined that it was necessary to revise its 1997 and 1998 financial statements. The restatement was required because of incorrect purchase accounting applied to the Company's 1997 merger with CellGenEx, Inc. (see Note 11). The Company's initial purchase accounting included a write-off in 1997 of all of the intangible assets acquired in the merger amounting to $802,000. The 1997 and 1998 financial statements have been restated to reverse the effect of the write-off of the intangible assets and to record amortization expense relative to the intangible assets acquired over a four year period. The Company also determined that it was necessary to revise its 1999 financial statements for the purchase accounting issue mentioned above, as well as to record additional stock compensation in the amount of $86,000 related to common stock options issued during the year ended December 31, 1999 which had been subsequently determined to have been issued at less than fair value (see Note 6). The following table sets forth the effect of the restatement on the Company's financial statements (in thousands except per share data):

	YEARS ENDED DECEMBER 31,			PERIOD FROM INCEPTION (AUGUST 27, 1996) TO DECEMBER 31, 1999
	1997	1998	1999	
Net loss				
As restated	$(3,288)	$(5,446)	$(6,947)	$(16,232)
As previously reported	(4,023)	(5,245)	(6,661)	(16,481)
Basic and diluted net loss per share				
As restated	$ (0.69)	$ (0.86)	$ (1.15)	$(2.96)
As previously reported	(0.85)	(0.83)	(1.10)	(3.01)

XCYTE THERAPIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AS OF SEPTEMBER 30, 2000 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 2000 IS UNAUDITED)

2. INVESTMENTS

A summary of investments follows (in thousands):

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
December 31, 1998				
U.S. treasury securities	$ 9,513	$--	$(14)	$ 9,499
Federal agency obligations	3,075	--	(7)	3,068
	$12,588	$--	$(21)	$12,567
December 31, 1999				
U.S. treasury securities	$ 6,174	$--	$(18)	$ 6,156
Federal agency obligations	1,083	--	--	1,083
	$ 7,257	$--	$(18)	$ 7,239
September 30, 2000				
U.S. treasury securities	$ 1,498	$--	$ (2)	$ 1,496

The Company uses the services of a third party investment broker to manage its investment portfolio. Management intends to purchase securities whose maturities correspond to the Company's budgeted cash flow needs. Accordingly, management classified investments as held-to-maturity since the Company's inception. During the year ended December 31, 1998, the Company's investment broker did not comply with management's instructions and as a result, the Company was forced to sell a portion of its investment portfolio before maturity. Securities with an amortized cost of $2.6 million were sold, prior to maturity, for a net realized gain of $59,000. All remaining investment securities held at December 31, 1998 were held through their maturity date. At December 31, 1999 and September 30, 2000, management has classified all investments as available-for-sale. There were no gross realized gains or losses on sales of available-for-sale securities in the year ended December 31, 1999. Gross realized gains and losses on sales of available-for-sale securities during the nine months ended September 30, 2000 were $0 and $3,000, respectively.

XCYTE THERAPIES, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AS OF SEPTEMBER 30, 2000 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 2000 IS UNAUDITED)

The available-for-sale securities as of December 31, 1999 and September 31, 2000 have contractual maturities of one year or less. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to repay obligations without prepayment penalties.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	DECEMBER 31,		SEPTEMBER 30,
	1998	1999	2000
Equipment	$1,100	$1,495	$1,829
Furniture and fixtures	131	133	161
Leasehold improvements	620	507	530
Computer equipment	264	292	356
	2,115	2,427	2,876
Less accumulated amortization and depreciation	(609)	(603)	(945)
	$1,506	$1,824	$1,931

Depreciation expense totaled $201,000, $408,000, and $517,000 during the years ended December 31, 1997, 1998 and 1999, respectively, and $342,000 during the nine months ended September 30, 2000.

4. SIGNIFICANT AGREEMENTS

TECHNOLOGY LICENSES

At inception, the Company entered into a license agreement with the Trustees of the University of Pennsylvania whereby the Company was granted use of certain intellectual property. In exchange, the Company granted 605,807 shares of common stock at par value during the period from inception to December 31, 1997. In May 1999, the Company terminated the agreement. The terms of the cancellation included the retirement of 400,000 shares of common stock at par value.

In July 1998, the Company entered into a license agreement with Genetics Institute, Inc., under which the Company was granted the use of several patents for intellectual property in exchange for the payment of a nonrefundable fee of $53,000, 145,875 shares of Series B preferred stock, and warrants to purchase 194,500 shares of Series B preferred stock at $1.10 per share (see Note 5). The nonrefundable fee was expensed when paid. The Company, or sublicensee, is required to spend no less than $500,000 annually on research and development activities related to product development until the first commercial sale of the product.

In June 1999, the Company entered into a license agreement with ARCH Development Corporation in exchange for 200,000 shares of common stock. 20,000 of those shares were issued upon execution of the agreement and valued based on the estimated fair market value of the common stock of $2,000. The remaining shares are issuable upon the completion of various terms and conditions as stated in the stock purchase agreement. The Company, or its affiliate or sublicensee, is required to expend at least $2.0 million on the development of licensed products during the first 24 months of the agreement.

In October 1999, the Company entered into a license and supply agreement with Diaclone S.A. In consideration for the license, the Company paid and expensed a $75,000 nonrefundable fee. The Company also entered into a license agreement with the Fred Hutchinson Cancer Research Center. In consideration

for the license, the Company paid and expensed a $25,000 nonrefundable fee. In December 2000, the Company amended the agreement (see Note 12).

All license agreements require the payment of royalties by the Company based on sales and services. No royalty payments have been required or paid through September 30, 2000.

MANUFACTURING AND SUPPLY CONTRACTS

In August 1999, the Company entered into a development and supply agreement with Dynal S.A. The Company has agreed to make payments upon the accomplishment of certain development activities by Dynal S.A. totaling $3.0 million. During the year ended December 31, 1999 and the nine months ended September 30, 2000, the Company made payments totaling $100,000 and $1.9 million, respectively, under the agreement. In accordance with the Company's accounting policy, the $100,000 payment in the year ended December 31, 1999 was expensed when paid and $1.4 million of the payments made during the nine months ended September 30, 2000 were expensed with the remaining amounts recorded as prepaid research and development expenses. The Company's remaining payments of $1.0 million are estimated to be payable during the year ended December 31, 2002 based on development work plans. Remaining payments are subject to the completion of the milestone activities and regulatory approvals as specified in the agreement. Under the terms of the supply agreement, the Company is required to buy a minimum $250,000 of beads in the first 12 months after the development phase ends and $500,000 of beads annually thereafter over the remaining term of the agreement.

In June 2000, the Company entered into agreements with Lonza Biologics PLC. Under the terms of the agreements, the Company is obligated to pay milestone payments. Milestone payments are settled in the functional currency of Lonza Biologics PLC (pounds) under the agreement. Exchange rate gains and losses have been insignificant to date. The Company paid $161,000 as required under the agreements during the nine months ended September 30, 2000. In accordance with the Company's accounting policy, $134,000 of the payment made during the nine months ended September 30, 2000 was expensed with the remaining amount recorded as prepaid research and development expenses. Remaining payments under the agreement, assuming milestones are completed as scheduled, will be $350,000 during the year ending December 31, 2000 and $2.7 million during the year ending December 31, 2001.

5. REDEEMABLE CONVERTIBLE PREFERRED STOCK AND WARRANTS

PREFERRED STOCK

A summary of redeemable convertible preferred stock follows (dollars in thousands):

	DECEMBER 31, 1998 AND 1999			SEPTEMBER 30, 2000		
	SHARES AUTHORIZED AND DESIGNATED	ISSUED AND OUTSTANDING SHARES	AGGREGATE REDEMPTION AND LIQUIDATION PREFERENCE	SHARES AUTHORIZED AND DESIGNATED	ISSUED AND OUTSTANDING SHARES	AGGREGATE REDEMPTION AND LIQUIDATION PREFERENCE
Series A.....	8,000,000	6,860,512	$ 6,517	7,300,080	6,860,512	$ 6,517
Series B.....	4,097,580	3,903,080	4,293	4,097,580	3,903,080	4,293
Series C.....	7,285,629	7,185,630	12,000	7,212,316	7,185,630	12,000
Series D.....	--	--	--	10,300,000	10,109,825	28,105
	19,383,209	17,949,222	$22,810	28,909,976	28,059,047	$50,915

XCYTE THERAPIES, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AS OF SEPTEMBER 30, 2000 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 2000 IS UNAUDITED)

The Company issued 6,334,212 shares of Series A preferred stock at $0.95 per share during the year ended December 31, 1996 for proceeds of $6.0 million, 3,757,205 shares of Series B preferred stock at $1.10 per share during the year ended December 31, 1997 for proceeds of $4.1 million, and 7,185,630 shares of Series C preferred stock at $1.67 per share during the year ended December 31, 1998 for proceeds of $12.0 million. There were no significant costs associated with the Series A, B and C offerings. During 1997 the Company issued an additional 526,300 shares of Series A preferred stock in conjunction with the merger with CellGenEx, Inc. (see note 11). The value of the Series A preferred stock of $579,000 was included in the determination of the purchase price of CellGenEx, Inc. During 1998, the Company also issued 145,875 shares of Series B preferred stock to acquire technology licenses (see note 4). These shares were valued at $1.10 per share for an aggregate amount of $160,000. In May 2000, the Company amended and restated its Certificate of Incorporation to change the number of designated Series A and C preferred shares and to designate Series D preferred shares.

In August 2000, Company completed a private placement of 10,109,825 shares at $2.78 per share of Series D redeemable preferred stock for $28.0 million, net of offering costs of $105,000. In connection with the offering, holders of the Series D preferred stock received 1,132,287 warrants to purchase shares of common stock at an exercise price of $0.30 per share. The warrants were valued at $2.7 million using the Black-Scholes method. The warrants expire in August 2005 or upon the completion of an initial public offering (IPO). Of the total net proceeds of $28.0 million, $2.7 million has been recorded as paid in capital and $25.3 million had been recorded as redeemable convertible preferred stock. The Series D preferred stock includes redemption rights commencing on June 30, 2002 at $2.78 per share or $28.1 million. The difference between the recorded value of the Series D preferred stock and the redemption value is being accreted ratably through June 30, 2002. For the nine months ended September 30, 2000, the Company recorded accretion of the preferred stock redemption value of $245,000 through a charge to additional paid in capital and a credit to preferred stock.

Holders of Series A, B, C, and D preferred stock have preferential rights to noncumulative dividends at a rate of $0.076, $0.088, $0.1336, and $.2224 per share, respectively, when and if declared by the Board of Directors. The holders are entitled to the number of votes equal to the number of shares of common stock into which the preferred stock could be converted. In the event of liquidation, the holders of Series A, B, C, and D have preferential right to liquidation payments of $0.95, $1.10, $1.67, and $2.78 per share, respectively, plus any accrued but unpaid dividends.

The preferred stock can be converted, at the option of the holder, one-for-one into common stock subject to adjustment for antidilutive events. The conversion price for Series A, B, C, and D preferred stock is $0.95, $1.10, $1.67, and $2.78, respectively. Each share of the preferred stock shall automatically be converted into shares of common stock upon the closing of a firmly underwritten IPO, provided that the price per share is not less than $4.00 and the aggregate gross proceeds to the Company are not less than $20.0 million. In addition, the Company has granted registration rights and preemptive rights to Series A, B, C, and D holders.

The preferred stock is redeemable at the option of the holder of a majority of the outstanding shares of preferred stock at any time after June 30, 2002. The Series A, B, C, and D redemption price is $0.95, $1.10, $1.67, and $2.78 per share, respectively. Since the redemption price is equal to the price originally paid for the shares, no accretion has been recorded on Series A, B, and C preferred stock.

In addition, the Company has granted registration rights and rights of first offer to the Series A, B, C, and D holders, and is precluded from carrying out certain actions without the approval of the majority of the Series A, B, C, and D holders voting as a group.

WARRANTS

Warrants to purchase 368,410 shares of Series A preferred stock were issued in connection with the CellGenEx, Inc. business acquisition (see Note 11) at an exercise price of $0.95 per share during the year ended December 31, 1997. The value of the warrants of $330,000 was included in the determination of the purchase price of CellGenEx, Inc. In addition, warrants to purchase 71,158 shares of Series A preferred stock at $0.95 per share were issued in connection with equipment financing for the year ended December 31, 1997. The estimated fair value of the warrants issued of $64,000 was recorded as an additional financing cost and is being amortized over the term of the loan as interest expense.

During the year ended December 31, 1998, the Company issued warrants to purchase 194,500 shares of Series B preferred stock as partial consideration for the Genetics Institute, Inc. license (see Note 4). The warrants were issued at an exercise price of $1.10 per share. The estimated fair value of the warrants of $131,000 was charged to research and development expense in 1998.

During the year ended December 31, 1999, the Company issued warrants to purchase 12,315 shares of Series C preferred stock at an exercise price of $1.67 per share in connection with equipment financing. The estimated fair value of the warrants issued of $15,000 was recorded as additional financing cost and is being amortized over the term of the loan as interest expense.

In January 2000, the Company issued a warrant to purchase 14,371 shares of Series C preferred stock at an exercise price of $1.67 per share in connection with equipment financing. The estimated fair value of the warrants issued of $18,000 was recorded as additional financing cost and is being amortized over the term of the loan as interest expense.

In December 2000, the Company issued an additional Series D preferred stock warrant for 80,000 shares of Series D preferred stock, in connection with a lease for a manufacturing facility (see Note 12).

Warrants expire at various dates from March 2003 to January 2007, including 380,725 warrants outstanding at September 30, 2000 which would expire earlier upon the completion of an IPO. All remaining preferred stock warrants which do not expire upon the completion of an IPO, upon consent from the warrant holders, will convert to common stock warrants upon the consummation of an IPO. The Company has valued the warrants issued during the years ended December 31, 1997, 1998, and 1999 and the nine months ended September 30, 2000 using the Black-Scholes method with the following assumptions: no dividend yields, expected life of 5 years to 10 years, risk-free interest rates of 5.42% to 6.90% and volatility of 68% to 75%.

6. STOCKHOLDERS' DEFICIT

1996 STOCK OPTION PLAN

Under the Company's 1996 Stock Option Plan (1996 Plan), 2.5 million shares of common stock have been reserved for grants to employees, directors, and consultants, as of December 31, 1999. The term of the 1996 Plan is ten years unless terminated earlier by the Board of Directors. Options granted under the 1996 Plan may be designated as incentive or nonqualified at the discretion of the plan administrator. The vesting period, exercise price, and expiration period of options are also established at the discretion of the plan administrator. Vesting periods are typically four or five years, and incentive stock options are exercisable at no less than the fair market value at the date of grant, and nonqualified stock options are

exercisable at prices determined by the 1996 Plan administrator. In no event shall the term of any incentive stock option exceed ten years.

In August 2000, the Board of Directors amended the 1996 Plan to allow options granted to certain executives to become exercisable immediately. Shares issued upon exercise of options that are unvested are restricted and subject to repurchase by the Company upon termination of employment and such restrictions lapse over the original vesting schedule. At September 30, 2000, there were no shares of restricted common stock issued and subject to repurchase.

A summary of stock option activity and related information follows:

	YEARS ENDED DECEMBER 31,						NINE MONTHS ENDED SEPTEMBER 30,	
	1997		1998		1999		2000	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of period	278,000	$0.10	720,116	$0.10	955,553	$0.12	1,222,125	$0.14
Granted at fair value	554,866	0.10	261,500	0.16	--	--	--	--
Granted at less than fair value	--	--	--	--	639,748	0.17	715,844	0.37
Canceled	(100,000)	0.11	(25,813)	0.10	(319,406)	0.13	(290,093)	0.14
Exercised	(12,750)	0.10	(250)	0.10	(53,770)	0.10	(21,655)	0.13
Outstanding at end of period	720,116	$0.10	955,553	$0.12	1,222,125	$0.14	1,626,221	$0.24

The following summarizes information about stock options outstanding and exercisable at September 30, 2000:

	OUTSTANDING			EXERCISABLE	
RANGE OF EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
$0.10 - 0.17	997,717	8.20	$0.15	594,992	$0.14
0.30 - 0.40	628,504	9.87	0.39	505,233	0.40
	1,626,221	8.85	0.24	1,100,225	0.24

The number of options exercisable at December 31, 1997, 1998 and 1999 and September 30, 2000 was 45,428, 252,485, 458,688, and 1,100,225, respectively. The weighted-average exercise price of options vested and exercisable at December 31, 1997, 1998 and 1999 and September 30, 2000 was $0.10, $0.10, $0.12, and $0.24, respectively. The weighted-average fair value of options granted during the years ended December 31, 1997, 1998 and 1999 and the nine months ended September 30, 2000 was $0.03, $0.06, $1.29, and $2.33, respectively. The weighted-average remaining contractual life of outstanding options at December 31, 1999 was 8.78 years.

Pro forma information regarding net loss required by SFAS 123 has been determined as if the Company had accounted for its employee stock options under the fair value method of SFAS 123. The

fair value for these options was estimated at the date of grant under the Black-Scholes method for the years ended 1997 and 1998 and the minimum value method for the year ended December 31, 1999 and the nine months ended September 30, 2000. The following weighted-average assumptions for the years ended December 31, 1997, 1998, and 1999 and the nine months ended September 30, 2000: option life of 5 years, 5 years, 3.4 years, and 3.7 years, respectively; risk-free interest rate of 5.98%, 4.89%, 6.11%, and 5.80%, respectively; and no dividend yield. Pro forma net loss information follows:

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,
	1997	1998	1999	2000
	(IN THOUSANDS)			
Net loss:				
As reported	$(3,288)	$(5,446)	$(6,947)	$(8,472)
Pro forma	(3,290)	(5,452)	(7,035)	(9,010)
Basic and diluted net loss per share:				
As reported	$ (0.69)	$ (0.86)	$ (1.15)	$ (1.42)
Pro forma	(0.69)	(0.86)	(1.16)	(1.51)

The Company granted 102,500 common stock options to consultants in exchange for services performed in the year ended December 31, 1998. No options were granted to consultants for the year ended December 31, 1999. During the nine months ended September 30, 2000, the Company granted a total of 20,000 common stock options to a consultant for services to be performed through August 2001. In accordance with SFAS 123 and EITF 96-18, options granted to consultants are periodically revalued as they vest.

During the year ended December 31, 1999 and the nine months ended September 30, 2000 in connection with the grant of certain options to employees, the Company recorded deferred stock-based compensation of $720,000 and $1.5 million, respectively, representing the difference between the exercise price and the subsequently determined deemed fair value of the Company's common stock on the date such stock options were granted. The subsequently determined deemed fair value of the Company's common stock ranged from $0.50 to $1.68 during the year ended December 31, 1999, and $1.73 to $3.20 during the nine months ended September 30, 2000. Deferred stock-based compensation is being amortized on a graded vesting method. During the years ended December 31, 1997, 1998 and 1999, and the nine months ended September 30, 2000, the Company recorded noncash deferred stock-based compensation expense of $4,000, $6,000, $93,000 and $557,000, respectively.

COMMON STOCK

In August 2000, the Company amended and restated its Certificate of Incorporation to increase the number of shares designated as common stock from 40 million to 60 million.

Common stock reserved for future issuance follows:

	DECEMBER 31, 1999	SEPTEMBER 30, 2000
Stock options	2,433,230	2,411,575
Series A preferred stock	8,000,000	7,300,080
Series B preferred stock	4,097,580	4,097,580
Series C preferred stock	7,285,629	7,212,316
Series D preferred stock	--	10,300,000
Preferred stock warrants	646,383	660,754
Common stock warrants	--	1,132,287
License and technology agreements	1,236,040	1,236,040
	23,698,862	34,350,632

COMMON STOCK WARRANTS

In August 2000, the Company issued 1,132,287 common stock warrants to private investors in connection with the issuance of Series D preferred stock (see Note 5).

COMMON STOCK REPURCHASES

During the years ended December 31, 1997 and 1998, the Company repurchased 635,000 and 88,542 shares, respectively, of common stock from founders at par value. The shares were subsequently canceled by the Company.

7. INCOME TAXES

At December 31, 1999, the Company had net operating loss carryforwards of approximately $14.2 million and research and development tax credit carryforwards of $749,000 for federal income tax reporting purposes. The net operating losses and tax credits will expire beginning in 2011 if not previously utilized. In certain circumstances, as specified in the Internal Revenue Code, due to ownership changes, the Company's ability to utilize its net operating loss carryforwards may be limited.

Deferred income taxes reflect the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The significant components of deferred taxes follows (in thousands):

	DECEMBER 31,	
	1998	1999
Deferred tax assets:		
Net operating loss carryforwards	$ 2,774	$ 4,812
Research and development tax credit	533	749
License agreements	99	162
Other	37	59
	3,443	5,782
Less valuation allowance	(3,406)	(5,745)
Net deferred tax assets	37	37
Deferred tax liabilities:		
Fixed assets	(37)	(37)
Net deferred taxes	$ 0	$ 0

A valuation allowance has been recorded for deferred tax assets because realization is primarily dependent on generating sufficient taxable income prior to the expiration of net operating loss carryforwards. The valuation allowance for deferred tax assets increased $2.1 million during the year ended December 31, 1998 and $2.3 million during the year ended December 31, 1999, principally due to net operating losses recorded during those periods. There have been no offsets or other deductions to the valuation allowance in any period since the Company's inception.

8. LEASE COMMITMENTS AND EQUIPMENT FINANCINGS

The Company has commitments for noncancelable operating leases principally for building space and office equipment that require minimum rental payments. The building lease requires payment of a pro rata share of property operating expenses and includes rent escalation clauses (3% annually) and has two five-year renewal options. Subsequent to December 31, 2000, the Company entered into an additional lease for its manufacturing facility (see Note 12).

Borrowings outstanding under equipment financing agreements totaled $1.3 million at December 31, 1998 and 1999, and $1.7 million at September 30, 2000. The loans are secured by the related assets, and require monthly principal and interest payments. The loans mature at various dates through the year ended December 31, 2004. The interest rates applicable to the obligations range from 12.85% to 13.71% at December 31, 1998 and 1999 and 12.85% to 14.12% at September 30, 2000. The weighted average interest rate was 13.28% and 13.75% during the year ended December 31, 1998 and 1999, respectively, and 13.36% for the nine months ended September 30, 2000. At September 30, 2000, the Company has $530,000 available to it for equipment financings under its outstanding $1.0 million equipment financing agreement. The outstanding equipment financing agreement expires in April 2003, and requires the Company to comply with certain non-financial covenants. The Company also issued preferred stock warrants (see Note 5) in connection with equipment financings. At September 30, 2000, the net book value of equipment which secures the outstanding borrowings totals $1.7 million.

Future minimum payments under operating leases and equipment financings arrangements at December 31, 1999 are as follows (in thousands):

	EQUIPMENT FINANCINGS ARRANGEMENTS	OPERATING LEASES
Year Ended December 31,		
2000	$ 490	$ 502
2001	570	517
2002	229	532
2003	70	539
2004	--	543
Thereafter	--	941
	1,359	$3,574
Less unamortized discount	(32)	
Less current portion	(488)	
Long-term equipment obligations	$ 839	

Rent expense totaled $147,000, $271,000, and $453,000 during the years ended December 31, 1997, 1998 and 1999, respectively, and $391,000 for the nine months ended September 30, 2000.

9. 401(K) PLAN

The Company sponsors a 401(k) plan for the benefit of its employees. The Company does not presently match employee contributions to the plan.

10. NET LOSS PER SHARE

The calculation of basic and diluted loss per share and pro forma basic and diluted loss per share follows (in thousands, except share and per share data):

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998	1999	1999	2000
Net loss(A)	$ (3,288)	$ (5,446)	$ (6,947)	$ (4,502)	$ (8,472)
Weighted average outstanding common stock(B)	4,740,629	6,355,442	6,050,042	6,085,919	5,961,946
Basic and diluted net loss per share (A/B)	$ (0.69)	$ (0.86)	$ (1.15)	$ (0.74)	$ (1.42)
Pro forma (unaudited):					
Weighted average shares used above			6,050,042		5,961,946
Pro forma adjustment to reflect weighted effect of assumed conversion of redeemable convertible preferred stock			17,949,222		21,196,590
Pro forma weighted average shares outstanding(C)			23,999,264		27,158,536
Pro forma net loss per share (A/C)			$ (0.29)		$ (0.31)

Pro forma loss per share (unaudited) is computed by dividing net loss by the weighted average number of shares of common stock outstanding and the weighted average number of shares of convertible and redeemable preferred stock outstanding as if such shares were converted to common stock at the time of issuance.

11. BUSINESS ACQUISITION

On August 27, 1997, the Company acquired all of the outstanding stock of CellGenEx, Inc. for 2,999,910 shares of common stock, 526,300 shares of preferred Series A stock, and warrants to purchase 368,410 shares of Series A preferred stock of the Company (see Note 5) which were collectively valued at $1.2 million. Pursuant to an acquisition agreement between the Company and CellGenEx, Inc., the Company reserved 1,582,340 shares of common stock (Milestone Pool) for the Company's possible acquisition of new technology from the scientific founders of CellGenEx, Inc. This Milestone Pool will terminate if not used by December 31, 2003. The Company has determined that since the acquisition, 526,300 shares reserved under this agreement will not be issued because the related milestone requirements cannot be attained. At September 30, 2000, 1,056,040 shares of common stock remain in the Milestone Pool.

CellGenEx, Inc. was a development stage company focusing on treatment of human disease through activation of a patient's suppressed immune system. Upon its acquisition CellGenEx, Inc. was merged into the Company. The acquisition was accounted for using the purchase method of accounting. The purchase price was allocated as follows (in thousands):

Cash acquired	$ 437
Intangible assets	802
	$1,239

Management determined that all of the excess purchase price over tangible net assets acquired was attributable to intangible assets consisting mostly of a scientific team of four immunologists with significant experience and reputation in the field of immunology. The intangible assets are being amortized to expense on a straight-line basis over the estimated useful life of four years. Related amortization expense totaled $67,000, $201,000 and $200,000 during the years ended December 31, 1997, 1998, and 1999, respectively, and $150,000 during the nine months ended September 30, 2000.

The results of operations of CellGenEx, Inc. are included in the results of operations of the Company from the date of acquisition. The pro forma unaudited results of operations for the year ended December 31, 1997, assuming the purchase of CellGenEx, Inc. had been consummated as of January 1, 1997 follows (in thousands, except per share data):

	(UNAUDITED)
Revenues	$ 0
Net loss	$(3,361)
Basic and diluted net loss per share	$ (0.50)

XCYTE THERAPIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AS OF SEPTEMBER 30, 2000 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 2000 IS UNAUDITED)

12. SUBSEQUENT EVENTS (UNAUDITED)

INITIAL PUBLIC OFFERING

In December 2000, the Company's Board of Directors authorized the Company to file a Registration Statement with the Securities and Exchange Commission to permit the Company to proceed with an IPO of its common stock (the Offering). If the Company's Offering is consummated, all of the outstanding redeemable convertible preferred stock will be automatically converted into common stock. The unaudited pro forma stockholders' equity at September 30, 2000 has been adjusted for the conversion of outstanding redeemable convertible preferred stock and preferred stock warrants based on the outstanding number of shares of redeemable convertible preferred stock and preferred stock warrants at September 30, 2000.

SIGNIFICANT AGREEMENTS

In December 2000, the Company and the Fred Hutchinson Cancer Research Center amended the license agreement whereby the Company agreed to pay an additional $25,000 nonrefundable one-time license fee and to issue 150,000 shares of common stock to the Fred Hutchinson Cancer Research Center.

RESTATED CERTIFICATE OF INCORPORATION

Upon the completion of the IPO, the Company will amend and restate its Certificate of Incorporation to authorize the issuance of up to 100 million shares of common stock, par value $0.001 per share, and five million shares of preferred stock, par value $0.001 per share, the rights and preferences of which may be established from time to time by the Board of Directors.

MANUFACTURING FACILITY LEASE

In December 2000, the Company entered into an operating lease for its future manufacturing facility. The initial lease term expires in December 2010. The lease contains annual rent escalations of 4.5% and an option to renew the lease for two additional five-year periods. In addition to base rent, the Company is required to pay a pro rata share of the operating costs related to the leased space. Future minimum lease payments under the lease will be as follows (in thousands):

Year Ended December 31,	
2001	$ 810
2002	846
2003	885
2004	924
2005	965
Thereafter	5,500
	$9,930

The Company is required to provide additional security under the lease agreement totaling $435,000 in the form of cash. The Company also issued a warrant, with an expiration date of either the close of the IPO or December 7, 2005, to the lessor to purchase 80,000 shares of Series D preferred stock at an exercise price of $2.78 in connection with this lease.

XCYTE THERAPIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AS OF SEPTEMBER 30, 2000 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 2000 IS UNAUDITED)

1996 STOCK OPTION PLAN

Subsequent to September 30, 2000, the Company issued an additional 249,500 options at an exercise price of $0.40 per share and 29,500 options at an exercise price of $1.00 per share. The terms of the options were consistent with prior issuances. In November and December 2000, three executives elected to early exercise stock options for 513,819 shares of restricted common stock.

2000 STOCK OPTION PLAN

The 2000 Stock Option Plan (2000 Plan) provides for the grant of incentive stock options to employees (including employee directors) and nonstatutory stock options to employees, directors and consultants. The 2000 Plan was adopted by the Board of Directors in December 2000 and will be submitted for approval by the stockholders prior to the completion of the IPO. A total of 2.1 million shares of common stock has been reserved for issuance under the 2000 Plan. The number of shares reserved for issuance under the 2000 Plan will be subject to an automatic annual increase on the first day of each fiscal year beginning in 2002 and ending in 2008 equal to the lesser of 500,000 shares, 3% of our outstanding common stock on the last day of the immediately preceding fiscal year, or such lesser number of shares as the Board of Directors determines. With respect to options granted under the 2000 Plan, the plan administrator will determine the term of options, which may not exceed 10 years (or 5 years in the case of an incentive stock option granted to a holder of more than 10% of the total voting power of all classes of stock or a parent in a subsidiary's stock). In no event, may an employee receive awards for more than 1 million shares under the 2000 Plan in any fiscal year. Incentive stock options granted under the 2000 Plan must have an exercise price of at least 100% of the fair market value of the common stock on the date of grant, and not less that 110% of the fair market value in the case of incentive stock options granted to an employee who holds more that 10% of the total voting power of all classes of stock or any parent or subsidiary's stock.

2000 DIRECTOR'S STOCK OPTION PLAN

The 2000 Director's Stock Option Plan (2000 Directors' Plan) was adopted by the Board of Directors in December 2000 and will be submitted to the stockholders for approval prior to the closing of the IPO. A total of 400,000 shares of common stock has been reserved for issuance under the 2000 Directors' Plan. Under the 2000 Directors' Plan, each non-employee director who first becomes a non-employee director after the effective date of the plan will receive an automatic initial grant of an option to purchase 25,000 shares of common stock upon becoming a member of the Board of Directors. On the first day of each fiscal year, nonemployee directors will be granted an option to purchase 5,000 shares of common stock if, on such a date, the director has served on the Board of Directors for at least six months. The 2000 Directors' Plan provides that each option granted to a new director shall vest at the rate of 1/3 of the total number of shares subject to such option twelve months after the date of grant with the remaining shares vesting thereafter in equal monthly installments over the next two years so that the option will be fully vested after three years, and each annual option granted to a director shall vest in full at the end of one year. All options granted under the 2000 Directors' Plan will have a term of 10 years and an exercise price equal to the fair market value on the date of the grant.

2000 EMPLOYEE STOCK PURCHASE PLAN

The 2000 Employee Stock Purchase Plan (2000 Employee Plan) was adopted by the Board of Directors in December 2000 and will be submitted to the stockholders for approval prior to the closing of

the IPO. A total of 600,000 shares of common stock has been reserved for issuance under the 2000 Employee Plan, none of which have been issued. The number of shares reserved for issuance under the 2000 Employee Plan will be increased on the first day of each of the fiscal years in 2002 to 2008 by the lesser of 300,000 shares; 1% of our outstanding common stock on the last day of the immediately preceding fiscal year; or the number of shares determined by the Board of Directors. Unless terminated earlier by the Board of Directors, the 2000 Employee Plan will terminate in December 2010.

SHARES

[XCYTE LOGO]

COMMON STOCK

PROSPECTUS

SG COWEN
U.S. BANCORP PIPER JAFFRAY
DAIN RAUSCHER WESSELS
FIRST SECURITY VAN KASPER

, 2001

>PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee, the NASD filing fee and the Nasdaq National Market listing fee.

	AMOUNT TO BE PAID
SEC registration fee	$ 22,770
NASD filing fee	9,125
Nasdaq National Market listing fee	1,000
Printing and engraving expenses	175,000
Legal fees and expenses	400,000
Accounting fees and expenses	425,000
Blue Sky qualification fees and expenses	5,000
Transfer Agent and Registrar fees	15,000
Miscellaneous fees and expenses	247,105
Total	$1,300,000

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* To be filed by amendment

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's Board of Directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act of 1933, as amended. Article nine of our certificate of incorporation, Exhibit 3.2, and Article VI of our bylaws, Exhibit 3.3, provide for indemnification of our directors, officers, employees and other agents to the maximum extent permitted under the laws of Delaware. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for:

- breach of their duty of loyalty to the corporation or its stockholders;

- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

- unlawful payments of dividends or unlawful stock repurchases or redemptions; and

- any transaction from which the director derived an improper personal benefit.

In addition, we have entered into indemnification agreements, Exhibit 10.1, with our officers and directors. The underwriting agreement, Exhibit 1.1, also provides for cross-indemnification among us, and the underwriters with respect to certain matters, including matters arising under the Securities Act. We maintain directors' and officers' liability insurance.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Since December 1, 1997, we have sold and issued the following securities:

1. As of November 30, 2000, we granted and issued options to purchase 1,218,686 shares of our common stock with a weighted average price of $0.20 to a number of our employees, directors and

consultants pursuant to our 1996 stock incentive compensation plan. Among those receiving options were Ronald J. Berenson, Mark Bonyhadi, Kathi Cordova, Stewart Craig, Jean Deleage, Peter Langecker, Dawn McCracken and Robert Williams.

2. As of November 30, 2000, we have issued an aggregate of 743,335 shares of our common stock to executive officers, directors and employees upon the exercise of stock options granted pursuant to our 1996 stock incentive compensation plan with an aggregate exercise price of $230,143. Among those that we have issued shares to were Ronald J. Berenson, Kathi Cordova and Dawn McCracken.

3. In July 1998, we granted and issued a warrant with an expiration date of July 8, 2003, to purchase 194,500 shares of Series B Preferred Stock at an exercise price of $1.10 per share to Genetics Institute, Inc. in connection with a license agreement.

4. In July 1998, we issued 7,185,630 shares of Series C Preferred Stock to investors, including but not limited to Alta Partners, ARCH Venture Corporation, entities affiliated with Sprout Group and entities affiliated with Tredegar Investments for an aggregate cash consideration of $12,000,000.

5. In July 1999, we granted and issued a warrant with an expiration date of either the closing of this offering or July 1, 2006, to purchase 12,315 shares of Series C Preferred Stock at an exercise price of $1.67 per share to Phoenix Leasing Incorporated and Robert Kingsbrook, in connection with an equipment lease line.

6. In January 2000, we granted and issued a warrant with an expiration date of January 10, 2007, to purchase 14,371 shares of Series C Preferred Stock at an exercise price of $1.67 per share to General Electric Capital Corporation, in connection with an equipment lease line.

7. In May and August 2000, we issued 10,109,825 shares of our Series D Preferred Stock to investors, including but not limited to Alta Partners, ARCH Venture Corporation, MPM Asset Management LLC, entities affiliated with Sprout Group and Tredegar Investments for an aggregate cash consideration of $28,105,314.

8. In August 2000, we granted and issued warrants with an expiration date of either the closing of this offering or August 8, 2005, to purchase an aggregate of 1,132,287 shares of common stock at an exercise price of $0.30 per share to our Series D investors, in connection with our Series D financing.

9. In December 2000, we granted and issued a warrant with an expiration date of either the closing of this offering or December 7, 2005, to purchase 80,000 shares of Series D Preferred Stock at an exercise price of $2.78 to Hibbs/Woodinville Associates, LLC in connection with a lease.

10. In December 2000, we issued 150,000 shares of our common stock to the Fred Hutchinson Cancer Research Center in connection with a license agreement.

The issuances of the above securities were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) or Regulation D, or other applicable exemption of such Securities Act as transactions by an issuer not involving any public offering. In addition, certain issuances described in Items 1 and 2 were deemed exempt from registration under the Securities Act in reliance upon Rule 701 promulgated under the Securities Act. The recipients of securities in each such transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and warrants issued in such transactions. All recipients had adequate access, through their relationships with us, to information about us.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
1.1*	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation of Xcyte Therapies, Inc.
3.2	Form of Amended and Restated Certificate of Incorporation of Xcyte Therapies, Inc. to be filed and effective upon completion of this offering.
3.3	Amended and Restated Bylaws of Xcyte Therapies, Inc.
4.1*	Form of Xcyte Therapies, Inc. Stock Certificate.
5.1*	Opinion of Venture Law Group, A Professional Corporation.
10.1	Form of Indemnification Agreement between Xcyte Therapies and each of its Officers and Directors.
10.2	Series D Preferred Stock Purchase Agreement dated May 25, 2000.
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10.26+	License Agreement dated July 30, 1999 between Xcyte Therapies, Inc. and Genecraft LLC.
16.1	Letter from PricewaterhouseCoopers LLP Regarding Change in Accountants.

EXHIBIT NUMBER	DESCRIPTION
23.1	Consent of Ernst & Young LLP Independent Auditors.
23.2	Consent of PricewaterhouseCoopers LLP, Independent Accountants.
23.3*	Consent of Venture Law Group (included in Exhibit 5.1).
24.1	Power of Attorney (see page II-4).
27.1	Financial Data Schedule.

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* To be supplied by amendment.

+ Certain information in these exhibits has been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under 17 C.F.R. Sections 200.80(b)(4), 200.83 and 230.406.

(b) FINANCIAL STATEMENT SCHEDULES

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

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Seattle, State of Washington on December 22, 2000.

XCYTE THERAPIES, INC.

By: /s/ RONALD. J. BERENSON

Ronald J. Berenson, M.D.
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints, jointly and severally, Ronald J. Berenson and Kathi L. Cordova, and each of them, as his attorney-in-fact, with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Registration Statement (including post-effective amendments), and any and all Registration Statements filed pursuant to Rule 462 under the Securities Act of 1933, as amended, in connection with or related to the offering contemplated by this Registration Statement and its amendments, if any, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorney to any and all amendments to said Registration Statement.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ RONALD J. BERENSON Ronald J. Berenson, M.D.	President and Chief Executive Officer (Principal Executive Officer)	December 22, 2000
/s/ KATHI L. CORDOVA Kathi L. Cordova	Vice President of Finance (Principal Financial and Accounting Officer)	December 22, 2000
/s/ ROBERT E. CURRY Robert E. Curry, Ph.D.	Director	December 22, 2000
/s/ JEAN DELEAGE Jean Deleage, Ph.D.	Director	December 22, 2000
/s/ PETER LANGECKER Peter Langecker, M.D., Ph.D.	Director	December 22, 2000
/s/ ROBERT T. NELSEN Robert T. Nelsen	Director	December 22, 2000
/s/ MICHAEL STEINMETZ Michael Steinmetz, Ph.D.	Director	December 22, 2000
/s/ ROBERT M. WILLIAMS Robert M. Williams, Ph.D.	Director	December 22, 2000

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
1.1*	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation of Xcyte Therapies, Inc.
3.2	Form of Amended and Restated Certificate of Incorporation of Xcyte Therapies, Inc. to be filed and effective upon completion of this offering.
3.3	Amended and Restated Bylaws of Xcyte Therapies, Inc.
4.1*	Form of Xcyte Therapies, Inc. Stock Certificate.
5.1*	Opinion of Venture Law Group, A Professional Corporation.
10.1	Form of Indemnification Agreement between Xcyte Therapies and each of its Officers and Directors.
10.2	Series D Preferred Stock Purchase Agreement dated May 25, 2000.
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23.1	Consent of Ernst & Young LLP, Independent Auditors.
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EXHIBIT NUMBER	DESCRIPTION
23.3*	Consent of Venture Law Group (included in Exhibit 5.1).
24.1	Power of Attorney (see page II-4).
27.1	Financial Data Schedule.

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* To be supplied by amendment.

+ Certain information in these exhibits has been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under 17 C.F.R. Sections 200.80(b)(4), 200.83 and 230.406..

EXHIBIT 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF XCYTE THERAPIES, INC.

Xcyte Therapies, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

A. The name of the corporation is Xcyte Therapies, Inc. The corporation was originally incorporated under the name MolecuRx, Inc. and the original Certificate of Incorporation of the corporation was filed with the Delaware Secretary of State on January 5, 1996.

B. Pursuant to Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware, this Amended and Restated Certificate of Incorporation restates and amends the provisions of the Certificate of Incorporation of this corporation.

C. The text of the Certificate of Incorporation is hereby amended and restated in its entirety to read as follows:

ONE. The name of this corporation is Xcyte Therapies, Inc.

TWO. The address of the corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Zip Code 19801. The name of its registered agent at such address is The Corporation Trust Company.

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

FOUR. The corporation is authorized to issue two classes of stock to be designated Common Stock and Preferred Stock. The total number of shares of Common Stock which this corporation has authority to issue is 60,000,000 with par value of $.001 per share. The total number of shares of Preferred Stock which this corporation has authority to issue is 28,909,976 with par value of $.001 per share, of which 7,300,080 shares are designated as Series A Preferred Stock ("Series A Preferred"), 4,097,580 shares are designated as Series B Preferred Stock ("Series B Preferred") and 7,212,316 shares are designated as Series C Preferred Stock ("Series C Preferred") and 10,300,000

shares are designated as Series D Preferred Stock ("Series D Preferred" and collectively the "Preferred Stock").

The rights, preferences, privileges and restrictions granted to or imposed on the respective classes of the shares of capital stock or the holders thereof are as follows:

1. Dividends. The holders of the Series A Preferred, Series B Preferred, Series C Preferred and Series D Preferred Stock shall be entitled to receive dividends out of assets of the corporation legally available therefor at the rate of $0.076, $0.088, $0.1336 and $0.2224 per share per annum, respectively, subject to adjustment for stock dividends, combinations, splits, recapitalizations or other adjustments payable in cash, however, such dividends shall not be cumulative, and no right shall accrue to holders of the Common Stock or Preferred Stock by reason of the fact that dividends on said shares are not declared in any prior period. Dividends on the Preferred Stock, when and if declared by the Board of Directors, shall be payable in preference and prior to any payment of any dividend on the Common Stock of the corporation. Thereafter, the holders of Preferred Stock and Common Stock shall be entitled, when and if declared by the Board of Directors, to dividends out of the corporation's assets legally available therefor; provided, however, that no such dividends may be declared or paid on any shares of Common Stock or Preferred Stock unless at the same time an equivalent dividend is declared and paid on all outstanding shares of Common Stock and Preferred Stock; and provided further that the dividend on any series of any Preferred Stock shall be payable at the same rate per share as would be payable on the shares of Common Stock or other securities into which such series of Preferred Stock is convertible immediately prior to the record date for such dividend.

2. Liquidation Preference.

2.1 Preference. In the event of any liquidation, dissolution or winding up of the corporation, either voluntarily or involuntarily, the holders of Series A Preferred, Series B Preferred, Series C Preferred and Series D Preferred shall be entitled to receive prior and in preference to any distribution of any of the assets or surplus funds of the corporation to the holders of Common Stock of the corporation by reason of their ownership thereof, $0.95, $1.10, $1.67 and $2.78 per share, respectively for each share of Series A Preferred, Series B Preferred, Series C Preferred or Series D Preferred then so held, plus a further amount equal to any declared but unpaid dividends on such shares (the "Preferred Preference" for each respective series). After the distributions to the holders of Preferred Stock have been made, the remaining assets of the corporation available for distribution to stockholders shall be distributed pro rata among the holders of Common Stock and the Preferred Stock, on an as converted basis, until the holders of Series A Preferred have received an aggregate of $1.90 per share, not including the Preferred Preference, the holders of Series B Preferred have received an aggregate of $2.20 per share, not including the Preferred Preference, the holders of Series C Preferred have received an aggregate of $3.34 per share, not including the Preferred Preference and the holders of Series D Preferred have received an aggregate of $5.56 per share, not including the Preferred Preference (each of such participation amount, the "Participation Amount," and together with the Preferred Preference, the "Liquidation Preference Amount"). After such

additional distributions are made to holders of Preferred Stock, the remaining assets of the corporation legally available for distribution shall be distributed ratably among the holders of Common Stock.

2.1.1 If, upon such liquidation, dissolution or winding up of the corporation, the assets of the corporation are insufficient to provide for the cash payment of the full preference due hereunder, such assets as are legally available shall be distributed ratably among the holders of Preferred Stock in proportion to the Preferred Preference that each such holder is otherwise entitled to receive.

2.1.2 Notwithstanding the foregoing, if, upon any liquidation, dissolution or winding up of the corporation, the holders of the outstanding shares of Preferred Stock would receive more than the Liquidation Preference Amount in the event all of their shares were converted into shares of Common Stock immediately prior to the record date for distributions in connection with such liquidation, dissolution or winding up of the corporation, then each holder of an outstanding share of Preferred Stock shall receive, upon delivery of shares of Preferred Stock held by such holder for conversion pursuant to Section 5 below and in lieu of the Liquidation Preference Amount, the number of shares of Common Stock into which each such share of Preferred Stock is then convertible in accordance with the terms hereof, before any amount shall be paid or distributed to the holders of Common Stock or of any other stock ranking on liquidation junior to the Preferred Stock, and thereafter shall share ratably with the holders of Common Stock and any other stock ranking on liquidation junior to the Preferred Stock in the assets available for distribution. The provisions of this paragraph shall not in any way limit the right of the holders of Preferred Stock to elect to convert their shares of Preferred Stock into shares of Common Stock pursuant to Section 5 prior to or in connection with any liquidation, dissolution or winding up of the corporation.

2.2 Extraordinary Transactions.

2.2.1 An "Extraordinary Transaction" shall be any merger, consolidation or sale of all or substantially all of the assets of the corporation in which the corporation's stockholders immediately prior to such transaction, or series of related transactions, possess less than 50% of the voting power of the surviving, continuing or purchasing entity (or parent, if any) immediately after the transaction or series of related transactions.

2.2.2 In connection with an Extraordinary Transaction, the holder(s) of not less than a majority of the outstanding Preferred Stock (the "Preferred Election"), may elect to redeem all (but not less than all) of the outstanding shares of Preferred Stock held by each holder of Preferred Stock on the effective date of such Extraordinary Transaction for an amount per share equal to the Liquidation Preference Amount, such Liquidation Preference Amount to be payable in cash or securities based on the valuation determined in accordance with Section 2.2.5.

2.2.3 Notwithstanding the foregoing, if in connection with any Extraordinary Transaction, the holders of the outstanding shares of Preferred Stock would receive

more than the Liquidation Preference Amount if their shares were converted into shares of Common Stock immediately prior to such Extraordinary Transaction, then each holder of an outstanding share of Preferred Stock shall receive, upon delivery of shares of Preferred Stock held by such holder for conversion and in lieu of the Liquidation Preference Amount, the number of shares of Common Stock into which each such share of Preferred Stock is then convertible in accordance with the terms hereof, before any amount shall be paid or distributed to the holders of Common Stock or of any other stock ranking on liquidation junior to the Preferred Stock, and thereafter shall share ratably with the holders of Common Stock and any other stock ranking on liquidation junior to the Preferred Stock in the proceeds of such Extraordinary Transaction.

2.2.4 If, in connection with an Extraordinary Transaction, the Preferred Election is made and the shares of the Preferred Stock are to be redeemed pursuant to subsection 2.2.2 above, the holders of not less than a majority of the outstanding Common Stock may elect to redeem all (but not less than all) of the outstanding shares of Common Stock held by each holder of Common Stock on the effective date of such Extraordinary Transaction. Upon such election and after the payment of the Preferred Preference to the holders of the Preferred Stock pursuant to subsection 2.2.2 above, the corporation shall redeem such shares of Common Stock and the holders of the Common Stock shall share ratably in the proceeds of the Extraordinary Transaction with the holders of the Preferred Stock until such holders of Preferred Stock have received in aggregate their applicable Liquidation Preference Amount, after which time, the remaining proceeds of the Extraordinary Transaction shall be distributed ratably among the holders of the Common Stock.

2.2.5 Valuation of Consideration. In the event of a Extraordinary Transaction, if the consideration received by the corporation is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

(i) If traded on a securities exchange or The Nasdaq Stock Market, the value shall be based on a formula approved by the Board of Directors and derived from the closing prices of the securities on such exchange or Nasdaq over a specified time period;

(ii) If actively traded over-the-counter, the value shall be based on a formula approved by the Board of Directors and derived from the closing prices of the securities on such exchange or Nasdaq over a specified time period; and

(iii) If there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board of Directors.

2.2.6 Notice of Transaction. In the event of an Extraordinary Transaction, the corporation shall give each holder of record of Series A Preferred, Series B Preferred, Series C Preferred or Series D Preferred written notice of such impending transaction not later than ten (10) days prior to the stockholders' meeting called to approve such transaction, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Section 2, and the corporation

shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after the corporation has given the first notice provided for herein or sooner than ten (10) days after the corporation has given notice of any material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of Preferred Stock that are entitled to such notice rights or similar notice rights and that represent at least a majority of the voting power of all then outstanding shares of such Preferred Stock. Each holder of shares to be redeemed pursuant to this Section 2.2 shall surrender its certificate or certificates representing such shares to the corporation, in the manner and at the place designated by the corporation, and thereupon the redemption price of such shares shall be payable to the order of the person or entity whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall thereafter be canceled. In the event less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing such unredeemed shares. Upon redemption, all rights of the holders of such shares of the corporation (except the right to receive the redemption price without interest upon surrender of their certificate or certificates) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of the corporation or be deemed to be outstanding for any purpose whatsoever.

2.2.7 Insufficient Funds. If the funds of the corporation legally available for redemption pursuant to this Section 2.2 are insufficient to redeem the total number of shares entitled to be redeemed, those funds which are legally available will be used to redeem the shares ratably among the holders entitled to redemption pursuant to this Section 2.2. At any time thereafter when additional funds of the corporation are legally available for the redemption of the entitled shares, such funds will be immediately used to redeem the balance of the shares which the corporation became obligated to redeem pursuant to Section 2.2 but which it has not redeemed.

2.2.8 Effect of Noncompliance. In the event the requirements of this Section 2.2 are not complied with, the corporation shall forthwith either cause the closing of the transaction to be postponed until such requirements have been complied with, or cancel such transaction, in which event the rights, preferences and privileges of the holders of the Series A Preferred, Series B Preferred, Series C Preferred and Series D Preferred shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in Section 2.2.6 hereof.

3. Redemption Rights.

3.1 Redemption at the Holders' Option. The Preferred Stock shall be redeemable in whole or in part at the option of the holders of a majority of the outstanding shares of Preferred Stock at any time and from time to time after June 30, 2002. Such redemption right may be exercised by giving no less than one hundred twenty (120) days notice by certified or registered mail, postage prepaid to the corporation at its principal office, attention to the president, prior to the date of commencement of such redemption (the "Redemption Date"). After receipt of such notice of

a redemption pursuant to this Section 3.1, the corporation shall, to the extent it may lawfully do so and to the extent such redemption will not be violative of senior lending covenants, redeem all of the outstanding shares of Preferred Stock in eight equal installments on the last day of each calendar quarter (commencing with the first calendar quarter ending after the one hundred twenty (120) day notice period). The redemption price of the Series A Preferred, Series B Preferred, Series C Preferred and Series D Preferred shall be $0.95, $1.10, $1.67 and $2.78 per share, respectively, (as adjusted for any stock dividends, combinations or splits) plus any declared but unpaid dividends ("Redemption Price"). Any redemption of only a part of the outstanding Preferred Stock by the corporation pursuant to this Section 3 shall be pro rata as among all holders of Preferred Stock.

3.2 Notice Regarding Redemption. At least thirty (30) but no more than sixty (60) days prior to any Redemption Date, written notice shall be mailed, postage prepaid, to each holder of record (determined at the close of business on the business day next preceding the day on which notice is given) of Preferred Stock to be redeemed, at such holder's post office address last shown on the records of the corporation, notifying such holder of the redemption of such shares, specifying the Redemption Date, the Redemption Price and the date on which such holder's Conversion Rights (as hereinafter defined) as to such shares terminate (such Conversion Rights to expire no later than the close of business on the Redemption Date) and calling upon such holder to surrender to the corporation, in the manner and at the place designated in the continental United States, its certificate or certificates representing the shares to be redeemed (such notice is hereinafter referred to as the "Redemption Notice"). Unless such holder elects to convert its shares in accordance with Section 5 prior to or on the Redemption Date, each holder of shares of Preferred Stock to be redeemed shall surrender its certificate or certificates representing such shares to the corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price of such shares shall be payable to the order of the person or entity whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall thereafter be canceled. In the event less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing such unredeemed shares. If, prior to or on the Redemption Date, the funds necessary for such redemption shall have been set aside by the corporation and deposited with a bank or trust company, for the benefit of the holders of shares of Preferred Stock whose shares are being redeemed, then from and after the close of business on the Redemption Date, all rights of the holders of such shares of Preferred Stock of the corporation (except the right to receive the Redemption Price without interest upon surrender of their certificate or certificates) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of the corporation or be deemed to be outstanding for any purpose whatsoever.

3.3 Trust Fund. On or prior to the Redemption Date, the corporation shall deposit the Redemption Price of all shares of Preferred Stock designated for redemption in the Redemption Notice and not yet redeemed or converted with a bank or trust company, having an aggregate capital surplus in excess of $100 million, as a trust fund for the benefit of the respective holders of the shares designated for redemption and not yet redeemed or converted. Any monies deposited by the corporation pursuant to this Section 3.3 for the redemption of shares thereafter converted into shares

of Common Stock pursuant to Section 5 hereof no later than the close of business on the Redemption Date shall be returned to the corporation forthwith upon such conversion. The balance of any monies deposited by the corporation pursuant to this Section 3.3 remaining unclaimed at the expiration of one (1) year following the Redemption Date shall thereafter be returned to the corporation upon its request expressed in a resolution of the board of directors of the corporation, provided that the stockholder to which such monies would be payable hereunder shall be entitled, upon surrender of his certificates representing such shares of Preferred Stock to the corporation, to receive such monies but without interest from the Redemption Date.

3.4 Insufficient Funds. If the funds of the corporation legally available for redemption of Preferred Stock on any Redemption Date are insufficient to redeem the total number of shares of Preferred Stock to be redeemed on such date, those funds which are legally available will be used to redeem the shares of Preferred Stock ratably among the holders in accordance with the last sentence of Section 3.1. At any time thereafter when additional funds of the corporation are legally available for the redemption of Preferred Stock, such funds will be immediately used to redeem the balance of the shares of Preferred Stock which the corporation became obligated to redeem on such Redemption Date but which it has not redeemed.

4. Voting Rights.

4.1 Preferred Stock. Except as otherwise provided herein or required by law, the holders of each share of Preferred Stock shall be entitled to vote on all matters and shall be entitled to the number of votes equal to the number of shares of Common Stock into which each share of Preferred Stock could be converted pursuant to Section 5 hereof at the record date for the determination of the stockholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken. Except as otherwise provided herein or required by law, the Preferred Stock shall have voting rights and powers equal to the voting rights and powers of the Common Stock. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula shall be rounded to the nearest whole number (with one-half rounded upward to one).

4.2 Election of Directors. The holders of a majority of the Series A Preferred Stock, voting as a separate class, shall be entitled to elect two (2) members of the corporation's board of directors. The holders of a majority of the Series B Preferred Stock, voting as a separate class, shall be entitled to elect one (1) member of the corporation's Board of Directors. The holders of a majority of the Series C Preferred Stock, voting as a separate class, shall be entitled to elect one (1) member of the corporation's Board of Directors. The holders of a majority of the Series D Preferred Stock, voting as a separate class, shall be entitled to elect one (1) member of the corporation's Board of Directors. The holders of Common Stock, voting as a separate class, shall elect two (2) members of the corporation's board of directors. The holders of a majority of the Preferred Stock and a majority of the Common Stock shall jointly elect one (1) member of the corporation's Board of Directors with relevant industry experience. In the event the size of the Board of Directors is increased, the holders of Common Stock and Preferred Stock, voting together

as a class, shall elect the remaining directors. In the case of any vacancy in the office of a director elected by a specific class or series of capital stock, a successor shall be elected to hold office for the unexpired term of such director by the affirmative vote of a majority of the shares of such class or series given at a special meeting of such stockholders duly called or by an action by written consent for that purpose. Any director who shall have been elected by a specified group of stockholders may be removed during the aforesaid term of office, either for or without cause, by, and only by, the affirmative vote of the holders of a majority of the shares of such class or series, given at a special meeting of such stockholders duly called or by an action by written consent for that purpose and any such vacancy thereby created may be filled by the vote of the holders of a majority of the shares of such series or class of capital stock represented at such meeting or in such consent.

4.3 Common Stock. Each holder of shares of Common Stock shall be entitled to one vote for each share thereof held.

4.4 Election by Ballot. The election of directors need not be by written ballot unless the Bylaws of the corporation shall so provide.

5. Conversion. The holders of Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

5.1 Right to Convert. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the corporation or any transfer agent for the Preferred Stock. Each share of Preferred Stock shall be convertible into the number of shares of Common Stock which results from dividing the "Conversion Price" per share in effect for such series of Preferred Stock at the time of conversion into the "Conversion Value" per share of such series of Preferred Stock. The number of shares of Common Stock into which each series of Preferred Stock is convertible is hereinafter referred to as the "Conversion Rate" for such series of Preferred Stock. The Conversion Price per share of Series A Preferred shall be $0.95, the Conversion Price per share of the Series B Preferred shall be $1.10, the Conversion Price per share of the Series C Preferred shall be $1.67 and the Conversion Price per share of the Series D Preferred shall be $2.78. The Conversion Value per share of Series A Preferred shall be $0.95, the Conversion Value per share of Series B Preferred shall be $1.10, the Conversion Value per share of the Series C Preferred shall be $1.67 and the Conversion Value per share of the Series D Preferred shall be $2.78. The Conversion Price of each series of Preferred Stock shall be subject to adjustment as hereinafter provided.

5.2 Automatic Conversion. Each share of Preferred Stock shall automatically be converted into shares of Common Stock at the then effective Conversion Rate immediately upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering any of the corporation's securities (as that term is defined under the Securities Act of 1933, as then in effect) with a per share public offering price (as adjusted for combinations, stock dividends, subdivisions or split-ups) of at least $4.00 (before deduction of underwriting commissions, discounts and expenses) and with aggregate gross proceeds

to the corporation, at the public offering price, of at least $20,000,000. Upon any conversion (automatic or otherwise) any declared but unpaid dividends shall be paid in accordance with Section 5.3 herein.

5.3 Mechanics of Conversion. Before any holder of Preferred Stock shall be entitled to convert such shares into shares of Common Stock, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the corporation or of any transfer agent for such Preferred Stock and shall give written notice to the corporation at such office that it elects to convert the same. The corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Preferred Stock a certificate or certificates for the number of shares of Common Stock to which it shall be entitled as aforesaid and any declared but unpaid dividends on the Preferred Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

5.4 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the corporation shall pay cash equal to such fraction multiplied by the applicable Conversion Price.

5.5 Adjustment of Conversion Price. The Conversion Price of each series of Preferred Stock shall be subject to adjustment from time to time as follows:

5.5.1 If the corporation shall issue any Common Stock or convertible securities other than "Excluded Stock" (as defined below) for a consideration per share less than the Conversion Price of any series of Preferred Stock in effect immediately prior to the issuance of such Common Stock (excluding stock dividends, subdivisions, split-ups, combinations, dividends or recapitalizations which are covered by Sections 5.5.3, 5.5.4, 5.5.5 and 5.5.6), the Conversion Price for such series of Preferred Stock in effect after each such issuance shall thereafter (except as provided in this Section 5.5) be adjusted to a price equal to the quotient obtained by dividing:

(1) an amount equal to the sum of

(x) the total number of shares of Common Stock outstanding (including any shares of Common Stock issuable upon conversion of the Preferred Stock, or deemed to have been issued pursuant to subdivision (iii) of this clause 5.5.1 and to clause 5.5.2 below) immediately prior to such issuance multiplied by the Conversion Price in effect immediately prior to such issuance, plus

(y) the consideration received by the corporation upon such issuance, by

(2) the total number of shares of Common Stock outstanding (including any shares of Common Stock issuable upon conversion of the Preferred Stock or deemed to have been issued pursuant to subdivision (iii) of this clause 5.5.1 and to clause 5.5.2 below) immediately prior to such issuance plus the additional shares of Common Stock issued in such issuance (but not including any additional shares of Common Stock deemed to be issued as a result of any adjustment in the Conversion Price of any series of Preferred Stock resulting from such issuance).

For purposes of any adjustment of the Conversion Price of any series of Preferred Stock pursuant to this clause 5.5.1, the following provisions shall be applicable:

(i) In the case of the issuance of Common Stock for cash, the consideration shall be deemed to be the amount of cash paid therefor after deducting any discounts or commissions paid or incurred by the corporation in connection with the issuance and sale thereof.

(ii) In the case of the issuance of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined by the board of directors of the corporation, in accordance with generally accepted accounting treatment; provided, however, that if, at the time of such determination, the corporation's Common Stock is traded in the over-the-counter market or on a national or regional securities exchange, such fair market value as determined by the board of directors of the corporation shall not exceed the aggregate "Current Market Price" (as defined below) of the shares of Common Stock being issued.

(iii) In the case of the issuance of: (i) options to purchase or rights to subscribe for Common Stock (other than Excluded Stock), (ii) securities by their terms convertible into or exchangeable for Common Stock (other than Excluded Stock), or (iii) options to purchase or rights to subscribe for such convertible or exchangeable securities:

(A) the aggregate maximum number of shares of Common Stock deliverable upon exercise of such options to purchase or rights to subscribe for Common Stock shall be deemed to have been issued at the time such options or rights were issued and for a consideration equal to the consideration (determined in the manner provided in subdivisions (1) and (2) above), if any, received by the corporation upon the issuance of such options or rights plus the minimum purchase price provided in such options or rights for the Common Stock covered thereby;

(B) the aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable securities or upon the exercise of options to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof, shall be deemed to have been issued at the time such securities were issued or such options or rights were

issued and for a consideration equal to the consideration received by the corporation for any such securities and related options or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by the corporation upon the conversion or exchange of such securities or the exercise of any related options or rights (the consideration in each case to be determined in the manner provided in subdivisions (1) and (2) above);

(C) on any change in the number of shares of Common Stock deliverable upon exercise of any such options or rights or conversion of or exchange for such convertible or exchangeable securities, or on any change in the minimum purchase price of such options, rights or securities, other than a change resulting from the antidilution provisions of such options, rights or securities, the Conversion Price shall forthwith be readjusted to such Conversion Price as would have obtained had the adjustment made upon (x) the issuance of such options, rights or securities not exercised, converted or exchanged prior to such change, as the case may be, been made upon the basis of such change or (y) the options or rights related to such securities not converted or exchanged prior to such change, as the case may be, been made upon the basis of such change; and

(D) on the expiration of any such options or rights, the termination of any such rights to convert or exchange or the expiration of any options or rights related to such convertible or exchangeable securities, the Conversion Price shall forthwith be readjusted to such Conversion Price as would have obtained had the adjustment made upon the issuance of such options, rights, convertible or exchangeable securities or options or rights related to such convertible or exchangeable securities, as the case may be, been made upon the basis of the issuance of only the number of shares of Common Stock actually issued upon the exercise of such options or rights, upon the conversion or exchange of such convertible or exchangeable securities or upon the exercise of the options or rights related to such convertible or exchangeable securities, as the case may be.

5.5.2 "Excluded Stock" shall mean:

(a) all shares of Common Stock and Preferred Stock issued and outstanding on the date hereof;

(b) all shares of Common Stock into which the shares of Preferred Stock are convertible;

(c) all shares of Common Stock or other securities, or options or warrants to purchase Common Stock or any such other securities, issuable to employees, officers, consultants or directors of, or licensors of technology to, the corporation, under any agreement, arrangement or plan, including any incentive stock plan, approved by the Board of Directors of the corporation;

(d) all shares of Common Stock issuable pursuant to the exercise of options, warrants or convertible securities outstanding as of the date this Certificate of Incorporation is filed with the Secretary of State of the State of Delaware;

(e) all shares of Common Stock or other securities, or options or warrants to purchase Common Stock or any such other securities, issued in connection with the corporation's Series D Preferred Stock financing or issuable pursuant to such securities; and

(f) all shares of Common Stock or other securities, or options or warrants to purchase Common Stock or any such other securities, issuable to landlords, financial institutions or lessors in connection with office leases, commercial credit arrangements, equipment financings or similar transactions.

All outstanding shares of Excluded Stock (including any shares issuable upon conversion of the Preferred Stock but excluding shares reserved for issuance for option plans for which options have not yet been granted) shall be deemed to be outstanding for all purposes of the computations of Section 5.5.1 above.

5.5.3 If the number of shares of Common Stock outstanding at any time after the date hereof is increased by a stock dividend payable in shares of Common Stock or by a subdivision or split-up of shares of Common Stock, then, on the date such payment is made or such change is effective, the Conversion Price for each series of Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of any shares of the Preferred Stock shall be increased in proportion to such increase of outstanding shares.

5.5.4 If the number of shares of Common Stock outstanding at any time after the date hereof is decreased by a combination of the outstanding shares of Common Stock, then, on the effective date of such combination, the Conversion Price for each series of Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of shares of the Preferred Stock shall be decreased in proportion to such decrease in outstanding shares.

5.5.5 In case the corporation shall declare a cash dividend upon its Common Stock payable otherwise than out of retained earnings or shall distribute to holders of its Common Stock shares of its capital stock (other than Common Stock), stock or other securities of other persons, evidences of indebtedness issued by the corporation or other persons, assets (excluding cash dividends) or options or rights (excluding options to purchase and rights to subscribe for Common Stock or other securities of the corporation convertible into or exchangeable for Common Stock), then, in each such case, immediately following the record date fixed for the determination of the holders of Common Stock entitled to receive such dividend or distribution, the Conversion Price for each series of Preferred Stock in effect thereafter shall be determined by multiplying the Conversion Price for such series of Preferred Stock in effect immediately prior to such record date by a fraction of which the numerator shall be an amount equal to the remainder of (x) the Current Market Price of

one share of Common Stock less (y) the amount of such cash dividend in respect of one share of Common Stock or the fair market value (as determined by the Board of Directors, whose determination shall be conclusive) of the stock, securities, evidences or indebtedness, assets, options or rights so distributed in respect of one share of Common Stock, as the case may be, and of which the denominator shall be the Current Market Price of one share of Common Stock. Such adjustment shall be made on the date such dividend or distribution is made, and shall become effective at the opening of business on the business day next following the record date for the determination of stockholders entitled to such dividend or distribution.

5.5.6 In case, at any time after the date hereof, of any capital reorganization, or any reclassification of the stock of the corporation (other than a change in par value or as a result of a stock dividend or subdivision, split-up or combination of shares), or the consolidation or merger of the corporation with or into another person (other than a consolidation or merger in which the corporation is the continuing entity and which does not result in any change in the Common Stock), or of the sale or other disposition of all or substantially all the properties and assets of the corporation as an entirety to any other person, the shares of Preferred Stock shall, after such reorganization, reclassification, consolidation, merger, sale or other disposition, be convertible into the kind and number of shares of stock or other securities or property of the corporation or of the entity resulting from such consolidation or surviving such merger or to which such properties and assets shall have been sold or otherwise disposed to which such holder would have been entitled if immediately prior to such reorganization, reclassification, consolidation, merger, sale or other disposition he had converted his shares of Preferred Stock into Common Stock. The provisions of this Section 5.5.4 shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales or other dispositions.

5.5.7 All calculations under this Section 5 shall be made to the nearest cent or to the nearest one hundredth (1/100) of a share, as the case may be.

5.5.8 For the purpose of any computation pursuant to this Section 5.5, the "Current Market Price" at any date of one share of Common Stock, shall be deemed to be the average of the highest reported bid and the lowest reported offer prices on the preceding business day as furnished by the National Quotation Bureau, Incorporated (or equivalent recognized source of quotations); provided, however, that if the Common Stock is not traded in such manner that the quotations referred to in this Section 5.5 are available for the period required hereunder, Current Market Price shall be determined in good faith by the Board of Directors of the corporation.

5.6 Minimal Adjustments. No adjustment in a Conversion Price need be made if such adjustment would result in a change in such Conversion Price of less than $0.01. Any adjustment of less than $0.01 which is not made shall be carried forward and shall be made at the time of and together with any subsequent adjustment which, on a cumulative basis, amounts to an adjustment of $0.01 or more in a Conversion Price.

5.7 No Impairment. The corporation will not, through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of Preferred Stock against impairment. This provision shall not restrict the corporation from amending its Certificate of Incorporation in accordance with the General Corporation Law of the State of Delaware.

5.8 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Rate pursuant to this Section 5, the corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The corporation shall, upon written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Rate at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of the Preferred Stock held by such holder.

5.9 Notices of Record Date. In the event of any taking by the corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, the corporation shall mail to each holder of Preferred Stock at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.

5.10 Reservation of Stock Issuable Upon Conversion. The corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of Preferred Stock such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of Preferred Stock, the corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

5.11 Notices. Any notice required by the provisions of this Section 5 to be given to the holder of shares of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of the corporation.

6. Protective Provisions.

6.1 Series A Protective Provisions. For so long as shares of Series A Preferred shall be outstanding, the corporation shall not, without first obtaining the approval (by vote or written consent, as provided by law) of the holders of more than two-thirds of the outstanding shares of Series A Preferred:

6.1.1 No Adverse Change. Adversely alter or change the powers, preferences or special rights of the Series A Preferred; or

6.1.2 Create Any New Class or Series. Create any new class or series of shares having any powers, preferences, or special rights superior to or on a parity with the Series A Preferred.

6.2 Series B Protective Provisions. For so long as shares of Series B Preferred shall be outstanding, the corporation shall not, without first obtaining the approval (by vote or written consent, as provided by law) of the holders of more than two-thirds of the outstanding shares of Series B Preferred:

6.2.1 No Adverse Change. Adversely alter or change the powers, preferences or special rights of the Series B Preferred; or

6.2.2 Create Any New Class or Series. Create any new class or series of shares having any powers, preferences, or special rights superior to or on a parity with the Series B Preferred.

6.3 Series C Protective Provisions. For so long as shares of Series C Preferred shall be outstanding, the corporation shall not, without first obtaining the approval (by vote or written consent, as provided by law) of the holders of more than two-thirds of the outstanding shares of Series C Preferred:

6.3.1 No Adverse Change. Adversely alter or change the powers, preferences or special rights of the Series C Preferred; or

6.3.2 Create Any New Class or Series. Create any new class or series of shares having any powers, preferences, or special rights superior to or on a parity with the Series C Preferred.

6.4 Series D Protective Provisions. For so long as shares of Series D Preferred shall be outstanding, the corporation shall not, without first obtaining the approval (by vote or written consent, as provided by law) of the holders of more than two-thirds of the outstanding shares of Series D Preferred:

6.4.1 No Adverse Change. Adversely alter or change the powers, preferences or special rights of the Series D Preferred; or

6.4.2 Create Any New Class or Series. Create any new class or series of shares having any powers, preferences, or special rights superior to or on a parity with the Series D Preferred.

6.5 Preferred Stock Protective Provisions. For so long as shares of the Preferred Stock shall be outstanding, the corporation shall not, without first obtaining the approval (by vote or written consent, as provided by law) of the holders of a majority of the outstanding shares of Preferred Stock:

6.5.1 Sale of Assets. Sell, lease, exchange, convey, or otherwise dispose of, all or substantially all of the property of the corporation;

6.5.2 Merger or Consolidation. Complete a merger, consolidation or sale of all or substantially all of the assets of the corporation in which the corporation's stockholders immediately prior to such transaction, or series of related transactions, possess less than 50% of the voting securities of the surviving, continuing or purchasing entity (or parent, if any) immediately after the transaction or series of related transactions in which an excess of 50% of the corporation's voting power is transferred;

6.5.3 Dividends/Redemption. Redeem or repurchase or otherwise make any distributions with respect to outstanding securities, other than (i) the repurchase of shares of Common Stock issued to or held by employees, directors or consultants of or to the corporation or any of its subsidiaries upon termination of their employment or services pursuant to agreements providing for the right of such repurchase between the corporation and such persons and (ii) the repurchase of shares of Common Stock in connection with the exercise of the right of first refusal pursuant to agreements providing for the right of first refusal between the corporation and any of its stockholder;

6.5.4 Authorized Number. Increase or decrease the authorized number of shares of Preferred Stock;

6.5.5 Restatement of Certificate/Bylaws. Amend, restate, alter or repeal any provision of the corporation's Certificate of Incorporation or the Bylaws of the corporation; or

6.5.6 Section 305. Do any act or thing which would result in the taxation of the holders of the Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (or any successor provision).

6.6 Preferred Stock Protective Provisions - Super Majority. For so long as shares of the Preferred Stock shall be outstanding, the corporation shall not, without first obtaining the

approval (by vote or written consent, as provided by law) of the holders of a two-thirds of the outstanding shares of Preferred Stock:

6.6.1 Board Size. Increase the size of the Board of Directors to a number greater than that set forth in the Bylaws of the corporation.

FIVE. The corporation is to have perpetual existence.

SIX. Subject to Article FOUR, Section 6 herein, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal the Bylaws of the corporation.

SEVEN. The number of directors which constitute the whole Board of Directors of the corporation shall be as specified in the Bylaws of the corporation.

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

NINE. To the fullest extent permitted by the Delaware General Corporation Law, a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. Neither any amendment nor repeal of this Article NINE, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article NINE, shall eliminate or reduce the effect of this Article NINE in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article NINE, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

TEN. Advance notice of new business and stockholder nominations for the election of directors shall be given in the manner and to the extent provided in the Bylaws of the corporation.

ELEVEN. Subject to Article FOUR, Section 6 herein, the corporation reserves the right to amend, alter, change or repeal any provisions contained in this Certificate, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, the corporation has caused this Certificate to be signed by Ronald J. Berenson, its President, this __ day of August, 2000.

XCYTE THERAPIES, INC.

By:

Ronald J. Berenson, President

EXHIBIT 3.2

_____ AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
[COMPANY NAME]

The undersigned, _____ and _____, hereby certify that:

1. They are the duly elected and acting President and Secretary, respectively, of [COMPANY NAME], a Delaware corporation.

2. The Certificate of Incorporation of this corporation was originally filed with the Secretary of State of Delaware on _____ under the name of _____.

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

"ARTICLE I

The name of this corporation is [COMPANY NAME] (the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is [1209 ORANGE STREET, WILMINGTON, COUNTY OF NEW CASTLE]. The name of its registered agent at such address is [THE CORPORATION TRUST COMPANY].

ARTICLE III

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

ARTICLE IV

[UPON THE EFFECTIVE DATE OF THE FILING OF THIS _____ AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, EACH SHARE OF THE CORPORATION'S OUTSTANDING CAPITAL STOCK SHALL BE CONVERTED AND RECONSTITUTED INTO ____ SHARES OF COMMON STOCK OF THE CORPORATION (THE "STOCK SPLIT"). NO FURTHER ADJUSTMENT OF ANY PREFERENCE OR PRICE SET FORTH IN THIS ARTICLE IV SHALL BE MADE AS A RESULT OF THE STOCK SPLIT, AS ALL SHARE AMOUNTS PER SHARE AND PER SHARE NUMBERS SET FORTH IN THIS _____ AMENDED AND RESTATED CERTIFICATE OF INCORPORATION HAVE BEEN APPROPRIATELY ADJUSTED TO REFLECT THE STOCK SPLIT.]

(A) The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is _____ (_____) shares, each with a par value of $_____ per share. _____ (_____) shares shall be Common Stock and _____ (_____) shares shall be Preferred Stock.

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

ARTICLE V

The number of directors of the Corporation shall be fixed from time to time by a bylaw or amendment thereof duly adopted by the Board of Directors.

ARTICLE VI

[INSERT THE FOLLOWING ARTICLE TO ADD A CLASSIFIED BOARD]

[THIS ARTICLE VI SHALL BECOME EFFECTIVE ONLY WHEN THE CORPORATION QUALIFIES FOR AN EXEMPTION FROM SECTION 2115 OF THE CALIFORNIA CORPORATIONS CODE (THE "EFFECTIVE TIME").]

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

[PRIOR TO THE EFFECTIVE TIME, THE PROVISIONS OF THE PRECEDING PARAGRAPH SHALL NOT APPLY, AND ALL DIRECTORS SHALL BE ELECTED AT EACH ANNUAL MEETING OF STOCKHOLDERS OR ANY SPECIAL MEETING IN LIEU THEREOF TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OR SPECIAL MEETING IN LIEU THEREOF.]

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

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

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

ARTICLE VII

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

ARTICLE VIII

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

ARTICLE IX

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

ARTICLE X

(A) Except as otherwise provided in the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least 66 2/3% of the voting power of all of the then-outstanding shares of the voting stock of the Corporation entitled to vote. The Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal Bylaws.

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

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

ARTICLE XI

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

ARTICLE XII

The Corporation shall have perpetual existence.

ARTICLE XIII

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

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

ARTICLE XIV

(A) To the fullest extent permitted by applicable law, the Corporation is also authorized to provide indemnification of (and advancement of expenses to) such agents (and any other persons to which Delaware law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise

permitted by Section 145 of the General Corporation Law of Delaware, subject only to limits created by applicable Delaware law (statutory or non-statutory), with respect to actions for breach of duty to a corporation, its stockholders, and others.

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

* * *

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

Executed at _____, on the ____ day of _____, _____.

_____

_____, President

_____

_____, Secretary

Exhibit 3.3

BYLAWS

OF

[COMPANY NAME]

[(AS AMENDED AND RESTATED EFFECTIVE _____ __, ____)]

TABLE OF CONTENTS

AMENDED AND RESTARTED

BYLAWS

OF

[COMPANY NAME]

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE.

The address of the Corporation's registered office in the State of Delaware is [1209 ORANGE STREET, WILMINGTON, COUNTY OF NEW CASTLE]. The name of its registered agent at such address is [THE CORPORATION TRUST COMPANY].

1.2 OTHER OFFICES.

The Board of Directors may at any time establish other offices at any place or places where the Corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS.

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the Board of Directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the Corporation.

2.2 ANNUAL MEETING.

(a) The annual meeting of stockholders shall be held each year on a date and at a time designated by resolution of the Board of Directors. At the meeting, directors shall be elected and any other proper business may be transacted.

(b) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be transacted by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice with respect to such meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of the notice provided for in this Section 2.2, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this Section 2.2.

(c) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (b) of this Section 2.2, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation, as provided in Section 2.5, and such business must be a proper matter for stockholder action under the General Corporation Law of Delaware.

(d) Only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in these Bylaws. The chairman of the meeting shall determine whether a nomination or any business proposed to be transacted by the stockholders has been properly brought before the meeting and, if any proposed nomination or business has not been properly brought before the meeting, the chairman shall declare that such proposed business or nomination shall not be presented for stockholder action at the meeting.

(e) Nothing in this Section 2.2 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

2.3 SPECIAL MEETING.

(a) A special meeting of the stockholders may be called at any time by the Board of Directors, the chairman of the board, the president or by one or more stockholders holding shares in the aggregate entitled to cast not less than [%] of the votes at that meeting.

(b) Only such business shall be conducted at a special meeting of the stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting.

(c) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders, if such election is set forth in the notice of such special meeting. Such nominations may be made either by or at the direction of the Board of Directors, or by any stockholder of record entitled to vote at such special meeting, provided the stockholder follows the notice procedures set forth in Section 2.5.

(d) Notwithstanding the foregoing provisions of this Section 2.3, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder with respect to matters set forth in this Section 2.3.

2.4 NOTICE OF STOCKHOLDER'S MEETINGS; AFFIDAVIT OF NOTICE.

(a) All notices of meetings of stockholders shall be in writing and shall be sent or otherwise given in accordance with this Section 2.4 of these Bylaws not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting (or such longer or shorter time as is required by Section 2.5 of these Bylaws, if applicable). The notice shall specify the place (if any), date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Written

notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic mail or other electronic transmission, in the manner provided in Section 232 of the Delaware General Corporation Law. An affidavit of the secretary or an assistant secretary or of the transfer agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(b) If a special meeting is called by stockholders representing the percentage of the total votes outstanding designated in Section 2.3(a), the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally, or sent by registered mail or by facsimile transmission to the chairman of the board, the president, any vice president, or the secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such request. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of this Section 2.4, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than 35 nor more than 60 days after the receipt of the request. If the notice is not given within 20 days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this Section 2.4(b) shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

2.5 ADVANCE NOTICE OF STOCKHOLDER NOMINEES AND OTHER STOCKHOLDER PROPOSALS.

Only persons who are nominated in accordance with the procedures set forth in this Section 2.5 shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.5. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the secretary of the Corporation. Stockholders may bring other business before the annual meeting, provided that timely notice is provided to the secretary of the Corporation in accordance with this section, and provided further that such business is a proper matter for stockholder action under the General Corporation Law of Delaware. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the anniversary date of the prior year's meeting; provided, however, that in the event that (i) the date of the annual meeting is more than 30 days prior to or more than 60 days after such anniversary date, and (ii) less than 60 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a directors, (i) the name, age, business address and

residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation which are beneficially owned by such person and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including, without limitation, such person's written consent to being name in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made (i) the name and address of the stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned of record by such stockholder and beneficially by such beneficial owner. At the request of the Board of Directors any person nominated by the Board of Directors for election as a director shall furnish to the secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.5. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the Bylaws, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

Notwithstanding the foregoing provisions of this Section 2.5, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder with respect to matters set forth in this Section 2.5.

2.6 QUORUM.

The holders of a majority of the shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (a) the chairman of the meeting or (b) holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, shall have power to adjourn the meeting to another place (if any), date or time.

2.7 ADJOURNED MEETING; NOTICE.

When a meeting is adjourned to another place (if any), date or time, unless these Bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place (if any), thereof and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business that might have been transacted at the original meeting.

If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the place (if any), date and time of the adjourned meeting and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present and vote at such adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 CONDUCT OF BUSINESS.

(a) Such person as the Board of Directors may have designated or, in the absence of such a person, the President of the Corporation or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as Chairman of the meeting. In the absence of the Secretary of the Corporation, the Secretary of the meeting shall be such person as the Chairman of the meeting appoints.

(b) The Chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including the manner of voting and the conduct of business. The date and time of opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

2.9 VOTING.

(a) The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these Bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

(b) Except as may be otherwise provided in the Certificate of Incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

(c) The Corporation may, and to the extent required by law, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. Every vote taken by ballots shall be counted by an inspector or inspectors appointed by the chairman of the meeting.

(d) All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law, all other matters shall be determined by a majority of the votes cast affirmatively or negatively.

2.10 WAIVER OF NOTICE.

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, or waiver by electronic mail or other electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice, or any waiver of notice by electronic transmission, unless so required by the Certificate of Incorporation or these Bylaws.

2.11 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. If the Board of Directors does not so fix a record date:

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting, if such adjournment is for thirty (30) days or less; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.12 PROXIES.

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by an instrument in writing or by an electronic transmission permitted by law filed with the secretary of the Corporation, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, electronic or telegraphic transmission or otherwise)

by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the General Corporation Law of Delaware.

ARTICLE III

DIRECTORS

3.1 POWERS.

Subject to the provisions of the General Corporation Law of Delaware and any limitations in the Certificate of Incorporation or these Bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

3.2 NUMBER OF DIRECTORS.

The number of directors constituting the entire Board of Directors shall be [No of Directors].

Thereafter, this number may be changed by a resolution of the Board of Directors or of the stockholders, subject to Section 3.4 of these Bylaws. No reduction of the authorized number of directors shall have the effect of removing any director before such director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS.

Except as provided in Section 3.4 of these Bylaws, and unless otherwise provided in the Certificate of Incorporation, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the Certificate of Incorporation or these Bylaws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Unless otherwise specified in the Certificate of Incorporation, elections of directors need not be by written ballot.

3.4 RESIGNATION AND VACANCIES.

Any director may resign at any time upon written notice to the attention of the secretary of the Corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies. Unless otherwise provided in

the Certificate of Incorporation, and subject to the rights of the holders of any series of Preferred Stock that may then be outstanding, a vacancy created by the removal of a director by the vote of the stockholders or by court order may be filled only by the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute a majority of the quorum. Each director so elected shall hold office until the next annual meeting of the stockholders and until a successor has been elected and qualified.

Unless otherwise provided in the Certificate of Incorporation or these Bylaws:

(a) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(b) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the Corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the Certificate of Incorporation or these Bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole Board of Directors (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE.

The Board of Directors of the Corporation may hold meetings, both regular and special, either within or outside the State of Delaware. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or other communications

equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 REGULAR MEETINGS.

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

3.7 SPECIAL MEETINGS; NOTICE.

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any vice president, the secretary or any two (2) directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the Corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally, by facsimile or by electronic transmission or by telephone, telecopy, telegram, telex or other similar means of communication, it shall be delivered at least twenty-four (24) hours before the time of the holding of the meeting, or on such shorter notice as the person or persons calling such meeting may deem necessary and appropriate in the circumstances. Any oral notice given personally, by facsimile or by electronic transmission or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose of the place of the meeting, if the meeting is to be held at the principal executive office of the Corporation.

3.8 QUORUM.

At all meetings of the Board of Directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum is not present at any meeting of the Board of Directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 WAIVER OF NOTICE.

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, or waiver by electronic mail or other electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these Bylaws.

3.10 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee. Written consents representing actions taken by the board or committee may be executed by telex, telecopy or other facsimile transmission, or by electronic mail or other electronic transmission, and such facsimile or electronic transmission shall be valid and binding to the same extent as if it were an original. If the minutes of the board or committee are maintained in paper form, consents obtained by electronic transmission shall be reduced to written form and filed with such minutes.

3.11 FEES AND COMPENSATION OF DIRECTORS.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

3.12 APPROVAL OF LOANS TO OFFICERS.

The Corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Corporation or of its subsidiary, including any officer or employee who is a director of the Corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the Corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation. Nothing in this Section 3.2 contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any statute.

3.13 REMOVAL OF DIRECTORS.

[NOTE: THIS PROVISION MUST BE AMENDED IF THE COMPANY ADOPTS A STAGGERED BOARD.]

Unless otherwise restricted by statute, by the Certificate of Incorporation or by these Bylaws, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided, however, that if the stockholders of the Corporation are entitled to cumulative voting, if less than the entire Board of Directors is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

3.14 CHAIRMAN OF THE BOARD OF DIRECTORS.

The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board of Directors who shall not be considered an officer of the Corporation.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS.

The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate 1 or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, or in these Bylaws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporate Law of Delaware to be submitted to stockholders for approval or (ii) adopting, amending or repealing any Bylaw of the corporation.

4.2 COMMITTEE MINUTES.

Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Section 3.5 (place of meetings and meetings by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (action without a meeting) of these Bylaws, with such changes in the context of such provisions as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board of Directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE V

OFFICERS

5.1 OFFICERS.

The officers of the Corporation shall be [A CHIEF EXECUTIVE OFFICER], a president, a secretary, and a chief financial officer. The Corporation may also have, at the discretion of the Board of Directors, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these Bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS.

The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these Bylaws, shall be appointed by the Board of Directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS.

The Board of Directors may appoint, or empower the chief executive officer or the president to appoint, such other officers and agents as the business of the Corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of

the Board of Directors at any regular or special meeting of the Board of Directors or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the attention of the secretary of the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES.

Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

[5.6 CHIEF EXECUTIVE OFFICER.

SUBJECT TO SUCH SUPERVISORY POWERS, IF ANY, AS MAY BE GIVEN BY THE BOARD OF DIRECTORS TO THE CHAIRMAN OF THE BOARD, IF ANY, THE CHIEF EXECUTIVE OFFICER OF THE CORPORATION SHALL, SUBJECT TO THE CONTROL OF THE BOARD OF DIRECTORS, HAVE GENERAL SUPERVISION, DIRECTION, AND CONTROL OF THE BUSINESS AND THE OFFICERS OF THE CORPORATION. HE OR SHE SHALL PRESIDE AT ALL MEETINGS OF THE STOCKHOLDERS AND, IN THE ABSENCE OR NONEXISTENCE OF A CHAIRMAN OF THE BOARD, AT ALL MEETINGS OF THE BOARD OF DIRECTORS AND SHALL HAVE THE GENERAL POWERS AND DUTIES OF MANAGEMENT USUALLY VESTED IN THE OFFICE OF CHIEF EXECUTIVE OFFICER OF A CORPORATION AND SHALL HAVE SUCH OTHER POWERS AND DUTIES AS MAY BE PRESCRIBED BY THE BOARD OF DIRECTORS OR THESE BYLAWS.]

5.7 PRESIDENT.

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the board (if any) [OR THE CHIEF EXECUTIVE OFFICER], the president shall have general supervision, direction, and control of the business and other officers of the Corporation. He or she shall have the general powers and duties of management usually vested in the office of president of a corporation and such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

5.8 VICE PRESIDENTS.

In the absence or disability of the [CHIEF EXECUTIVE OFFICER AND] president, the vice presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a vice president designated by the Board of Directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, these Bylaws, the president or the chairman of the board.

5.9 SECRETARY.

The secretary shall keep or cause to be kept, at the principal executive office of the Corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the Corporation or at the office of the Corporation's transfer agent or registrar, as determined by resolution of the Board Of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required to be given by law or by these Bylaws. He or she shall keep the seal of the Corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these Bylaws.

5.10 CHIEF FINANCIAL OFFICER.

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the president, the chief executive officer, or the directors, upon request, an account of all his or her transactions as chief financial officer and of the financial condition of the Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

5.11 REPRESENTATION OF SHARES OF OTHER CORPORATIONS.

The chairman of the board, the chief executive officer, the president, any vice president, the chief financial officer, the secretary or assistant secretary of this Corporation, or any other person authorized by the Board of Directors or the chief executive officer or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority granted herein may be exercised either

by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

5.12 AUTHORITY AND DUTIES OF OFFICERS.

In addition to the foregoing authority and duties, all officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be designated from time to time by the Board of Directors or the stockholders.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the Corporation. For purposes of this Section 6.1, a "director" or "officer" of the Corporation includes any person (a) who is or was a director or officer of the Corporation, (b) who is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was a director or officer of a Corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation.

6.2 INDEMNIFICATION OF OTHERS.

The Corporation shall have the power, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the Corporation. For purposes of this Section 6.2, an "employee" or "agent" of the Corporation (other than a director or officer) includes any person (a) who is or was an employee or agent of the Corporation, (b) who is or was serving at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was an employee or agent of a corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation.

6.3 PAYMENT OF EXPENSES IN ADVANCE.

Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted

pursuant to Section 6.2 following authorization thereof by the Board of Directors shall be paid by the Corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined, by final judicial decision from which there is no further right to appeal, that the indemnified party is not entitled to be indemnified as authorized in this Article VI.

6.4 INDEMNITY NOT EXCLUSIVE.

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may been titled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that such additional rights to indemnification are authorized in the Certificate of Incorporation.

6.5 INSURANCE.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of Delaware.

6.6 CONFLICTS.

No indemnification or advance shall be made under this Article VI, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(a) That it would be inconsistent with a provision of the Certificate of Incorporation, these Bylaws, a resolution of the stockholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS.

The Corporation shall, either at its principal executive offices or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their

names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the Corporation at its registered office in Delaware or at its principal place of business.

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in each such stockholder's name, shall be open to the examination of any such stockholder for a period of at least ten (10) days prior to the meeting in the manner provided by law. The stock list shall also be open to the examination of any stockholder during the whole time of the meeting as provided by law. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

7.2 INSPECTION BY DIRECTORS.

Any director shall have the right to examine the Corporation's stockledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the Corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

ARTICLE VIII

GENERAL MATTERS

8.1 CHECKS.

From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the Corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS.

The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 STOCK CERTIFICATES; PARTLY PAID SHARES.

The shares of the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation by the chairman or vice-chairman of the Board of Directors, or the chief executive officer or the president or vice-president, and by the chief financial officer or an assistant treasurer, or the secretary or an assistant secretary of the Corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

The Corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the Corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.4 SPECIAL DESIGNATION ON CERTIFICATES.

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent

such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 LOST CERTIFICATES.

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and canceled at the same time. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or the owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 CONSTRUCTION; DEFINITIONS.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.7 DIVIDENDS.

The directors of the Corporation, subject to any restrictions contained in (a) the General Corporation Law of Delaware or (b) the Certificate of Incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the Corporation's capital stock.

The directors of the Corporation may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

8.8 FISCAL YEAR.

The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors and may be changed by the Board of Directors.

8.9 SEAL.

The Corporation may adopt a corporate seal, which may be altered at pleasure, and may use the same by causing it or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

8.10 TRANSFER OF STOCK.

Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 STOCK TRANSFER AGREEMENTS.

The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

8.12 REGISTERED STOCKHOLDERS.

The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

8.13 FACSIMILE SIGNATURES.

In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

ARTICLE IX

AMENDMENTS

The Bylaws of the Corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the Corporation may, in its Certificate of Incorporation, confer the power to adopt, amend or repeal Bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal Bylaws.

CERTIFICATE OF ADOPTION OF
AMENDED AND RESTATED BYLAWS

OF

[COMPANY NAME]

The undersigned hereby certifies that the undersigned is the duly elected, qualified, and acting Secretary of [Company Name] (the "Corporation"), and that the foregoing Amended and Restated Bylaws, comprising [No of Pages] pages, were adopted the Bylaws of the corporation on [Date Adopted], by the Board of Directors of the corporation.

Executed this _____ day of _____, ___.

[Secretary Name], Secretary

EXHIBIT 10.1

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (the "Agreement") is made as of December __, 2000, by and between Xcyte Therapies, Inc., a Delaware corporation (the "Company"), and _____ (the "Indemnitee").

RECITALS

The Company and Indemnitee recognize the increasing difficulty in obtaining liability insurance for directors, officers and key employees, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers and key employees to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited. Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and agents of the Company may not be willing to continue to serve as agents of the Company without additional protection. The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, and to indemnify its directors, officers and key employees so as to provide them with the maximum protection permitted by law.

AGREEMENT

In consideration of the mutual promises made in this Agreement, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Company and Indemnitee hereby agree as follows:

1. INDEMNIFICATION.

(a) THIRD PARTY PROCEEDINGS. The Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such action, suit or proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee

reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal action or proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(b) PROCEEDINGS BY OR IN THE RIGHT OF THE COMPANY. The Company shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to any threatened, pending or completed action or proceeding by or in the right of the Company or any subsidiary of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) and, to the fullest extent permitted by law, amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld), in each case to the extent actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such action or suit if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and its stockholders, except that no indemnification shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudicated by court order or judgment to be liable to the Company in the performance of Indemnitee's duty to the Company and its stockholders unless and only to the extent that the court in which such action or proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(c) MANDATORY PAYMENT OF EXPENSES. To the extent that Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1(a) or Section 1(b) or the defense of any claim, issue or matter therein, Indemnitee shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by Indemnitee in connection therewith.

2. NO EMPLOYMENT RIGHTS. Nothing contained in this Agreement is intended to create in Indemnitee any right to continued employment.

3. EXPENSES; INDEMNIFICATION PROCEDURE.

(a) ADVANCEMENT OF EXPENSES. The Company shall advance all expenses incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any civil or criminal action, suit or proceeding referred to in Section l(a) or Section 1(b) hereof (including amounts actually paid in settlement of any such action, suit or proceeding). Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized hereby.

(b) NOTICE/COOPERATION BY INDEMNITEE. Indemnitee shall, as a condition precedent to his or her right to be indemnified under this Agreement, give the Company notice in

writing as soon as practicable of any claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company and shall be given in accordance with the provisions of Section 12(d) below. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) PROCEDURE. Any indemnification and advances provided for in Section 1 and this Section 3 shall be made no later than thirty (30) days after receipt of the written request of Indemnitee. If a claim under this Agreement, under any statute, or under any provision of the Company's Certificate of Incorporation or Bylaws providing for indemnification, is not paid in full by the Company within thirty (30) days after a written request for payment thereof has first been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, subject to Section 11 of this Agreement, Indemnitee shall also be entitled to be paid for the expenses (including attorneys' fees) of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any action, suit or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed, but the burden of proving such defense shall be on the Company and Indemnitee shall be entitled to receive interim payments of expenses pursuant to Section 3(a) unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct.

(d) NOTICE TO INSURERS. If, at the time of the receipt of a notice of a claim pursuant to Section 3(b) hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(e) SELECTION OF COUNSEL. In the event the Company shall be obligated under Section 3(a) hereof to pay the expenses of any proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel

by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, provided that (i) Indemnitee shall have the right to employ counsel in any such proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

4. ADDITIONAL INDEMNIFICATION RIGHTS; NONEXCLUSIVITY.

(a) SCOPE. Notwithstanding any other provision of this Agreement, the Company hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Certificate of Incorporation, the Company's Bylaws or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute, or rule which expands the right of a Delaware corporation to indemnify a member of its board of directors or an officer, such changes shall be deemed to be within the purview of Indemnitee's rights and the Company's obligations under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its board of directors or an officer, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement shall have no effect on this Agreement or the parties' rights and obligations hereunder.

(b) NONEXCLUSIVITY. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested members of the Company's Board of Directors, the General Corporation Law of the State of Delaware, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while holding such office. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he or she may have ceased to serve in any such capacity at the time of any action, suit or other covered proceeding.

5. PARTIAL INDEMNIFICATION. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred in the investigation, defense, appeal or settlement of any civil or criminal action, suit or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines or penalties to which Indemnitee is entitled.

6. MUTUAL ACKNOWLEDGMENT. Both the Company and Indemnitee acknowledge that in certain instances, Federal law or public policy may override applicable state law and prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise.

For example, the Company and Indemnitee acknowledge that the Securities and Exchange Commission (the "SEC") has taken the position that indemnification is not permissible for liabilities arising under certain federal securities laws, and federal legislation prohibits indemnification for certain ERISA violations. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the SEC to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. OFFICER AND DIRECTOR LIABILITY INSURANCE. The Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with reputable insurance companies providing the officers and directors of the Company with coverage for losses from wrongful acts, or to ensure the Company's performance of its indemnification obligations under this Agreement. Among other considerations, the Company will weigh the costs of obtaining such insurance coverage against the protection afforded by such coverage. In all policies of director and officer liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, if Indemnitee is not an officer or director but is a key employee. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain such insurance if the Company determines in good faith that such insurance is not reasonably available, if the premium costs for such insurance are disproportionate to the amount of coverage provided, if the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or if Indemnitee is covered by similar insurance maintained by a parent or subsidiary of the Company.

8. SEVERABILITY. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this Section 8. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

9. EXCEPTIONS. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) CLAIMS INITIATED BY INDEMNITEE. To indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 145 of the Delaware General Corporation Law, but such indemnification or

advancement of expenses may be provided by the Company in specific cases if the Board of Directors finds it to be appropriate;

(b) LACK OF GOOD FAITH. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous;

(c) INSURED CLAIMS. To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) to the extent such expenses or liabilities have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors' liability insurance maintained by the Company; or

(d) CLAIMS UNDER SECTION 16(b). To indemnify Indemnitee for expenses or the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

10. CONSTRUCTION OF CERTAIN PHRASES.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that if Indemnitee is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

11. ATTORNEYS' FEES. In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee

with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all court costs and expenses, including attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action were made in bad faith or were frivolous.

12. MISCELLANEOUS.

(a) GOVERNING LAW. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflict of law.

(b) ENTIRE AGREEMENT; ENFORCEMENT OF RIGHTS. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) CONSTRUCTION. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(d) NOTICES. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or fax, or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.

(e) COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(f) SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Company and its successors and assigns, and inure to the benefit of Indemnitee and Indemnitee's heirs, legal representatives and assigns.

(g) SUBROGATION. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of

Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company to effectively bring suit to enforce such rights.

[Signature Page Follows]

The parties hereto have executed this Agreement as of the day and year set forth on the first page of this Agreement.

XCYTE THERAPIES, INC.

By: ----------

Title: ----------

Address: 1124 Columbia Street, Suite 130
Seattle, WA 98104

AGREED TO AND ACCEPTED:

<>

- ----------
(Signature)

Address:

EXHIBIT 10.2

XCYTE THERAPIES, INC.

SERIES D PREFERRED STOCK

PURCHASE AGREEMENT

MAY 25, 2000

TABLE OF CONTENTS

EXHIBITS

XCYTE THERAPIES, INC.

STOCK PURCHASE AGREEMENT

THIS SERIES D PREFERRED STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 25th day of May 2000, by and between Xcyte Therapies, Inc., a Delaware corporation, located at 1124 Columbia Street, Suite 130, Seattle, WA 98104 (the "Company"), and the investors listed on Exhibit A hereto, each of which is herein referred to as an "Investor."

WHEREAS, the Company desires to issue and sell up to 7,194,245 shares of Series D Preferred Stock to the Investors; and

WHEREAS, the Investors desire to purchase such shares from the Company on the terms and subject to the conditions of this Agreement.

NOW THEREFORE, the parties hereby agree as follows:

1. Purchase and Sale of Stock.

1.1 Authorization, Sale and Issuance of Shares

(a) The Company has authorized the sale and issuance of up to 7,194,245 shares of Series D Preferred Stock (the "Shares"), with the Shares having the rights, preferences, privileges and restrictions as set forth in the Company's Restated Certificate of Incorporation in the form satisfactory to the Investors, a copy of which is attached hereto as Exhibit B (the "Certificate"). The Common Stock issuable upon conversion of the Shares is referred to hereinafter as the "Conversion Shares."

(b) Subject to the terms and conditions of this Agreement, the Company shall sell and issue to each Investor, and each Investor agrees, severally and not jointly, to purchase from the Company, that number of Shares set forth opposite each Investor's name on Exhibit A attached hereto for the purchase price of $2.78 per share as set forth thereon.

1.2 Closing. The purchase and sale of the Shares shall take place at the offices of Venture Law Group, 4750 Carillon Point, Kirkland, Washington, at 10:00 a.m., on May 25, 2000, or at such other time and place as the Company and Investors may agree (which time and place are designated as the "Closing"). The date of such Closing is hereinafter referred to as the "Closing Date."

1.3 Delivery. At the Closing, the Company shall deliver to each Investor a certificate representing the Shares which such Investor is purchasing against delivery to the

Company by such Investor of a check, wire transfer of immediately available funds payable to the Company's order or cancellation of indebtedness (or any combination thereof) in the aggregate amount of the purchase price therefor.

1.4 Additional Closings. If the full number of Series D Preferred Stock of the Company is not sold at the Closing, the Company shall have the right, at any time prior to August 8, 2000 (the "Subsequent Closing Date"), to sell the remaining authorized but unissued shares of Series D Preferred Stock to one or more additional purchasers as determined by the Company, or to any Purchaser hereunder who wishes to acquire additional shares of Series D Preferred Stock at the price and on the terms set forth herein, provided that any such additional purchaser shall be required to execute an Addendum Agreement substantially in the form attached hereto as Exhibit H. Any additional purchaser so acquiring shares of Series D Preferred Stock shall be considered a "Purchaser" for purposes of this Agreement and an "Investor" for the purposes of the Agreements (as defined below), and any Series D Preferred Stock so acquired by such additional purchaser shall be considered "Shares" for purposes of this Agreement and all other agreements contemplated hereby.

2. Representations and Warranties of the Company. The Company hereby represents and warrants to each Investor that, except as set forth on the Schedule of Exceptions attached hereto as Exhibit C, which exceptions shall be deemed to be representations and warranties as if made hereunder:

2.1 Organization, Good Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure so to qualify would have a material adverse effect on its business or properties. As of the Closing, the Certificate shall be in the form attached hereto as Exhibit B and the Bylaws of the Company shall be in the form provided to counsel for the Investors prior to the Closing.

2.2 Authorization.

(a) The Company has all requisite corporate power and authority to execute and deliver, and to consummate the transactions contemplated by this Agreement, the Amended and Restated Investor Rights Agreement attached as Exhibit E ("Rights Agreement") and the Amended and Restated Right of First Refusal and Co-Sale Agreement attached as Exhibit F (the "Co-Sale Agreement" with the Agreement and Rights Agreement, the "Financing Documents"). All corporate action on the part of the Company, its officers, directors and stockholders necessary for the execution and delivery of, and the consummation of the transactions contemplated by the Financing Documents, the performance of all obligations of the

Company under the Financing Documents and the authorization, sale, issuance (or reservation for issuance) and delivery of the Shares being sold hereunder and the Conversion Shares has been taken or will be taken prior to the Closing. The Financing Documents, upon execution and delivery by the Company and assuming the due and proper execution and delivery by the other parties, constitute valid and binding obligations of the Company enforceable in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium and other laws of general application affecting the enforcement of creditors' rights.

(b) The Shares, when issued in compliance with the provisions of this Agreement, will be validly issued, fully paid and nonassessable and will be free of any liens or encumbrances known to, or caused or created by, the Company; provided, however, that the Shares may be subject to restrictions on transfer under state and/or federal securities laws as set forth herein, as may be required by changes in such laws and as contemplated by the Financing Documents. Upon conversion of the Shares into the Conversion Shares in conformity with the Certificate, such Conversion Shares will be duly authorized, validly issued, fully paid and nonassessable, and will be free of any liens or encumbrances caused or created by the Company; provided, however, that the Conversion Shares may be subject to restrictions on transfer under state and/or federal securities laws as set forth herein, as may be required by changes in such law and as contemplated by the Financing Documents.

(c) Except as set forth herein or in the Financing Documents, no entity has any right of first refusal or any preemptive rights in connection with the issuance of the Shares, the Conversion Shares or any future issuances of securities by the Company.

2.3 Capitalization.

(a) Immediately prior to the Closing, the authorized capital of the Company shall consist of: (i) 40,000,000 shares of Common Stock, and (ii), 25,909,976 shares of Preferred Stock (the "Preferred Stock"), of which 7,300,080 have been designated Series A Preferred Stock, 4,097,580 have been designated Series B Preferred Stock, 7,212,316 have been designated Series C Preferred Stock and 7,300,000 have been designated Series D Preferred Stock. Immediately prior to the Closing, 5,964,247 shares of Common Stock, 6,860,512 shares of Series A Preferred Stock, warrants to purchase 439,568 shares of Series A Preferred Stock, 3,903,080 shares of Series B Preferred Stock, warrants to purchase 194,500 shares of Series B Preferred Stock, 7,185,630 shares of Series C Preferred Stock, and warrants to purchase 26,686 shares of Series C Preferred Stock and no shares of Series D Preferred Stock will be outstanding.

(b) Except as set forth in this Agreement and the exhibits thereto, there are no outstanding options, warrants, rights (including conversion or preemptive rights) or agreements for the purchase or acquisition from the Company of any shares of its capital stock except that the Company has reserved (i) the Shares for issuance at each Closing, (ii) the Common Stock issuable upon conversion of the Preferred Stock, (iii) 2,500,000 shares of

Common Stock reserved for issuance pursuant to a stock option plan adopted by the Company 992,441 options have been granted and remain outstanding, with 1,420,121 shares remaining for grant, (iv) 898,150 shares of Common Stock reserved for issuance to scientific founders upon the achievement of certain milestones, and (v) 157,890 shares reserved for issuance to Carl June or his assignees upon the Company's acquisition of certain future technology.

2.4 Subsidiaries. The Company does not presently own or control, directly or indirectly, any interest in any other corporation, association, or other business entity.

2.5 Governmental Consents.

(a) No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by the Financing Documents.

(b) No consent, approval, waiver or other action by any person under any contract, agreement, indenture, lease, instrument or other document to which the Company is a party or bound is required or necessary for the execution, delivery and performance of, or the consummation of the transactions contemplated by, any of the Financing Documents by the Company.

2.6 Proprietary Information Agreement. Each former and present employee, consultant and officer of the Company has executed and each future employee, consultant and officer will execute, a Proprietary Information Agreement in the form attached hereto as Exhibit D and no exceptions have been taken by any such employee, consultant or officer to the terms of such agreement. The Company, after reasonable investigation, is not aware that any of its employees, officers or consultants are in violation thereof, and the Company will use its best efforts to prevent any such violation.

2.7 Patents and Trademarks. The Company has sufficient title and ownership of all patents, trademarks, service marks, trade names, copyrights, trade secrets, information, proprietary rights and processes necessary for its business as now conducted and as proposed to be conducted without any conflict with or infringement of the rights of others. There are no outstanding options, licenses, or agreements of any kind relating to the foregoing, nor is the Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, proprietary rights and processes of any other person or entity. The Company has not received any communications alleging that the Company has violated or, by conducting its business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights or trade secrets or other proprietary rights of any other person or entity. The Company is not aware that any of its employees is obligated under any contract (including

licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of his or her best efforts to promote the interests of the Company or that would conflict with the Company's business as proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business as proposed, will, to the best of the Company's knowledge, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any of such employees is now obligated. The Company does not believe it is or will be necessary to utilize any inventions of any of its employees (or people it currently intends to hire) made prior to their employment by the Company.

2.8 Financial Statements. The Company has delivered to each Investor (i) its unaudited balance sheet as of March 31, 2000 and unaudited statement of income for the period from January 1, 2000 to March 31, 2000 and unaudited financial statements as of December 31, 1999 (collectively the "Financial Statements"). The Financial Statements, together with the notes thereto, are complete and correct in all material respects and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated, except as disclosed therein, and present fairly the financial condition and position of the Company as of March 31, 2000; provided, however, that the unaudited financial statements are subject to normal recurring year-end audit adjustments (which are not expected to be material), and do not contain all footnotes required under generally accepted accounting principles.

2.9 Changes. Since March 31, 2000, there has not been:

(a) Any change in the assets, liabilities, financial condition or operations of the Company from that reflected in the Financial Statements, other than changes in the ordinary course of business, or any other event or condition of any character, any of which individually or in the aggregate has had or is expected to have a material adverse effect on such assets, liabilities, financial condition or operations of the Company;

(b) Any resignation or termination of any key officers of the Company; and the Company, to the best of its knowledge, does not know of the impending resignation or termination of employment of any such officer;

(c) Any material change, except in the ordinary course of business, in the contingent obligations of the Company by way of guaranty, endorsement, indemnity, warranty or otherwise;

(d) Any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the properties, business or prospects or financial condition of the Company;

(e) Any direct or indirect loans made by the Company to, or any material change in, any compensation arrangement or agreement with, any stockholder, employee, officer or director of the Company, other than advances made in the ordinary course of business;

(f) Any declaration or payment of any dividend or other distribution of the assets of the Company;

(g) Any debt, obligation or liability incurred, assumed or guaranteed by the Company, except those for immaterial amounts and for current liabilities incurred in the ordinary course of business; or any waiver by the Company of a valuable right or of a material debt owed to it;

(h) Any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets; and

(i) To the Company's knowledge, any change in any material agreement to which the Company is a party or by which it is bound which materially and adversely affects the business, assets, liabilities, financial condition, operations or prospects of the Company, including compensation agreements with the Company's employees.

2.10 Liabilities. The Company has no material liabilities and knows of no material contingent liabilities not disclosed in the Financial Statements, except current liabilities incurred in the ordinary course of business subsequent to March 31, 2000, which have not been, either in any individual case or in the aggregate, materially adverse.

2.11 Litigation. There is no action, suit, proceeding or investigation pending or currently threatened against the Company that questions the validity of this Agreement or the right of the Company to enter into it, or to consummate the transactions contemplated hereby, or which might result, either individually or in the aggregate, in any material adverse changes in the assets, condition, affairs or prospects of the Company, financially or otherwise, or any change in the current equity ownership of the Company, nor is the Company aware that there is any basis for the foregoing. The foregoing includes, without limitation, actions pending or threatened (or any basis therefor known to the Company) involving the prior employment of any of the Company's employees, their use in connection with the Company's business of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or

instrumentality. There is no action, suit, proceeding or investigation by the Company currently pending or which the Company intends to initiate.

2.12 Compliance with Other Instruments. The Company is not in violation or default of any provision of its Certificate or Bylaws or any provision of any mortgage, indenture, contract, agreement, instrument, judgment, order, writ, or decree to which it is a party or by which it is bound or, to its knowledge, of any provision of federal or state statute, rule or regulation applicable to the Company which would materially and adversely affect the business, assets, liabilities, financial condition, operations or prospects of the Company. The execution, delivery and performance of this Agreement, the Rights Agreement and the Co-Sale Agreement and the consummation of the transactions contemplated hereby and thereby will not result in any such material violation or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any such provision, instrument, judgment, order, writ, decree or contract or an event which results in the creation of any lien, charge or encumbrance upon any assets of the Company.

2.13 Offering. Subject in part to the accuracy of the Investors' representations set forth in Section 3 hereof, the offer, sale and issuance of the Shares as contemplated by this Agreement and the issuance of the Conversion Shares upon the conversion of such Shares are exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the registration, qualification or compliance requirements of any applicable blue sky or other state securities laws, and neither the Company nor any authorized agent acting on its behalf will take any action that would cause the loss of any such exemption.

2.14 Agreements; Action.

(a) There are no agreements, understandings or proposed transactions between the Company and any of its officers, directors, affiliates, or any affiliate thereof.

(b) There are no agreements, understandings, instruments, contracts or proposed transactions to which the Company is a party or by which it is bound which involve (i) obligations of, or payments to the Company in excess of $25,000, or (ii) the license of any patent, copyright, trade secret or other proprietary right to or from the Company (other than licenses arising from the purchase of "off-the-shelf" products) or (iii) obligations of, or payments by, the Company to any officer, director, employee or family member of any such individual.

(c) The Company has not (i) declared or paid any dividends, or authorized or made any distribution upon or with respect to any class or series of its capital stock, (ii) incurred any indebtedness for money borrowed or incurred any other liabilities individually in excess of $25,000 or in excess of $75,000 in the aggregate, (iii) made any loans or advances to any person, other than ordinary advances for travel expenses, or (iv) sold, exchanged or otherwise disposed of any of its assets or rights, other than in the ordinary course of business.

(d) The Company is not a party to and is not bound by any contract, agreement or instrument, or subject to any restriction under its Certificate or Bylaws, which materially adversely affects its business as now conducted and as proposed to be conducted.

(e) The Company has not engaged in the past twelve (12) months in any discussion (i) with any representative of any corporation or corporations regarding the consolidation or merger of the Company with or into any such corporation or corporations, (ii) with any corporation, partnership, association or other business entity or any individual regarding the sale, conveyance or disposition of all or substantially all of the assets of the Company, or (iii) regarding any other form of liquidation, dissolution or winding up of the Company.

2.15 Labor Agreements and Actions. The Company is not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the knowledge of the Company, has sought to represent any of the employees, representatives or agents of the Company. There is no strike or other labor dispute involving the Company pending, or to the knowledge of the Company threatened, which could have a material adverse effect on the assets, properties, financial condition, operating results, or business of the Company (as such business is presently conducted and as it is proposed to be conducted), nor is the Company aware of any labor organization activity involving its employees. To the best of its knowledge, the Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with the Company, nor does the Company have a present intention to terminate the employment of any of the foregoing. The employment of each officer and employee of the Company is terminable at the will of the Company.

2.16 Tax Returns, Payments and Elections. The Company has filed all tax returns and reports as required by law. These returns and reports are true and correct in all material respects. The Company has paid all taxes and other assessments due, except those contested by it in good faith which are listed in the Schedule of Exceptions, attached hereto as Exhibit C. The provision for taxes of the Company as shown in the Balance Sheet is adequate for taxes due or accrued as of the date thereof. The Company has not elected pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), to be treated as a Subchapter S corporation or a collapsible corporation pursuant to Section 1362(a) or Section 341(f) of the Code, respectively, nor has it made any other elections pursuant to the Code (other than elections which relate solely to methods of accounting, depreciation or amortization) which would have a material effect on the Company, its financial condition, its business as presently conducted or proposed to be conducted or any of its properties or material assets.

2.17 Title to Property and Assets. The Company owns its property and assets free and clear of all mortgages, liens, loans and encumbrances, except such encumbrances and liens which arise in the ordinary course of business and do not materially impair the Company's

ownership or use of such property or assets. With respect to the property and assets it leases, the Company is in compliance with such leases and, to the best of its knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances.

2.18 Registration Rights. Except as provided in the Rights Agreement, a form of which is attached hereto as Exhibit E, the Company has not granted or agreed to grant any registration rights, including piggyback rights, to any person or entity.

2.19 Employee Benefit Plans. The Company does not have any Employee Benefit Plan as defined in the Employee Retirement Income Security Act of 1974, as amended.

2.20 Obligations of Management. Each officer of the Company is currently devoting his or her full-time to the conduct of the business of the Company. The Company is not aware of any officer or key employee or the Company planning to work less than full-time at the Company in the future.

2.21 Environmental and Safety Laws. To the best of its knowledge, the Company is not in violation of any applicable statute, law or regulation relating to the environment or occupational health and safety, and to its knowledge, no material expenditures are or will be required in order to comply with any such existing statute, law or regulation.

2.22 Disclosure. The Company has fully provided each Investor with all the information which such Investor has requested for deciding whether to purchase the Shares and all information which the Company believes is reasonably necessary to enable such Investor to make such decision. To the best of the Company's knowledge, neither this Agreement, the Rights Agreement, the Co-Sale Agreement nor any other statements or certificates made or delivered in connection herewith, when taken as a whole, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading.

2.23 Section 83(b) Elections. To the Company's knowledge, all elections and notices permitted by Section 83(b) of the Internal Revenue Code and analogous provisions of applicable state tax laws have been timely filed by all employees who have purchased shares of the Company's common stock under agreements that provide for the vesting of such shares.

2.24 Real Property Holding Corporation. The Company is not a real property holding corporation within the meaning of Internal Revenue Code Section 897(c)(2) and any regulations promulgated thereunder.

2.25 Insurance. The Company has fire and casualty insurance policies with coverage customary for companies similarly situated to the Company.

2.26 Investment Company Act. The Company is not an "investment company", or a company "controlled" by an "investment", within the meaning of the Investment Company Act of 1940, as amended.

3. Representations and Warranties of the Investor. Each Investor hereby severally and not jointly represents and warrants that:

3.1 Authorization. This Agreement when executed and delivered by such Investor shall constitute a valid and legally binding obligation, enforceable in accordance with its terms, subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar federal or state laws affecting the rights of creditors and the effect of rules of law governing specific performance, injunctive relief or other equitable remedies.

3.2 Purchase Entirely for Own Account. This Agreement is made with each Investor in reliance upon such Investor's representations and warranties to the Company, which by such Investor's execution of this Agreement such Investor hereby confirms, that the Shares to be received by such Investor and the Conversion Shares (collectively, the "Securities") will be acquired for investment for such Investor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that such Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, each Investor further represents that such Investor does not have any contract, undertaking, agreement or arrangement with any person or entity to sell, transfer or grant participation to such person or to any third person, with respect to any of the Securities. Each Investor represents that it has full power and authority to enter into this Agreement.

3.3 Disclosure of Information. Each Investor believes it has received all the information it considers necessary or appropriate for deciding whether to purchase the Shares. Each Investor further represents that it has had an opportunity to ask questions, if any, and receive answers from the Company regarding the terms and conditions of the offering of the Shares. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 2 of this Agreement or the right of the Investors to rely thereon.

3.4 Investment Experience. Each Investor is an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, and bear the economic risk of its investment and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Shares. If other than an individual, Investor also represents it has not been organized for the purpose of acquiring the Shares.

3.5 Regulation D. Each Investor is an "Accredited Investor" as that term is defined in Regulation D promulgated under the Securities Act.

3.6 Restricted Securities. Each Investor understands that the Shares it is purchasing (and the Conversion Shares) are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances. In this connection, each Investor represents that it is familiar with Rule 144, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act.

3.7 Legends. It is understood that the certificates evidencing the Series D Preferred Stock (or the Conversion Shares) may bear one or all of the following legends:

(a) "THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF SUCH ACT. THESE SECURITIES ARE SUBJECT TO A CERTAIN VOTING PROVISION ENTERED INTO BY AND AMONG THE INVESTORS."

(b) Any other legends required by the laws of the State of Delaware or any other applicable blue sky or state securities laws.

4. Conditions of Investor's Obligations at Closing. The obligations of each Investor under this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions, any of which may be waived in whole or in part by such Investor with respect to himself, herself or itself unless required by state or federal law:

4.1 Representations and Warranties. The representations and warranties of the Company contained in Section 2 shall be true on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the date of the Closing.

4.2 Performance. The Company shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

4.3 Certificate. The Certificate shall have been filed with the Secretary of State of the State of Delaware.

4.4 Compliance Certificate. The President of the Company shall deliver to counsel for the Investors at the Closing a certificate certifying that the conditions specified in Sections 4.1, 4.2 and 4.3 have been fulfilled and stating that there shall have been no adverse change in the business, affairs, prospects, operations, properties, assets, liabilities or condition of the Company since the date of this Agreement.

4.5 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to each Investor and counsel to any of the Investors, and they shall have received all such counterpart original and certified or other copies of such documents as they may reasonably request.

4.6 Board of Directors. As of the Closing, the Board of Directors will be comprised of seven members: Ronald J. Berenson, Robert Curry, Jean Deleage, Steve Johnson, Peter Langecker, Robert Nelsen and Robert Williams.

4.7 Rights Agreement. The Company and the Investors shall have entered into the Rights Agreement in the form attached hereto as Exhibit E.

4.8 Co-Sale Agreement. The Company, Ronald Berenson, Carl June, Jeffrey Bluestone, Jeffrey Ledbetter and Craig Thompson and certain of the Investors shall have entered into the Co-Sale Agreement in the form attached hereto as Exhibit F.

4.9 Opinion of Company Counsel. The Investors shall have received from Venture Law Group, counsel to the Company, an opinion addressed to them, dated the Closing Date, in the form attached hereto as Exhibit G.

4.10 Minimum Investment. As of the Closing Date, the sale and issuance of the Shares by the Company shall amount to a minimum investment by the Investors of at least eleven million (11,000,000) dollars.

5. Conditions of the Company's Obligations at Closing. The obligations of the Company to each Investor under this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions any of which may be waived in whole or in part by the Company unless required by state or federal law:

5.1 Representations and Warranties. The representations and warranties of each Investor contained in Section 3 hereof shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of that date; and each Investor shall have performed all obligations and conditions required to be performed or observed by he, she or it on or prior to the Closing Date.

5.2 Legal Matters. All material matters of a legal nature which pertain to this agreement and the transactions contemplated hereby, shall have been reasonably approved by counsel to the Company.

6. Miscellaneous.

6.1 Survival of Warranties. The warranties, representations and covenants of the Company and Investors contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of the Investors or the Company.

6.2 Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

6.3 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Washington.

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

6.5 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

6.6 Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal deliver to the party to be notified, the refusal of delivery by such person, or five (5) days after deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the party to be notified at the address indicated for such party in Exhibit A attached hereto or in the case of the Company on the first page of this Agreement, or at such other address as such party may designate by ten (10) days' advance written notice to the other parties.

6.7 Finder's Fee. Each party represents that it neither is nor will be obligated for any finders' fee or commission in connection with this transaction. Each Investor agrees to indemnify and to hold harmless the Company from any liability for any commission or compensation in the nature of a finders' fee (and the costs and expenses of defending against such liability or asserted liability) for which the Investor or any of its officers, partners, employees, or

representatives is responsible. The Company agrees to indemnify and hold harmless each Investor from any liability for any commission or compensation in the nature of a finders' fee (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its officers, employees or representatives is responsible.

6.8 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of a majority of the Shares. Any amendment or waiver effected in accordance with this Section 6.8 shall be binding upon each holder of any securities purchased under this Agreement at the time outstanding (including securities into which such securities are convertible), each future holder of all such securities, and the Company; provided, however, that no condition set forth in Section 4 hereof may be waived with respect to any Investor who does not consent thereto.

6.9 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

6.10 Exculpation Among Investors. Each Investor acknowledges that it is not relying upon any person, firm or corporation, other than the Company and its officers and directors, in making its investment decision to invest in the Company. Each Investor agrees that no other Investor nor the respective controlling persons, officers, directors, partners, agents or employees of any such other Investor shall be liable for any action heretofore or hereafter taken or omitted to be taken by any of them in connection with each Investor's purchase of the Shares and Conversion Shares.

6.11 Expenses. Upon the Closing of the purchase and sale of securities as contemplated by this Agreement and the exhibits thereto, the Company shall pay the fees and reasonable expenses of counsel for the Investors, which fees shall not exceed $15,000.00.

(signature page follows)

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

XCYTE THERAPIES, INC.

By:

Name:

(print)

Title:

PURCHASERS:

(Print name of Purchaser)

By:

Name:

(print)

Title:

EXHIBIT A

SCHEDULE OF INVESTORS

INVESTOR NAME AND ADDRESS	NUMBER OF SERIES D PREFERRED SHARES	AMOUNT OF INVESTMENT
DLJ CAPITAL CORP. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Philippe Chambon, M.D. Ph.D.	6,475	$18,000.50
DLJ FIRST ESC L.P. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Philippe Chambon, M.D. Ph.D.	32,374	$89,999.72
SPROUT CAPITAL VII, L.P. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Philippe Chambon, M.D. Ph.D.	281,622	$782,909.16
THE SPROUT CEO FUND, L.P. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Philippe Chambon, M.D. Ph.D.	3,270	$9,090.60
ARCH VENTURE FUND III, L.P. 1000 Second Avenue, Suite 3700 Seattle, WA 98104-1053 Attn: Bob Nelsen	962,230	$2,674,999.40
ALTA CALIFORNIA PARTNERS, L.P. One Embarcadero Center, Suite 4050 San Francisco, CA 94111 Attn: Jean Deleage	571,491	$1,588,744.98
ALTA EMBARCADERO PARTNERS, LLC One Embarcadero Center, Suite 4050 San Francisco, CA 94111	13,056	$36,295.68

INVESTOR NAME AND ADDRESS	NUMBER OF SERIES D PREFERRED SHARES	AMOUNT OF INVESTMENT
Attn: Jean Deleage		
TGI FUND II, LC 6501 Columbia Center 701 - 5th Avenue Seattle, WA 98104 Attn: Michael Beblo and Steven Johnson	286,022	$795,141.16
FALCON TECHNOLOGY PARTNERS, L.P. 600 Dorset Road Devon, PA 19333 Attn: Jim Rathman	95,341	$265,047.98
VULCAN VENTURES INC. 110 110th Avenue, NE, Suite 550 Bellevue, WA 98004 Attn: Ruth B. Kunath	719,424	$1,999,998.72
FLUKE CAPITAL MANAGEMENT, L.P. 11400 SE 6th Street, Suite 230 Bellevue, WA 98004 Attn: Dennis Weston	89,928	$249,999.84
TOM ALBERG c/o Madrona Investment Group 1000 2nd Avenue Seattle, WA 98104	719,424	$1,999,998.72
MGN OPPORTUNITY GROUP LLC Matthew G. Norton Company The Norton Building 801 Second Avenue, Suite 1300 Seattle, WA 98104 Attn: Stephen Humphreys	359,712	$999,999.36

INVESTOR NAME AND ADDRESS	NUMBER OF SERIES D PREFERRED SHARES	AMOUNT OF INVESTMENT
ARNOLD L. HOLM, JR. Holm Construction Services 310 3rd Avenue NE, Suite 103 Issaquah, WA 98027	36,000	$100,080.00
HENRY JAMES 22420 North Dogwood Lane Woodway, WA 98020	89,928	$249,999.84
OKI ENTERPRISES, LLC c/o Scott Oki 10838 Main Street Bellevue, WA 98004	359,712	$999,999.36
VLG INVESTMENTS LLC c/o Elias J. Blawie 2800 Sand Hill Road Menlo Park, CA 94025	12,619	$35,080.82
VLG ASSOCIATES 2000 c/o Elias J. Blawie 2800 Sand Hill Road Menlo Park, CA 94025	1,770	$4,920.60
SONYA F. ERICKSON 4750 Carillon Point Kirkland, WA 98033	1,799	$5001.22
TOTAL	4,642,197	$12,905,307.66

EXHIBIT B

FORM OF AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
(SEE TAB NO. 4)

EXHIBIT C

SCHEDULE OF EXCEPTIONS

EXHIBIT D

FORM OF PROPRIETARY INFORMATION AGREEMENT

EXHIBIT E

FORM OF AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
(SEE TAB NO. 2)

EXHIBIT F

FORM OF AMENDED AND RESTATED
RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT
(SEE TAB NO. 3)

EXHIBIT G

FORM OF OPINION OF COUNSEL TO THE COMPANY
(SEE TAB NO. 11)

EXHIBIT 10.3

XCYTE THERAPIES, INC.

ADDENDUM TO SERIES D PREFERRED STOCK PURCHASE AGREEMENT AND OMNIBUS AMENDMENT TO SERIES D FINANCING AGREEMENTS

This Addendum to Series D Preferred Stock Purchase Agreement and Omnibus Amendment to Series D Financing Agreements (the "Addendum") is made as of the 8th day of August, 2000 by and among Xcyte Therapies, Inc., a Delaware corporation (the "Company"), the investors listed on Exhibit A attached hereto (each an "Additional Purchaser" and together the "Additional Purchasers"), the holders of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock listed on Exhibit B hereto (each a "Series A Investor," "Series B Investor" and "Series C Investor" and together the "Series A Investors," "Series B Investors" and "Series C Investors"), the existing holders of Series D Preferred Stock listed on Exhibit C hereto (each an "Initial Series D Investor," together the "Initial Series D Investors" and together with the Series A Investors, Series B Investors and Series C Investors, the "Investors") and Ronald J. Berenson, Jeffrey Bluestone, Carl June, Jeffrey Ledbetter and Craig Thompson, each of whom is herein referred to as a "Founder." All capitalized terms not defined herein shall have the meaning set forth in the Purchase Agreement (defined herein).

RECITALS

WHEREAS, on May 25, 2000, the Company entered into a Series D Preferred Stock Purchase Agreement attached hereto as Exhibit F (the "Purchase Agreement") with the Initial Series D Investors. The Purchase Agreement provides in Section 1.4 thereof that additional investors may, under conditions set forth therein, become parties to the Purchase Agreement at any time on or before August 8, 2000;

WHEREAS, the parties hereto desire, through this Addendum, to amend the Purchase Agreement, the Amended and Restated Investor Rights Agreement dated as of May 25, 2000 by and among the Company, the Founders and the Investors attached hereto as Exhibit G (the "Investor Rights Agreement") and the Amended and Restated Right of First Refusal and Co-Sale Agreement attached hereto as Exhibit H (the "Co-Sale Agreement" and together with the Purchase Agreement and the Investor Rights Agreement, the "Agreements");

WHEREAS, pursuant to the terms of Section 8.1 of the Investor Rights Agreement, the Investors' Rights Agreement may be amended only with the written consent of the Company and the holders of a two-thirds of the Registrable Securities (as defined therein) then outstanding, (as defined therein);

WHEREAS, pursuant to the terms of Section 7.4 of the Co-Sale Agreement, the Co-Sale Agreement may be amended only with the written consent of the Company, each Stockholder (as defined therein) and the holders of a majority of the Investor Stock (as defined therein) then outstanding, (as defined therein);

WHEREAS, pursuant to the terms of Section 6.8 of the Purchase Agreement, the Purchase Agreement may be amended only with the written consent of the Company and Initial

Series D Investors holding at least a majority of the Stock (or the Common Stock issuable upon conversion thereof);

WHEREAS, the Company, the Additional Purchasers, the undersigned Investors and the undersigned Founders, constituting the holders of sufficient shares of capital stock of the Company to amend each of the Agreements, desire to amend certain terms and conditions of the Agreements;

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

AGREEMENT

In consideration of the mutual promises, covenants and conditions hereinafter set forth, the parties hereto mutually agree as follows:

1. AUTHORIZATION AND SALE OF PREFERRED STOCK AND WARRANTS.

1.1 AUTHORIZATION OF PREFERRED STOCK. The Company has authorized the issuance pursuant to this Addendum of up to 9,390,400 shares of its Series D Preferred Stock (the "Additional Shares") and the issuance of Warrants to purchase 1,051,712 shares of Common Stock (the "Warrants") to the Initial Series D Investors and the Additional Purchasers. The rights, preferences, privileges and restrictions of the Series D Preferred Stock are as set forth in the Company's Amended and Restated Certificate of Incorporation attached as Exhibit J to the Purchase Agreement (the "Restated Certificate").

1.2 SALE OF PREFERRED STOCK AND WARRANTS. Subject to the terms and conditions hereof, at the Closing (as defined in Section 2.1 hereof) the Company will issue and sell to each Additional Purchaser, and each Additional Purchaser severally agrees to purchase from the Company, that number of Additional Shares at a cash purchase price of $2.78 per share of Series D Preferred Stock and Warrants at a cash purchase price of $0.001 per share of Common Stock specified opposite such Additional Purchaser's name on Exhibit A hereto. Each of the Additional Purchasers, by their signatures hereto, shall hereby (i) become parties to the Purchase Agreement, as amended by this Addendum (ii) be considered a "Purchaser" for all purposes under the Purchase Agreement, (iii) have all the rights and obligations of a Purchaser thereunder, (iv) become parties to the Investors' Rights Agreement, as amended, and Voting Agreement, as amended, (v) be considered a "Series D Investor" for all purposes under the Investor Rights Agreement, as amended, and (vi) have all the rights and obligations of an Investor thereunder. In addition, at the Closing, the Company will issue and sell to each Initial Series D Investor the Warrants specified opposite such Initial Series D Investor's name on Exhibit A hereto at a cash purchase price of $0.001 per share. The Additional Shares, the Warrants and the Common Stock issuable upon exercise of the Warrants (the "Warrant Shares") acquired by the Additional Purchasers and the Initial Series D Investors hereunder shall be considered "Shares" for all purposes under the Purchase Agreement, as amended.

2. CLOSING; DELIVERY.

2.1 CLOSING. The closing of the purchase and sale of the Additional Shares and Warrants hereunder (the "Closing") shall be held at the offices of Venture Law Group, Kirkland, Washington, at 10:00 a.m., on August 8, 2000, or at such other time and place as the Company and the Additional Purchasers may agree.

2.2 DELIVERY. At the Closing, the Company will deliver to each Additional Purchaser a certificate representing the number of Additional Shares and Warrants set forth opposite such Additional Purchaser's name on Exhibit A, against payment of the purchase price therefor by each Additional Purchaser by check or wire transfer to the Company. In addition, the Company will deliver to each Initial Series D Investor the Warrants specified opposite such Initial Series D Investor's name on Exhibit A, against payment of the purchase price therefor by each Initial Series D Investor by check or wire transfer to the Company.

3. DISCLOSURE; CAPITALIZATION.

3.1 DISCLOSURE. Each Additional Purchaser hereby acknowledges receipt of the Purchase Agreement and the exhibits thereto. The Company affirms to each Additional Purchaser that:

(i) The representations and warranties of the Company set forth in Section 2 of the Purchase Agreement were true and accurate when made;

(ii) Those representations and warranties, which are incorporated herein by this reference and made a part hereof, remain true and accurate in all material respects as of the date hereof, except (A) for changes resulting from the transactions contemplated in the Purchase Agreement and (B) as set forth in the Schedule of Exceptions to Representations and Warranties attached hereto as Exhibit D.

(iii) The conditions to closing set forth in Section 4 of the Purchase Agreement and in Section 5 hereof have been satisfied, provided that the conditions set forth in Section 4.1 of the Purchase Agreement shall include references to changes in the Company's representations and warranties and the Company's status, respectively, as set forth herein and in the Exhibits attached hereto, and resulting from the consummation of the transactions contemplated by the Purchase Agreement.

3.2 CAPITALIZATION. Immediately prior to the Closing, the authorized capital of the Company shall consist of:

(i) Immediately prior to the Closing, the authorized capital of the Company shall consist of: (a) 40,000,000 shares of Common Stock, and (b) 28,109,976 shares of Preferred Stock (the "Preferred Stock"), of which 7,300,080 have been designated Series A Preferred Stock, 4,097,580 have been designated Series B Preferred Stock, 7,212,316 have been designated Series C Preferred Stock and 9,500,000 have been designated Series D Preferred Stock. Immediately prior to the Closing, 5,965,234 shares of Common Stock, 6,860,512 shares

of Series A Preferred Stock, warrants to purchase 439,568 shares of Series A Preferred Stock, 3,903,080 shares of Series B Preferred Stock, and warrants to purchase 194,500 shares of Series B Preferred Stock, 7,185,630 shares of Series C Preferred Stock, warrants to purchase 26,686 shares of Series C Preferred Stock and 4,642,197 shares of Series D Preferred Stock will be outstanding.

(ii) Except as set forth in this Agreement and the exhibits thereto, there are no outstanding options, warrants, rights (including conversion or preemptive rights) or agreements for the purchase or acquisition from the Company of any shares of its capital stock except that the Company has reserved (a) the Shares for issuance at Closing, (b) the Common Stock issuable upon conversion of the Preferred Stock, (c) 2,500,000 shares of Common Stock reserved for issuance pursuant to a stock option plan adopted by the Company of which options to purchase 988,453 shares have been granted and remain outstanding, with 1,423,122 shares remaining for grant (d) 898,150 shares of Common Stock reserved for issuance to scientific founders upon the achievement of certain milestones, and (e) 157,890 shares of Common Stock reserved for issuance to Carl June or his assignees upon the Company's acquisition of certain future technology.

(iii) Based in part upon the representations of each Purchaser in this Addendum and subject to the provisions of Section 2.5 of the Purchase Agreement, the Stock (and the Common Stock issuable upon conversion thereof) has been issued or will be issued in compliance with all applicable federal and state securities laws.

4. REPRESENTATIONS AND WARRANTIES OF ADDITIONAL PURCHASERS AND INITIAL SERIES D INVESTORS. Each Additional Purchaser and Initial Series D Investor, severally and not jointly, acknowledges that such Additional Purchaser has reviewed the representations and warranties set forth in Section 3 of the Purchase Agreement and agrees with the Company that such representations and warranties, which are incorporated herein by this reference and made a part hereof, are true and correct as of the date hereof as they relate to such Additional Purchaser's purchase of the Additional Shares and Warrants, or Initial Series D Investor's purchase of Warrants, as the case may be, hereunder.

5. CONDITIONS TO ADDITIONAL PURCHASERS' OBLIGATIONS AT CLOSING. The obligation of each Additional Purchaser to purchase the Additional Shares at the Closing is subject to the fulfillment to such Additional Purchaser's satisfaction at or prior to the Closing of the following conditions:

5.1 REPRESENTATIONS AND WARRANTIES CORRECT; PERFORMANCE OF OBLIGATIONS. The representations and warranties made by the Company in Section 3 hereof shall be true and correct when made, and shall be true and correct on the date of the Closing with the same force and effect as if they had been made on and as of said date, subject to changes contemplated by this Addendum; and the Company shall have performed all obligations and conditions herein required to be performed or observed by it at or prior to the Closing.

5.2 CONSENTS AND WAIVERS. The Company shall have obtained any and all consents and waivers necessary or appropriate for consummation of the transactions contemplated by this Addendum.

5.3 LEGAL OPINION. Upon request, each of the Additional Purchasers will be entitled to receive from Venture Law Group, legal counsel for the Company, a legal opinion addressed to the Additional Purchasers substantially in the form attached hereto as Exhibit I.

6. CONDITIONS TO COMPANY'S OBLIGATIONS AT CLOSING. The obligations of the Company under Sections 1.1 and 1.2 of this Addendum are subject to the fulfillment at or before the Closing of each of the following conditions:

6.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties of each Additional Purchaser and Initial Series D Investor contained in Section 4 hereof shall be true at the Closing.

6.2 CONSENTS AND WAIVERS. The Company shall have obtained any and all consents and waivers necessary or appropriate for the Purchasers to become parties to the Investor Rights Agreement for the consummation of the transactions contemplated by this Addendum.

7. AMENDMENTS TO AGREEMENTS.

7.1 STOCK PURCHASE AGREEMENT. The Purchase Agreement is amended to provide for the sale by the Company of Series D Preferred Stock and Warrants, substantially in the form attached hereto as Exhibit E, to purchase that number of shares of Common Stock indicated on Exhibit A; and all references to "Shares" in the Purchase Agreement shall be amended to include the Warrant Shares, as appropriate.

7.2 INVESTOR RIGHTS AGREEMENT.

(i) Section 1.1(g) of the Investor Rights Agreement is hereby amended to read in its entirety as follows:

"(a) The term "Registrable Securities" means (1) the Common Stock issued or issuable upon conversion of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or Series D Preferred Stock or any Common Stock issued upon conversion of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or Series D Preferred Stock issuable upon the exercise of outstanding warrants to purchase such shares of Preferred Stock, (2) up to 1,051,712 shares of Common Stock of the Company issued or issuable upon exercise of warrants issued to the holders of Series D Preferred Stock, (3) up to 6,158 shares of Common Stock of the Company issued or issuable upon conversion of the Series C Preferred Stock issued or issuable upon exercise of that certain warrant issued to Phoenix Leasing Incorporated, (4) up to

6,157 shares of Common Stock of the Company issued or issuable upon conversion of the Series C Preferred Stock issued or issuable upon exercise of that certain warrant issued to Robert Kingsbook and (5) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such Preferred Stock or Common Stock, excluding in all cases, however, (i) any Registrable Securities sold by a person in a transaction in which such person's rights under this Section 1 are not assigned, or (ii) any Registrable Securities sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction; and"

(ii) Section 1.11(a)(ii) of the Investor Rights Agreement is hereby amended to read in its entirety as follows:

"(i) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.11: (1) if Form S-3 is not available for such offering by the Holders; (2) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than $1,000,000; (3) if the Company shall furnish to the Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than 120 days after receipt of the request of the Holder or Holders under this Section 1.11; provided, however, that the Company shall not utilize this right more than once in any twelve (12) month period; (4) if the Company has already effected one registration on Form S-3 within the past six (6) months for the Holders pursuant to this Section 1.11; (5) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration,

qualification or compliance; (6) if the Company, within ten (10) days of the receipt of the request of the initiating Holders, gives notice of its bona fide intention to effect the filing of a registration statement with the Commission within ninety (90) days of receipt of such request (other than with respect to a registration statement relating to a Rule 145 transaction, or an offering solely to employees); or (7) during the period starting with the date ninety (90) days prior to the Company's estimated date of filing of, and ending on the date six (6) months immediately following, the effective date of any registration statement pertaining to securities of the Company (other than a registration of securities in a Rule 145 transaction or with respect to an employee benefit plan), provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective."

(iii) Section 3 of the Investor Rights Agreement is hereby amended to read in its entirety as follows:

"3. Voting Provisions. The undersigned hereby agree that in all elections of directors of the Company the Investors will vote their shares such that one nominee designated by Alta Venture Partners, one nominee designated by the Sprout Group, one nominee designated by ARCH Venture Fund III, L.P., one nominee designated by TGI Fund II and one nominee designated by MPM Capital will be elected to the Company's Board of Directors. This Section 3 shall automatically terminate upon the earlier to occur of: (i) a Qualified Public Offering or (ii) when the Company first becomes subject to the periodic reporting requirements of Sections 12(g) or 15(d) of the Securities Exchange Act of 1934, as amended."

(iv) Waiver of Preemptive Rights. To the extent that an Investor under the Investor Rights Agreement or Additional Purchaser is not purchasing its pro rata share of Series D Preferred Stock pursuant to the Purchase Agreement or Addendum, all rights under the Preemptive Rights set forth in Section 2 of the Investor Rights Agreement to purchase such securities and to receive notice is hereby waived. This waiver is effective upon the execution of this Addendum.

7.3 CO-SALE AGREEMENT.

(i) Section 1.1 of the Co-Sale Agreement is hereby amended to read in its entirety as follows:

"1.1 "Common Stock Equivalents" means and includes all shares of the Company's Common Stock issued and outstanding at the relevant time plus (i) all shares of Common Stock issuable upon exercise of any options, warrants and other rights of any kind that are then

exercisable, and (ii) all shares of Common Stock issuable upon conversion or exchange of (A) any convertible securities, including, without limitation, Preferred Stock and debt securities then outstanding, which are by their terms then convertible into or exchangeable for Common Stock, or (B) any such convertible securities issuable upon exercise of options, warrants or other rights that are then exercisable."

(ii) Section 1.4 of the Co-Sale Agreement is hereby amended to read in its entirety as follows:

"1.4 "Investor Stock" means (i) as to the Investors, the Common Stock Equivalents currently owned or hereafter acquired by the Investors, or (ii) as to the Transferee, the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, shares exercisable into Common Stock issued in connection with the Series D Preferred Stock or the Common Stock transferred to the Transferee by Investor and still held by Transferee (expressed in Common Stock Equivalents) plus all Common Stock Equivalents acquired by Transferee pursuant to Section 2.3 of this Agreement."

(iii) Section 1.6 of the Co-Sale Agreement is hereby amended to read in its entirety as follows:

"1.6 "Transferee" means (i) any transferee of at least twenty percent (20%) of the Investors' originally-purchased Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or Series D Preferred Stock, the Common Stock issued upon conversion thereof or the Common Stock issued upon exercise of Warrants held by Investors or (ii) any transferee who is an affiliate of the Investor effecting the transfer, including, with respect to a party which is a partnership or limited liability company, its partners, members or an affiliated entity managed by the same manager or managing partner or management company, or managed or owned by an entity controlling, controlled by or under common control with, such manager or managing partner or management company."

(iv) Section 7.4 of the Co-Sale Agreement is hereby amended to read in its entirety as follows:

"7.4 Amendment. Any amendment, modification or waiver of this Agreement shall be effective only with the written consent of the Investors holding more than fifty percent (50%) of the then outstanding Investor Stock, a majority of the Stockholders and the Company; provided,

however, that any person may waive, reduce or release (in whole or in part) any of its rights hereunder without the consent of any other parties hereto. Any waiver by a party of its rights hereunder shall be effective only if evidenced by a written instrument executed by a duly authorized representative of such party. Any amendment or waiver effected in accordance with this Section 7.4 shall be binding upon the Company, the Investors and the Stockholders, and each of their respective successors and assigns. Notwithstanding the foregoing, the Company may, without obtaining any further consent of the Investors and Stockholders, amend this Agreement to the extent necessary to grant rights and obligations on a pari passu basis with the rights and obligations of the Series D Preferred Stock Investors hereunder to investors in any subsequent round of financing prior to the Subsequent Closing Date (as such term is defined in the Series D Preferred Stock Purchase Agreement), and such investors shall become parties to this Agreement by executing a counterpart hereof."

8. MISCELLANEOUS.

8.1 INCORPORATION BY REFERENCE. The provisions set forth in Section 6 of the Purchase Agreement (other than Section 6.6) are incorporated herein by this reference and made a part hereof. Except as otherwise set forth herein, the terms and conditions of the Purchase Agreement shall remain in full force and effect notwithstanding the execution of this Agreement and are incorporated in their entirety herein and made a part of this Addendum as if fully set forth herein.

8.2 NOTICES. Any notice required or permitted by this Addendum and/or the Agreements shall be in writing and shall be deemed sufficient upon delivery, when delivered personally or sent by overnight courier telegram or fax, or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address or fax number (as set forth below or in the Purchase Agreement or on Exhibit A hereto or thereto, or as subsequently modified by written notice) and (a) if to the Company, with a copy to Sonya F. Erickson, Venture Law Group, 4750 Carillon Point, Kirkland, Washington 98033, fax number (425) 739-8750 or (b) if to the Purchasers, with a copy to Laura Hodges-Taylor, Goodwin, Proctor & Hoar LLP, Exchange Place, Boston, MA 02109, fax number (617) 570-8150.

8.3 COUNTERPARTS. This Addendum may be executed in any number of counterparts, each of which may be executed by less than all of the Additional Purchasers, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

8.4 FEES AND EXPENSES. The Company shall pay the reasonable fees and expenses of Goodwin, Proctor & Hoar LLP, the counsel for the Purchasers, incurred with respect to this Agreement, the documents referred to herein and the transactions contemplated hereby and thereby, provided such fees and expenses do not exceed $20,000.

[Signature page follows]

The parties hereto have executed this Addendum as of the date first set forth above.

XCYTE THERAPIES, INC.

By:

Ron J. Berenson, Chief Executive Officer

Address: 1124 Columbia Street, Suite 130
Seattle, WA 98104
Fax: (206) 262-6200

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT AND
OMNIBUS AMENDMENT TO SERIES D FINANCING DOCUMENTS

ADDITIONAL PURCHASERS:

MPM BIOVENTURES II, L.P.

By: MPM Asset Management II, L.P., its General Partner
By: MPM Asset Management II LLC, its General Partner

By:

Name:
Title:

MPM BIOVENTURES II-QP, L.P.

By: MPM Asset Management II, L.P., its General Partner
By: MPM Asset Management II LLC, its General Partner

By:

Name:
Title:

MPM BIOVENTURES GMBH & CO.
PARALLEL-BETEILIGUNGS KG

By: MPM Asset Management II, L.P., its General Partner
By: MPM Asset Management II LLC, its General Partner

By:

Name:
Title:

MPM ASSET MANAGEMENT INVESTORS 2000 B LLC

By:

Name:
Title:

ADDITIONAL PURCHASERS:

JOHN E. PARKEY

Address: Tredegar Investments
6501 Columbia Center
701 Fifth Avenue
Seattle, WA 98104

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT AND
OMNIBUS AMENDMENT TO SERIES D FINANCING DOCUMENTS

ADDITIONAL PURCHASERS:

NEIL RUZIC

Address: c/o Little Stirrup Cay Research Limited
345 East Lake Front Drive
Beverly Shores, IN 46301

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT AND
OMNIBUS AMENDMENT TO SERIES D FINANCING DOCUMENTS

ADDITIONAL PURCHASERS:

ARCH VENTURE FUND III, L.P.

By:

Name:

(print)

Title:

Address: 1000 Second Avenue, Suite 3700
Seattle, WA 98104-1053
Attn: Bob Nelsen

ADDITIONAL PURCHASERS:

JIM ROBERTS

Address: 2540 Shoreland Drive South
Seattle, WA 98144

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT AND
OMNIBUS AMENDMENT TO SERIES D FINANCING DOCUMENTS

ADDITIONAL PURCHASERS:

MARK GROUDINE

Address: 1142 20th Avenue East
Seattle, WA 98112

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT AND
OMNIBUS AMENDMENT TO SERIES D FINANCING DOCUMENTS

FOUNDERS:

- ----------
RONALD J. BERENSON

- ----------
JEFFREY BLUESTONE

- ----------
CARL JUNE

- ----------
JEFFREY LEDBETTER

- ----------
CRAIG THOMPSON

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT AND
OMNIBUS AMENDMENT TO SERIES D FINANCING DOCUMENTS

INITIAL SERIES D INVESTORS:

DLJ CAPITAL CORP.

By:

Name:

(print)
Title:

Address: 3000 Sand Hill Road, Bldg. 3, Suite 170
Menlo Park, CA 94025

DLJ FIRST ESC, L.P.

By:

Name:

(print)
Title:

Address: 3000 Sand Hill Road, Bldg. 3, Suite 170
Menlo Park, CA 94025

SPROUT CAPITAL VII, L.P.

By:

Name:

(print)
Title:

Address: 3000 Sand Hill Road, Bldg. 3, Suite 170
Menlo Park, CA 94025

THE SPROUT CEO FUND, L.P.

By:

Name:

(print)
Title:

Address: 3000 Sand Hill Road, Bldg. 3, Suite 170
Menlo Park, CA 94025

INITIAL SERIES D INVESTORS:

ARCH VENTURE FUND III, L.P.

By:

Name:

(print)

Title:

Address: 1000 Second Avenue, Suite 3700
Seattle, WA 98104-1053
Attn: Bob Nelsen

SERIES A AND B INVESTOR:

ARCH VENTURE FUND II, L.P.

By:

Name:

(print)

Title:

Address: 1000 Second Avenue, Suite 3700
Seattle, WA 98104-1053
Attn: Bob Nelsen

INITIAL SERIES D INVESTORS:

ALTA CALIFORNIA PARTNERS, L.P.

By:

Name:

(print)
Title:

Address: One Embarcadero Center, Suite 4050
San Francisco, CA 94111
Attn: Jean Deleage

ALTA EMBARCADERO PARTNERS, LLC

By:

Name:

(print)
Title:

Address: One Embarcadero Center, Suite 4050
San Francisco, CA 94111
Attn: Jean Deleage

INITIAL SERIES D INVESTORS:

- ------------------------------------
TGI FUND II, LC

Address: 6501 Columbia Center
701 5th Avenue
Seattle, WA 98104
Attn: Michael Beblo & Dave Maki

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT AND
OMNIBUS AMENDMENT TO SERIES D FINANCING DOCUMENTS

INITIAL SERIES D INVESTORS:

- ----------

FALCON TECHNOLOGY PARTNERS, L.P.

Address: 600 Dorset Road
Devon, PA 19333
Attn: Jim Rathman

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT AND
OMNIBUS AMENDMENT TO SERIES D FINANCING DOCUMENTS

INITIAL SERIES D INVESTORS:

- ------------------------------------
VULCAN VENTURES, INC.

Address: 110 110th Avenue NE, Suite 550
Bellevue, WA 98004
Attn: Ruth B. Kunath

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT AND
OMNIBUS AMENDMENT TO SERIES D FINANCING DOCUMENTS

INITIAL SERIES D INVESTORS:

- ----------

FLUKE CAPITAL MANAGEMENT, L.P.

Address: 11400 SE 6th Street, Suite 230
Bellevue, WA 98004
Attn: Dennis Weston

INITIAL SERIES D INVESTORS:

- ----------

TOM ALBERG

Address: c/o Madrona Investment Group
1000 2nd Avenue
Seattle, WA 98104

INITIAL SERIES D INVESTORS:

- ----------

MGN OPPORTUNITY GROUP LLC

Address: The Norton Building
801 Second Avenue, Suite 1300
Seattle, WA 98104
Attn: Stephen Humphreys

INITIAL SERIES D INVESTORS:

- ----------

ARNOLD L. HOLM, JR.

Address: Holm Construction Services
310 3rd Avenue NE, Suite 103
Issaquah, WA 98027

INITIAL SERIES D INVESTORS:

- ----------

HENRY JAMES

Address: 22420 North Dogwood Lane
Woodway, WA 98020

INITIAL SERIES D INVESTORS:

- ----------

OKI ENTERPRISES, LLC

Address: c/o Scott Oki
10838 Main Street
Bellevue, WA 98004

INITIAL SERIES D INVESTORS:

- ----------

VLG INVESTMENTS LLC

Address: c/o Elias J. Blawie
2800 Sand Hill Road
Menlo Park, CA 94025

- ----------

VLG ASSOCIATES 2000

Address: c/o Elias J. Blawie
2800 Sand Hill Road
Menlo Park, CA 94025

INITIAL SERIES D INVESTORS:

- ----------

SONYA F. ERICKSON

Address: 4750 Carillon Point
Kirkland, WA 98033

SERIES C WARRANT HOLDER:

- ----------

PHOENIX GROWTH CAPITAL CORP.

Address: 2401 Kerner Boulevard
San Rafael, CA 94901-5529
Attn: Bob Borges

SERIES C WARRANT HOLDER:

- ----------

ROBERT KINGSBOOK

Address: c/o Capital Finance Group
6777 Moore Drive
Oakland, CA 94611

SERIES A, B, OR C INVESTOR:

By:

Its:

Print Name

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT AND
OMNIBUS AMENDMENT TO SERIES D FINANCING DOCUMENTS

EXHIBIT A

SCHEDULE OF ADDITIONAL PURCHASERS

NAME/ADDRESS	AMOUNT INVESTED	NUMBER OF SHARES	NUMBER OF WARRANT SHARES	PURCHASE PRICE OF WARRANTS
MPM BIOVENTURES II, LP One Cambridge Center Cambridge, MA 02142	$ 891,598.82	320,719	35,921	$ 35.92
MPM BIOVENTURES II-QP, LP One Cambridge Center Cambridge, MA 02142	$ 8,078,402.00	2,905,900	325,460	$ 325.46
MPM BIOVENTURES GMBH & CO. PARALLEL-BETEILIGUNGS KG One Cambridge Center Cambridge, MA 02142	$ 2,844,001.16	1,023,022	114,578	$ 114.58
MPM ASSET MANAGEMENT INVESTORS 2000 B LLC One Cambridge Center Cambridge, MA 02142	$ 185,998.68	66,906	7,494	$ 7.49
JOHN E. PARKEY Tredegar Investments 6501 Columbia Center 701 Fifth Avenue Seattle, WA 98104	$ 50,001.08	17,986	2,014	$ 2.01
NEIL RUZIC Little Stirrup Cay Research Ltd. 345 Each Lake Front Drive Beverly Shores, IN 46301	$ 50,001.08	17,986	2,014	$ 2.01
ARCH VENTURE FUND III, L.P. 1000 Second Avenue, Suite 3700 Seattle, WA 98104-1053 Attn: Bob Nelsen	$ 999,999.36	359,712	40,287	$ 40.29
JIM ROBERTS 2540 Shoreland Drive South Seattle, WA 98144	$ 50,001.08	17,986	2,014	$ 2.01

NAME/ADDRESS	AMOUNT INVESTED	NUMBER OF SHARES	NUMBER OF WARRANT SHARES	PURCHASE PRICE OF WARRANTS
MARK GROUDINE 1142 20th Avenue East Seattle, WA 98112	$ 50,001.08	17,986	2,014	$ 2.01
DLJ CAPITAL CORP 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Bob Curry			725	$ 0.73
DLJ FIRST ESC L.P. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Bob Curry			3,625	$ 3.63
SPROUT CAPITAL VII, L.P. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Bob Curry			31,541	$ 31.54
THE SPROUT CEO FUND, L.P. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Bob Curry			366	$ 0.37
ARCH VENTURE FUND III, L.P. 1000 Second Avenue, Suite 3700 Seattle, WA 98104-1053 Attn: Bob Nelsen			107,769	$ 107.77
ALTA CALIFORNIA PARTNERS, L.P. One Embarcadero Center, Suite 4050 San Francisco, CA 94111 Attn: Jean Deleage			64,006	$ 64.01

NAME/ADDRESS	AMOUNT INVESTED	NUMBER OF SHARES	NUMBER OF WARRANT SHARES	PURCHASE PRICE OF WARRANTS
ALTA EMBARCADERO PARTNERS, LLC One Embarcadero Center, Suite 4050 San Francisco, CA 94111 Attn: Jean Deleage			1,462	$ 1.46
TGI FUND II, LC 6501 Columbia Center 701 -- 5th Avenue Seattle, WA 98104 Attn: Michael Beblo and Dave Maki			32,034	$ 32.03
FALCON TECHNOLOGY PARTNERS, L.P. 600 Dorset Road Devon, PA 19333 Attn: Jim Rathman			10,678	$ 10.68
VULCAN VENTURES INC. 110 110th Avenue, NE, Suite 550 Bellevue, WA 98004 Attn: Ruth B. Kunath			80,575	$ 80.58
FLUKE CAPITAL MANAGEMENT, L.P. 11400 SE 6th Street, Suite 230 Bellevue, WA 98004 Attn: Dennis Weston and Kevin Gabelein			10,071	$ 10.07
TOM ALBERG c/o Madrona Investment Group 1000 2nd Avenue Seattle, WA 98104			80,575	$ 80.58
MGN OPPORTUNITY GROUP LLC Matthew G. Norton Company The Norton Building 801 Second Avenue, Suite 1300 Seattle, WA 98104 Attn: Stephen Humphreys			40,287	$ 40.29

NAME/ADDRESS	AMOUNT INVESTED	NUMBER OF SHARES	NUMBER OF WARRANT SHARES	PURCHASE PRICE OF WARRANTS
ARNOLD L. HOLM, JR. Holm Construction Services 310 3rd Avenue NE, Suite 103 Issaquah, WA 98027			4,032	$ 4.03
HENRY JAMES 22420 North Dogwood Lane Woodway, WA 98020			10,071	$ 10.07
OKI ENTERPRISES, LLC c/o Scott Oki 10838 Main Street Bellevue, WA 98004			40,287	$ 40.29
VLG INVESTMENTS LLC c/o Elias J. Blawie 2800 Sand Hill Road Menlo Park, CA 94025			1,413	1.41
VLG ASSOCIATES 2000 c/o Elias J. Blawie 2800 Sand Hill Road Menlo Park, CA 94025			198	.20
SONYA F. ERICKSON 4750 Carillon Point Kirkland, WA 98033			201	$ .20
TOTAL	$13,200,000.34	4,748,203	1,051,712	$ 1051.71

EXHIBIT B

SERIES A, SERIES B AND SERIES C INVESTORS

INVESTOR NAME AND ADDRESS	NUMBER OF SHARES
Alta California Partners, L.P. One Embarcadero Center Suite 4050 San Francisco, CA 94111 Attn: Elaine Walker and Jean Deleage Tel: (415) 362-4022 Fax: (415) 362-6178	Series A: 1,840,086 Series B: 787,294 Series C: 949,635
Alta Embarcadero Partners, LLC One Embarcadero Center Suite 4050 San Francisco, CA 94111 Attn: Elaine Walker and Jean Deleage Tel: (415) 362-4022 Fax: (415) 362-6178	Series A: 54,651 Series B: 17,987 Series C: 21,696
ARCH Venture Fund II, L.P. 8735 West Higgins Road Suite 235 Chicago, IL 60631 Attn: Melanie Davis Tel: (773) 380-6600 Fax: (773) 380-6606 1000 Second Avenue, Suite 3700 Seattle, WA 98104 Attn: Bob Nelsen	Series A: 631,579 Series B: 363,636
CV Sofinnova Venture Partners III 140 Geary Street, 10th Floor San Francisco, CA 94108 Attn.: Michael Powell Tel: (415) 228-3387 Fax: (415) 228-3390	Series A: 947,368 Series B: 338,289 Series C: 59,880

INVESTOR NAME AND ADDRESS	NUMBER OF SHARES
DLJ Capital Corp. 3000 Sand Hill Road Bldg. 3, Ste. 170 Menlo Park, CA 94025 Tel: (650) 234-2700 Fax: (650) 234-2779 Attn: Bob Curry	Series A: 52,632 Series B: 10,909 Series C: 22,859
DLJ First ESC L.P. 3000 Sand Hill Road Bldg. 3, Ste. 170 Menlo Park, CA 94025 Tel: (650) 234-2700 Fax: (650) 234-2779 Attn: Bob Curry	Series A: 263,158 Series B: 54,545 Series C: 114,294
Sprout Capital VII, L.P. 3000 Sand Hill Road Bldg. 3, Ste. 170 Menlo Park, CA 94025 Tel: (650) 234-2700 Fax: (650) 234-2779 Attn: Bob Curry	Series A: 2,289,197 Series B: 474,488 Series C: 994,235
The Sprout CEO Fund, L.P. 3000 Sand Hill Road Bldg. 3, Ste. 170 Menlo Park, CA 94025 Tel: (650) 234-2700 Fax: (650) 234-2779 Attn: Bob Curry	Series A: 26,592 Series B: 5,512 Series C: 11,549
Ron Berenson, M.D. PO Box 1598 Mercer Island, WA 98040 Tel: (206) 232-1433 Fax: (206) 236-1876	Series A: 57,895
GC&H Investments 1 Maritime Plaza, 20th Fl. San Francisco, CA 94111 Attn: John L. Cordoza Tel: (415) 693-2600	Series A: 26,316

INVESTOR NAME AND ADDRESS	NUMBER OF SHARES
WS Investment Company 650 Page Mill Road Palo Alto, CA 94304 Tel: (650) 443-9300 Fax: (650) 845-5000 Attn: J. Casey McGlynn	Series A: 26,316
Paul Etsekson Fleet Pride P.O. Box 80986 Seattle, WA 98108 Tel: (206) 654-8089 Fax: (206) 343-1499	Series A: 26,316
Gary P. Farber IRA Rollover Summit Partners 16102 S.E. Cougar Mountain Way Bellevue, WA 98006 Tel: (206) 447-9020	Series A: 26,316
Mrs. Thomas Georges, Jr. 1814 S.W. Jackson Street Portland, OR 97201 Tel: (503) 227-3898	Series A: 26,316
Thomas Georges, Jr. 1814 S.W. Jackson Street Portland, OR 97201 Tel: (503) 227-3898	Series A: 10,526
Michael S. Rabson c/o Maxygen, Inc. 515 Galveston Drive Redwood City, CA 94063	Series A: 2,632
Benjamin Stern 528 Laidlaw Blvd Winnipeg, Canada R3POK9	Series A: 26,316

INVESTOR NAME AND ADDRESS	NUMBER OF SHARES
SMS Bader Martin Ross & Smith, P.S. 1000 Second Avenue, 34th Floor Seattle, WA 98104 Tel: (206) 621-1900 Fax: (206) 682-1874 Attn: Walter R. Smith, CPA	Series B: 22,727
ARCH Development Corporation Walker 213 1101 East 58th Street Chicago, IL 60637 Attn: Terry Willey	Series A: 157,890
ARCH Venture Fund III, L.P. 8735 West Higgins Road Suite 235 Chicago, IL 60631 Attn: Melanie Davis Tel: (773) 380-6600 Fax: (773) 380-6606 1000 Second Avenue, Suite 3700 Seattle, WA 98104-1053 Attn: Bob Nelsen	Series A: 157,890 Series B: 1,681,818 Series C: 1,119,265
Jeffrey Ledbetter 18798 Ridgefield Road N.W. Shoreline, WA 98177	Series A: 157,890
Marylin Parsons 306 NW 113th Place Seattle, WA 98177	Series A: 52,630
TGI Fund II, LC 6501 Columbia Center 701-5th Avenue Seattle, WA 98104 Attn: Michael Beblo and Dave Maki	Series C: 1,796,410

INVESTOR NAME AND ADDRESS	NUMBER OF SHARES
Vengott LC 6501 Columbia Center 701-5th Avenue Seattle, WA 98104 Attn: Michael Beblo and Steven Johnson	Series C: 179,641
Steven M. Johnson 6501 Columbia Center 701-5th Avenue Seattle, WA 98104	Series C: 32,934
John E. Parkey 6501 Columbia Center 701-5th Avenue Seattle, WA 98104	Series C: 29,940
Charles A. Blanchard 6501 Columbia Center 701-5th Avenue Seattle, WA 98104	Series C: 14,970
Anthony P. Russo, Trustee Anthony P. Russo Separate Property Trust U/A 9/11/90 6501 Columbia Center 701-5th Avenue Seattle, WA 98104	Series C: 14,970
David J. Maki Tredegar Investments 6300 Columbia Center 701 Fifth Avenue Seattle, WA 98104-7092	Series C: 14,970
R. Ray Cummings Cummings Consulting 8695 NE Grizdale Lane Bainbridge Island, WA 98110	Series C: 11,976
Falcon Technology Partners, L.P. 600 Dorset Road Devon, PA 19333 Attn: Jim Rathman	Series C: 598,802

INVESTOR NAME AND ADDRESS	NUMBER OF SHARES
Vulcan Ventures Inc. 110 110th Avenue NE, Suite 550 Bellevue, WA 98004 Attn: Ruth B. Kunath	Series C: 598,802
Fluke Capital Management, L.P. 11400 SE 6th Street, Suite 230 Bellevue, WA 98004 Attn: Dennis P. Weston & Kevin C. Gabelein	Series C: 598,802

EXHIBIT C

INITIAL SERIES D INVESTORS

INVESTOR NAME AND ADDRESS	NUMBER OF SERIES D PREFERRED SHARES
DLJ CAPITAL CORP 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Bob Curry	6,475
DLJ FIRST ESC L.P. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Bob Curry	32,374
SPROUT CAPITAL VII, L.P. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Bob Curry	281,622
THE SPROUT CEO FUND, L.P. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Bob Curry	3,270
ARCH VENTURE FUND III, L.P. 1000 Second Avenue, Suite 3700 Seattle, WA 98104-1053 Attn: Bob Nelsen	962,230
ALTA CALIFORNIA PARTNERS, L.P. One Embarcadero Center, Suite 4050 San Francisco, CA 94111 Attn: Jean Deleage	571,491
ALTA EMBARCADERO PARTNERS, LLC One Embarcadero Center, Suite 4050 San Francisco, CA 94111 Attn: Jean Deleage	13,056

INVESTOR NAME AND ADDRESS	NUMBER OF SERIES D PREFERRED SHARES
TGI FUND II, LC 6501 Columbia Center 701 - 5th Avenue Seattle, WA 98104 Attn: Michael Beblo and Dave Maki	286,022
FALCON TECHNOLOGY PARTNERS, L.P. 600 Dorset Road Devon, PA 19333 Attn: Jim Rathman	95,341
VULCAN VENTURES INC 110 110th Avenue, NE, Suite 550 Bellevue, WA 98004 Attn: Ruth B. Kunath	719,424
FLUKE CAPITAL MANAGEMENT, L.P. 11400 SE 6th Street, Suite 230 Bellevue, WA 98004 Attn: Dennis Weston and Kevin Gabelein	89,928
TOM ALBERG c/o Madrona Investment Group 1000 2nd Avenue Seattle, WA 98104	719,424
MGN OPPORTUNITY GROUP LLC Matthew G. Norton Company The Norton Building 801 Second Avenue, Suite 1300 Seattle, WA 98104 Attn: Stephen Humphreys	359,712
ARNOLD L. HOLM, JR. Holm Construction Services 310 3rd Avenue NE, Suite 103 Issaquah, WA 98027	36,000
HENRY JAMES 22420 North Dogwood Lane Woodway, WA 98020	89,928

INVESTOR NAME AND ADDRESS	NUMBER OF SERIES D PREFERRED SHARES
OKI ENTERPRISES, LLC c/o Scott Oki 10838 Main Street Bellevue, WA 98004	359,712
VLG INVESTMENTS LLC c/o Elias J. Blawie 2800 Sand Hill Road Menlo Park, CA 94025	12,619
VLG ASSOCIATES 2000 c/o Elias J. Blawie 2800 Sand Hill Road Menlo Park, CA 94025	1,770
SONYA F. ERICKSON 4750 Carillon Point Kirkland, WA 98033	1,799

EXHIBIT D

SCHEDULE OF EXCEPTIONS

EXHIBIT E

FORM OF WARRANTS

EXHIBIT F

SERIES D PREFERRED STOCK PURCHASE AGREEMENT

(SEE TAB NO. 1)

EXHIBIT G

AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

(SEE TAB NO. 2)

EXHIBIT H

AMENDED AND RESTATED RIGHT OF
FIRST REFUSAL AND CO-SALE AGREEMENT

(SEE TAB NO. 3)

EXHIBIT I

LEGAL OPINION OF VENTURE LAW GROUP

(SEE TAB NO. 24)

EXHIBIT J

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

(SEE TAB NO. 17)

EXHIBIT 10.4

XCYTE THERAPIES, INC.

SECOND ADDENDUM TO SERIES D PREFERRED
STOCK PURCHASE AGREEMENT

This Second Addendum to Series D Preferred Stock Purchase Agreement (the "Second Addendum") is made as of the 14th day of August, 2000 by and among Xcyte Therapies, Inc., a Delaware corporation (the "Company"), the investors listed on Exhibit A attached hereto (each an "Additional Purchaser" and together the "Additional Purchasers"), and the existing holders of Series D Preferred Stock listed on Exhibit B hereto (each an "Initial Series D Investor," together the "Initial Series D Investors"). All capitalized terms not defined herein shall have the meaning set forth in the Purchase Agreement (defined herein).

RECITALS

WHEREAS, on May 25, 2000, the Company entered into a Series D Preferred Stock Purchase Agreement, as amended by the Addendum to Series D Preferred Stock Purchase Agreement and Omnibus Amendment to Series B Financing Agreements dated as of August 8, 2000 (the "Purchase Agreement") with the Initial Series D Investors. The Purchase Agreement provides in Section 1.4 thereof that additional investors may, under conditions set forth therein, become parties to the Purchase Agreement at any time on or before August 8, 2000;

WHEREAS, pursuant to the terms of Section 6.8 of the Purchase Agreement, the Purchase Agreement may be amended only with the written consent of the Company and Initial Series D Investors holding at least a majority of the Stock (or the Common Stock issuable upon conversion thereof);

WHEREAS, the Company, the Additional Purchasers, the undersigned Initial Series D Investors, constituting the holders of sufficient shares of capital stock of the Company to amend the Purchase Agreement, desire to amend certain terms and conditions of the Purchase Agreement;

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

AGREEMENT

In consideration of the mutual promises, covenants and conditions hereinafter set forth, the parties hereto mutually agree as follows:

1. AUTHORIZATION AND SALE OF PREFERRED STOCK AND WARRANTS.

1.1 AUTHORIZATION OF PREFERRED STOCK. The Company has authorized the issuance pursuant to this Second Addendum of up to 719,425 shares of its Series D Preferred Stock (the "Additional Shares") and the issuance of Warrants to purchase 80,575 shares of Common Stock (the "Warrants") to the Additional Purchasers. The rights, preferences, privileges and restrictions of the Series D Preferred Stock are as set forth in the Company's

Amended and Restated Certificate of Incorporation attached as Exhibit C to the Purchase Agreement (the "Restated Certificate").

1.2 SALE OF PREFERRED STOCK AND WARRANTS. Subject to the terms and conditions hereof, at the Closing (as defined in Section 2.1 hereof) the Company will issue and sell to each Additional Purchaser, and each Additional Purchaser severally agrees to purchase from the Company, that number of Additional Shares at a cash purchase price of $2.78 per share of Series D Preferred Stock and Warrants at a cash purchase price of $0.001 per share of Common Stock specified opposite such Additional Purchaser's name on Exhibit A hereto. Each of the Additional Purchasers, by their signatures hereto, shall hereby (i) become parties to the Purchase Agreement, as amended by this Second Addendum (ii) be considered a "Purchaser" for all purposes under the Purchase Agreement, (iii) have all the rights and obligations of a Purchaser thereunder, (iv) become parties to the Investors' Rights Agreement, as amended, and Voting Agreement, as amended, (v) be considered a "Series D Investor" for all purposes under the Investor Rights Agreement, as amended, and (vi) have all the rights and obligations of an Investor thereunder. The Additional Shares, the Warrants and the Common Stock issuable upon exercise of the Warrants (the "Warrant Shares") acquired by the Additional Purchasers hereunder shall be considered "Shares" for all purposes under the Purchase Agreement, as amended.

2. CLOSING; DELIVERY.

2.1 CLOSING. The closing of the purchase and sale of the Additional Shares and Warrants hereunder (the "Closing") shall be held at the offices of Venture Law Group, Kirkland, Washington, at 10:00 a.m., on August 14, 2000, or at such other time and place as the Company and the Additional Purchasers may agree.

2.2 DELIVERY. At the Closing, the Company will deliver to each Additional Purchaser a certificate representing the number of Additional Shares and Warrants set forth opposite such Additional Purchaser's name on Exhibit A, against payment of the purchase price therefor by each Additional Purchaser by check or wire transfer to the Company.

3. DISCLOSURE; CAPITALIZATION.

3.1 DISCLOSURE. Each Additional Purchaser hereby acknowledges receipt of the Purchase Agreement and the exhibits thereto. The Company affirms to each Additional Purchaser that:

(i) The representations and warranties of the Company set forth in Section 2 of the Purchase Agreement were true and accurate when made;

(ii) Those representations and warranties, which are incorporated herein by this reference and made a part hereof, remain true and accurate in all material respects as of the date hereof, except (A) for changes resulting from the transactions contemplated in the Purchase Agreement and (B) as set forth in the Schedule of Exceptions to Representations and Warranties attached hereto as Exhibit D.

(iii) The conditions to closing set forth in Section 4 of the Purchase Agreement and in Section 5 hereof have been satisfied, provided that the conditions set forth in Section 4.1 of the Purchase Agreement shall include references to changes in the Company's representations and warranties and the Company's status, respectively, as set forth herein and in the Exhibits attached hereto, and resulting from the consummation of the transactions contemplated by the Purchase Agreement.

3.2 CAPITALIZATION. Immediately prior to the Closing, the authorized capital of the Company shall consist of:

(i) Immediately prior to the Closing, the authorized capital of the Company shall consist of: (a) 60,000,000 shares of Common Stock, and (b) 28,909,976 shares of Preferred Stock (the "Preferred Stock"), of which 7,300,080 have been designated Series A Preferred Stock, 4,097,580 have been designated Series B Preferred Stock, 7,212,316 have been designated Series C Preferred Stock and 10,300,000 have been designated Series D Preferred Stock. Immediately prior to the Closing, 5,965,234 shares of Common Stock, 6,860,512 shares of Series A Preferred Stock, warrants to purchase 439,568 shares of Series A Preferred Stock, 3,903,080 shares of Series B Preferred Stock, and warrants to purchase 194,500 shares of Series B Preferred Stock, 7,185,630 shares of Series C Preferred Stock, warrants to purchase 26,686 shares of Series C Preferred Stock and 9,390,400 shares of Series D Preferred Stock will be outstanding.

(ii) Except as set forth in this Agreement and the exhibits thereto, there are no outstanding options, warrants, rights (including conversion or preemptive rights) or agreements for the purchase or acquisition from the Company of any shares of its capital stock except that the Company has reserved (a) the Shares for issuance at Closing, (b) the Common Stock issuable upon conversion of the Preferred Stock, (c) 2,500,000 shares of Common Stock reserved for issuance pursuant to a stock option plan adopted by the Company of which options to purchase 1,037,453 shares have been granted and remain outstanding, with 1,374,122 shares remaining for grant (d) 898,150 shares of Common Stock reserved for issuance to scientific founders upon the achievement of certain milestones, (e) 157,890 shares of Common Stock reserved for issuance to Carl June or his assignees upon the Company's acquisition of certain future technology and (f) the Warrants to purchase 1,051,712 shares of Common Stock issued pursuant to the Purchase Agreement, as amended.

(iii) Based in part upon the representations of each Purchaser in this Second Addendum and subject to the provisions of Section 2.5 of the Purchase Agreement, the Stock (and the Common Stock issuable upon conversion thereof) has been issued or will be issued in compliance with all applicable federal and state securities laws.

4. REPRESENTATIONS AND WARRANTIES OF ADDITIONAL PURCHASERS AND INITIAL SERIES D INVESTORS. Each Additional Purchaser and Initial Series D Investor, severally and not jointly, acknowledges that such Additional Purchaser has reviewed the representations and warranties set forth in Section 3 of the Purchase Agreement and agrees with the Company that such representations and warranties, which are incorporated herein by this reference and made a part

hereof, are true and correct as of the date hereof as they relate to such Additional Purchaser's purchase of the Additional Shares and Warrants hereunder.

5. CONDITIONS TO ADDITIONAL PURCHASERS' OBLIGATIONS AT CLOSING. The obligation of each Additional Purchaser to purchase the Additional Shares at the Closing is subject to the fulfillment to such Additional Purchaser's satisfaction at or prior to the Closing of the following conditions:

5.1 REPRESENTATIONS AND WARRANTIES CORRECT; PERFORMANCE OF OBLIGATIONS. The representations and warranties made by the Company in Section 3 hereof shall be true and correct when made, and shall be true and correct on the date of the Closing with the same force and effect as if they had been made on and as of said date, subject to changes contemplated by this Second Addendum; and the Company shall have performed all obligations and conditions herein required to be performed or observed by it at or prior to the Closing.

5.2 CONSENTS AND WAIVERS. The Company shall have obtained any and all consents and waivers necessary or appropriate for consummation of the transactions contemplated by this Second Addendum.

5.3 LEGAL OPINION. Upon request, each of the Additional Purchasers will be entitled to receive from Venture Law Group, legal counsel for the Company, a legal opinion addressed to the Additional Purchasers substantially in the form attached hereto as Exhibit E.

6. CONDITIONS TO COMPANY'S OBLIGATIONS AT CLOSING. The obligations of the Company under Sections 1.1 and 1.2 of this Second Addendum are subject to the fulfillment at or before the Closing of each of the following conditions:

6.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties of each Additional Purchaser and Initial Series D Investor contained in Section 4 hereof shall be true at the Closing.

6.2 CONSENTS AND WAIVERS. The Company shall have obtained any and all consents and waivers necessary or appropriate for the Purchasers to become parties to the Investor Rights Agreement for the consummation of the transactions contemplated by this Second Addendum.

7. AMENDMENT TO STOCK PURCHASE AGREEMENT. Section 1.4 of the Purchase Agreement is hereby amended to read in its entirety as follows:

> "1.4 Additional Closings. If the full number of Series D Preferred Stock of the Company is not sold at the Closing, the Company shall have the right, at any time prior to August 18, 2000 (the "Subsequent Closing Date"), to sell the remaining authorized but unissued shares of Series D Preferred Stock to one or more additional purchasers as determined by the Company, or to any Purchaser hereunder who wishes to acquire additional shares of Series D Preferred Stock at the price and on the terms set forth herein, provided that any

such additional purchaser shall be required to execute an Second Addendum Agreement substantially in the form attached hereto as Exhibit F. Any additional purchaser so acquiring shares of Series D Preferred Stock shall be considered a "Purchaser" for purposes of this Agreement and an "Investor" for the purposes of the Agreements (as defined below), and any Series D Preferred Stock so acquired by such additional purchaser shall be considered "Shares" for purposes of this Agreement and all other agreements contemplated hereby."

8. MISCELLANEOUS.

8.1 INCORPORATION BY REFERENCE. The provisions set forth in Section 6 of the Purchase Agreement (other than Section 6.6) are incorporated herein by this reference and made a part hereof. Except as otherwise set forth herein, the terms and conditions of the Purchase Agreement shall remain in full force and effect notwithstanding the execution of this Agreement and are incorporated in their entirety herein and made a part of this Second Addendum as if fully set forth herein.

8.2 NOTICES. Any notice required or permitted by this Second Addendum and/or the Agreements shall be in writing and shall be deemed sufficient upon delivery, when delivered personally or sent by overnight courier telegram or fax, or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address or fax number (as set forth below or in the Purchase Agreement or on Exhibit A hereto or thereto, or as subsequently modified by written notice) and (a) if to the Company, with a copy to Sonya F. Erickson, Venture Law Group, 4750 Carillon Point, Kirkland, Washington 98033, fax number (425) 739-8750 or (b) if to the Purchasers, with a copy to Richard Porter, Kirkland & Ellis, Aon Center, 200 East Randolph Drive Chicago, Illinois 60601, fax number (312) 861-2200.

8.3 COUNTERPARTS. This Second Addendum may be executed in any number of counterparts, each of which may be executed by less than all of the Additional Purchasers, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

[Signature page follows]

The parties hereto have executed this Second Addendum as of the date first set forth above.

XCYTE THERAPIES, INC.

By:

Ron J. Berenson, Chief Executive Officer

Address: 1124 Columbia Street, Suite 130
Seattle, WA 98104
Fax: (206) 262-6200

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
SECOND ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT

ADDITIONAL PURCHASERS:

VECTOR FUND MANAGEMENT, L.P.

By:

Name:

(print)

Title:

Address: 1751 Lake Cook Road, Suite 350
Deerfield, IL 60015
Attn: Doug Reed, M.D.

INITIAL SERIES D INVESTORS:

MPM BIOVENTURES II, L.P.

By: MPM Asset Management II, L.P., its
General Partner
By: MPM Asset Management II LLC, its
General Partner

By:

Name:
Title:

MPM BIOVENTURES II-QP, L.P.

By: MPM Asset Management II, L.P., its
General Partner
By: MPM Asset Management II LLC, its
General Partner

By:

Name:
Title:

MPM BIOVENTURES GMBH & CO.
PARALLEL-BETEILIGUNGS KG

By: MPM Asset Management II, L.P., its
General Partner
By: MPM Asset Management II LLC, its
General Partner

By:

Name:
Title:

MPM ASSET MANAGEMENT INVESTORS 2000 B LLC

By:

Name:
Title:

INITIAL SERIES D INVESTORS:

JOHN E. PARKEY

Address: Tredegar Investments
6501 Columbia Center
701 Fifth Avenue
Seattle, WA 98104

INITIAL SERIES D INVESTORS:

NEIL RUZIC

Address: c/o Little Stirrup Cay
Research Limited
345 East Lake Front Drive
Beverly Shores, IN 46301

INITIAL SERIES D INVESTORS:

ARCH VENTURE FUND III, L.P.

By:

Name:

(print)

Title:

Address: 1000 Second Avenue, Suite 3700
Seattle, WA 98104-1053
Attn: Bob Nelsen

INITIAL SERIES D INVESTORS:

JIM ROBERTS

Address: 2540 Shoreland Drive South
Seattle, WA 98144

INITIAL SERIES D INVESTORS:

MARK GROUDINE

Address: 1142 20th Avenue East
Seattle, WA 98112

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
SECOND ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT

INITIAL SERIES D INVESTORS:

DLJ CAPITAL CORP.

By:

Name:

(print)

Title:

Address: 3000 Sand Hill Road, Bldg. 3, Suite 170
Menlo Park, CA 94025

DLJ FIRST ESC, L.P.

By:

Name:

(print)

Title:

Address: 3000 Sand Hill Road, Bldg. 3, Suite 170
Menlo Park, CA 94025

SPROUT CAPITAL VII, L.P.

By:

Name:

(print)

Title:

Address: 3000 Sand Hill Road, Bldg. 3, Suite 170
Menlo Park, CA 94025

THE SPROUT CEO FUND, L.P.

By:

Name:

(print)

Title:

Address: 3000 Sand Hill Road, Bldg. 3, Suite 170
Menlo Park, CA 94025

INITIAL SERIES D INVESTORS:

ARCH VENTURE FUND III, L.P.

By:

Name:

(print)

Title:

Address: 1000 Second Avenue, Suite 3700
Seattle, WA 98104-1053
Attn: Bob Nelsen

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
SECOND ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT

INITIAL SERIES D INVESTORS:

ALTA CALIFORNIA PARTNERS, L.P.

By:

Name:

(print)

Title:

Address: One Embarcadero Center, Suite 4050
San Francisco, CA 94111
Attn: Jean Deleage

ALTA EMBARCADERO PARTNERS, LLC

By:

Name:

(print)

Title:

Address: One Embarcadero Center, Suite 4050
San Francisco, CA 94111
Attn: Jean Deleage

INITIAL SERIES D INVESTORS:

- ----------

TGI FUND II, LC

Address: 6501 Columbia Center
701 5th Avenue
Seattle, WA 98104
Attn: Michael Beblo & Dave Maki

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
SECOND ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT

INITIAL SERIES D INVESTORS:

- ----------

FALCON TECHNOLOGY PARTNERS, L.P.

Address: 600 Dorset Road
Devon, PA 19333
Attn: Jim Rathman

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
SECOND ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT

INITIAL SERIES D INVESTORS:

- ----------

VULCAN VENTURES, INC.

Address: 110 110th Avenue NE, Suite 550
Bellevue, WA 98004
Attn: Ruth B. Kunath

INITIAL SERIES D INVESTORS:

- ----------

FLUKE CAPITAL MANAGEMENT, L.P.

Address: 11400 SE 6th Street, Suite 230
Bellevue, WA 98004
Attn: Dennis Weston

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
SECOND ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT

INITIAL SERIES D INVESTORS:

- ----------

TOM ALBERG

Address: c/o Madrona Investment Group
1000 2nd Avenue
Seattle, WA 98104

INITIAL SERIES D INVESTORS:

- ----------

MGN OPPORTUNITY GROUP LLC

Address: The Norton Building
801 Second Avenue, Suite 1300
Seattle, WA 98104
Attn: Stephen Humphreys

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
SECOND ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT

INITIAL SERIES D INVESTORS:

- ----------

ARNOLD L. HOLM, JR.

Address: Holm Construction Services
310 3rd Avenue NE, Suite 103
Issaquah, WA 98027

INITIAL SERIES D INVESTORS:

- ----------

HENRY JAMES

Address: 22420 North Dogwood Lane
Woodway, WA 98020

SIGNATURE PAGE TO XCYTE THERAPIES, INC.
SECOND ADDENDUM TO SERIES D STOCK PURCHASE AGREEMENT

INITIAL SERIES D INVESTORS:

- ----------

OKI ENTERPRISES, LLC

Address: c/o Scott Oki
10838 Main Street
Bellevue, WA 98004

INITIAL SERIES D INVESTORS:

- ----------

VLG INVESTMENTS LLC

Address: c/o Elias J. Blawie
2800 Sand Hill Road
Menlo Park, CA 94025

- ----------

VLG ASSOCIATES 2000

Address: c/o Elias J. Blawie
2800 Sand Hill Road
Menlo Park, CA 94025

INITIAL SERIES D INVESTORS:

- ----------

SONYA F. ERICKSON

Address: 4750 Carillon Point
Kirkland, WA 98033

EXHIBIT A

SCHEDULE OF ADDITIONAL PURCHASERS

NAME/ADDRESS	AMOUNT INVESTED	NUMBER OF SHARES	NUMBER OF WARRANT SHARES	PURCHASE PRICE OF WARRANTS
VECTOR LATER-STAGE EQUITY FUND II, L.P. 1751 Lake Cook Road, Suite 350 Deerfield, IL 60015 Attn: Doug Reed, M.D.	$500,000.38	179,856	20,144	$20.14
VECTOR LATER-STAGE EQUITY FUND II (QP), L.P. 1751 Lake Cook Road, Suite 350 Deerfield, IL 60015 Attn: Doug Reed, M.D.	$1,500,001.12	539,569	60,431	$60.44
TOTAL	$2,000,001.50	719,425	80,575	$80.58

EXHIBIT B

INITIAL SERIES D INVESTORS

INVESTOR NAME AND ADDRESS	NUMBER OF SERIES D PREFERRED SHARES	NUMBER OF WARRANT SHARES
DLJ CAPITAL CORP. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Bob Curry	6,475	725
DLJ FIRST ESC L.P. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Bob Curry	32,374	3,625
SPROUT CAPITAL VII, L.P. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Bob Curry	281,622	31,541
THE SPROUT CEO FUND, L.P. 3000 Sand Hill Road Building Three, Suite 170 Menlo Park, CA 94025 Attn: Bob Curry	3,270	366
ARCH VENTURE FUND III, L.P. 1000 Second Avenue, Suite 3700 Seattle, WA 98104-1053 Attn: Bob Nelsen	1,321,942	148,056
ALTA CALIFORNIA PARTNERS, L.P. One Embarcadero Center Suite 4050 San Francisco, CA 94111 Attn: Jean Deleage	571,491	64,006

INVESTOR NAME AND ADDRESS	NUMBER OF SERIES D PREFERRED SHARES	NUMBER OF WARRANT SHARES
ALTA EMBARCADERO PARTNERS, LLC One Embarcadero Center Suite 4050 San Francisco, CA 94111 Attn: Jean Deleage	13,056	1,462
TGI FUND II, LC 6501 Columbia Center 701 - 5th Avenue Seattle, WA 98104 Attn: Michael Beblo and Dave Maki	286,022	32,034
FALCON TECHNOLOGY PARTNERS, L.P. 600 Dorset Road Devon, PA 19333 Attn: Jim Rathman	95,341	10,678
VULCAN VENTURES INC. 110 110th Avenue, NE, Suite 550 Bellevue, WA 98004 Attn: Ruth B. Kunath	719,424	80,575
FLUKE CAPITAL MANAGEMENT, L.P. 11400 SE 6th Street, Suite 230 Bellevue, WA 98004 Attn: Dennis Weston and Kevin Gabelein	89,928	10,071
TOM ALBERG c/o Madrona Investment Group 1000 2nd Avenue Seattle, WA 98104	719,424	80,575

INVESTOR NAME AND ADDRESS	NUMBER OF SERIES D PREFERRED SHARES	NUMBER OF WARRANT SHARES
MGN OPPORTUNITY GROUP LLC Matthew G. Norton Company The Norton Building 801 Second Avenue, Suite 1300 Seattle, WA 98104 Attn: Stephen Humphreys	359,712	40,287
ARNOLD L. HOLM, JR. Holm Construction Services 310 3rd Avenue NE, Suite 103 Issaquah, WA 98027	36,000	4,032
HENRY JAMES 22420 North Dogwood Lane Woodway, WA 98020	89,928	10,071
OKI ENTERPRISES, LLC c/o Scott Oki 10838 Main Street Bellevue, WA 98004	359,712	40,287
VLG INVESTMENTS LLC c/o Elias J. Blawie 2800 Sand Hill Road Menlo Park, CA 94025	12,619	1,413
VLG ASSOCIATES 2000 c/o Elias J. Blawie 2800 Sand Hill Road Menlo Park, CA 94025	1,770	198
SONYA F. ERICKSON 4750 Carillon Point Kirkland, WA 98033	1,799	201
MPM BIOVENTURES II, LP One Cambridge Center Cambridge, MA 02142	320,719	35,921

INVESTOR NAME AND ADDRESS	NUMBER OF SERIES D PREFERRED SHARES	NUMBER OF WARRANT SHARES
MPM BIOVENTURES II-QP, LP One Cambridge Center Cambridge, MA 02142	2,905,900	325,460
MPM BIOVENTURES GMBH & CO. PARALLEL-BETEILIGUNGS KG One Cambridge Center Cambridge, MA 02142	1,023,022	114,578
MPM ASSET MANAGEMENT INVESTORS 2000 B LLC One Cambridge Center Cambridge, MA 02142	66,906	7,494
JOHN E. PARKEY Tredegar Investments 6501 Columbia Center 701 Fifth Avenue Seattle, WA 98104	17,986	2,014
NEIL RUZIC Little Stirrup Cay Research Ltd. 345 Each Lake Front Drive Beverly Shores, IN 46301	17,986	2,014
JIM ROBERTS 2540 Shoreland Drive South Seattle, WA 98144	17,986	2,014
MARK GROUDINE 1142 20th Avenue East Seattle, WA 98112	17,986	2,014
TOTAL	9,390,400	1,051,712

EXHIBIT C

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

(SEE TAB NO. 31)

EXHIBIT D

SCHEDULE OF EXCEPTIONS

EXHIBIT E

FORM OF LEGAL OPINION

(See Tab No. 11

EXHIBIT 10.5

XCYTE THERAPIES, INC.

AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

This Amended and Restated Investor Rights Agreement (the "Agreement") is effective as of May 25, 2000, by and among Xcyte Therapies, Inc., a Delaware corporation (the "Company"), the investors listed on Schedule A attached hereto (the "Investors"), Phoenix Leasing Incorporated and Robert Kingsbook.

RECITALS

A. The Company sold and issued to certain Investors (the "Series A Holders") 6,334,212 shares of the Series A Preferred Stock of the Company on August 28, 1996.

B. In connection with the Company's merger with CellGenEx, Inc., dated August 27, 1997, the Company issued 526,300 shares of Series A Preferred Stock to holders of CellGenEx Preferred Stock.

C. The Company sold and issued to certain Investors (the "Series B Holders") 3,903,080 shares of the Series B Preferred Stock of the Company.

D. The Company sold and issued to certain Investors (the "Series C Holders") 7,185,630 shares of the Series C Preferred Stock of the Company.

E. Pursuant to that certain Restated Investor Rights Agreement, dated as of July 21, 1998, (the "Prior Rights Agreement") the Company granted to such Series A Holders, Series B Holders and Series C Holders certain rights and the Series A Holders, Series B Holders and Series C Holders entered into certain covenants between themselves.

F. Pursuant to that certain Series D Preferred Stock Purchase Agreement of even date herewith (the "Series D Agreement"), the Company has agreed to sell to certain Investors (the "Series D Holders") a total of up to 7,194,245 shares of the Series D Preferred Stock of the Company and, as an inducement for the Series D Holders to purchase such shares, the Company, the Series A Holders, the Series B Holders and the Series C Holders have agreed to enter into this Agreement to supersede, amend and restate the rights granted to and covenants agreed by the Series A Holders, Series B Holders and Series C Holders in the Prior Rights Agreement. All shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock are referred to herein as the "Preferred Shares."

All terms not otherwise defined herein shall have the same meaning as set forth in the Series D Agreement.

NOW THEREFORE, the parties hereby agree as follows:

1. Registration Rights.

1.1 Definitions. For purposes of this Section 1:

(a) The term "Act" shall mean the Securities Act of 1933, as amended.

(b) The term "Form S-3" means such form under the Act as in effect on the date hereof or any registration form under the Act subsequently adopted by the Securities and Exchange Commission (the "SEC") which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC;

(c) The term "Holder" means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.12 hereof;

(d) The term "Qualified Public Offering" shall mean an underwritten public offering of shares of the Company's Common Stock at a public offering price per share of not less than $4.00 (as adjusted for stock splits, combinations or consolidations) with gross proceeds to the Company of not less than $20,000,000 at the public offering price;

(e) The term "register", "registered," and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document;

(f) The term "registration expenses" shall mean all expenses, except as otherwise stated below, incurred by the Company in complying with Sections 1.2, 1.3 and 1.11 hereof, including, without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for the Company, fees and disbursement of one counsel to the Holders, blue sky fees and expenses, the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

(g) The term "Registrable Securities" means (1) the Common Stock issued upon conversion of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or Series D Preferred Stock or any Common Stock issued upon conversion of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock or Series D Preferred Stock issuable upon the exercise of outstanding warrants to purchase such shares of Preferred Stock, (2) up to 6,158 shares of Common Stock of the Company issued or issuable upon conversion of the Series C Preferred Stock issued or issuable upon exercise of that certain warrant issued to Phoenix Leasing Incorporated, (3) up to 6,157 shares of Common Stock of the Company issued or issuable upon conversion of the Series C Preferred Stock issued or issuable upon exercise of that certain warrant issued to Robert Kingsbook and (4) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange

for or in replacement of, such Preferred Stock or Common Stock, excluding in all cases, however, (i) any Registrable Securities sold by a person in a transaction in which such person's rights under this Section 1 are not assigned, or (ii) any Registrable Securities sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction; and

(h) The number of shares of "Registrable Securities then outstanding" shall be determined by the number of shares of Common Stock outstanding which are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities which are, Registrable Securities.

1.2 Request for Registration.

(a) If the Company shall receive at any time after the earlier of (i) August 15, 2002 or (ii) six (6) months after the effective date of a Qualified Public Offering (other than a registration statement relating either to the sale of securities to employees of the Company pursuant to a stock option, stock purchase or similar plan or a SEC Rule 145 transaction), a written request from the Holders of at least fifty percent (50%) of the Registrable Securities then outstanding (including securities convertible into Registrable Securities) that the Company file a registration statement under the Act covering the registration of at least fifty percent (50%) of Registrable Securities, or any lesser number of shares if the anticipated aggregate offering price, net of underwriting discounts and commissions, would exceed $10,000,000, then the Company shall, within ten (10) days of the receipt thereof, give written notice of such request to all Holders and shall, subject to the limitations of Section 1.2(b), effect as soon as practicable, and in any event within ninety (90) days of the receipt of such request, the registration under the Act of all Registrable Securities which the Holders request to be registered within twenty (20) days of the mailing of such written notice by the Company; provided, however, that the Company shall not be obligated to take any action to effect any such registration, qualification or compliance pursuant to this Section 1.2(a):

(i) During the period starting with the date thirty (30) days prior to the Company's estimated date of filing of, and ending on the date one hundred twenty (120) days immediately following the effective date of, any registration statement pertaining to securities of the Company (other than a registration of securities in a Rule 145 transaction or with respect to an employee benefit plan), provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective;

(ii) After the Company has effected two such registrations pursuant to this Section 1.2(a), and such registrations have been declared or ordered effective; or

(iii) If the Company shall furnish to such Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors it would be seriously detrimental to the Company or its stockholders for a registration statement to be filed at such time, then the Company's obligation to use its best efforts to register, qualify or comply under this Section 1.2(a) shall be deferred for a period not to exceed ninety (90) days from the date of receipt of

written request from the Holders; provided, however, that the Company may not utilize this right more than once in any twelve-month period.

(b) If the Holders initiating the registration request hereunder (the "Initiating Holders") intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.2 and the Company shall include such information in the written notice referred to in Section 1.2(a). In such event, the right of any Holder to include his Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Section 1.4(e)) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders and reasonably acceptable to the Company. Notwithstanding any other provision of this Section 1.2, if the underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all Holders thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities of the Company owned by each Holder at the time of filing of such Registration Statement. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest one hundred (100) shares.

If any Holder of Registrable Securities disapproves of the terms of the underwriting, such Holder may elect to withdraw therefrom by written notice to the Company, the managing underwriter and the Initiating Holders. The Registrable Securities and/or other securities so withdrawn shall also be withdrawn from registration, and such Registrable Securities shall not be transferred in a public distribution prior to one hundred eighty (180) days after the effective date of such registration, or such other shorter period of time as the underwriters may require.
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1.3 Company Registration. If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) any of its stock or other securities under the Act in connection with the public offering of such securities solely for cash (other than a registration relating solely to the sale of securities to participants in a Company stock plan, or a registration on any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities), the Company shall, at such time, give each Holder written notice of such registration thirty (30) days prior to such registration. Upon the written request of each Holder given within twenty (20) days after mailing of written notice by the Company, the Company shall, subject to

the provisions of Section 1.8, cause to be registered under the Act all of the Registrable Securities that each such Holder has requested to be registered.

1.4 Obligations of the Company. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to ninety (90) days.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement provided that such underwriting agreement shall not provide for indemnification or contribution obligations on the part of the holders greater than the obligations set forth in Section 1.9.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 1, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 1, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the

date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) if such offering is being underwritten, a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters.

1.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

1.6 Expenses of Demand Registration. All expenses other than underwriting discounts and commissions incurred in connection with the registration, filing or qualification pursuant to Section 1.2, including all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements of one counsel for the selling Holders shall be borne by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.2 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to a demand registration pursuant to Section 1.2; provided further, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request, of which the Company had or should have had knowledge at the time of the request, then the Holders shall not be required to pay any of such expenses and shall retain their rights pursuant to Section 1.2.

1.7 Expenses of Company Registration. The Company shall bear and pay all expenses incurred in connection with any registration, filing or qualification of Registrable Securities with respect to the registrations pursuant to Section 1.3 for each Holder (which right may be assigned as provided in Section 1.12), including all registration, filing, and qualification fees, printers and accounting fees relating or apportionable thereto and the fees and disbursements of one counsel for the selling Holders selected by them, but excluding underwriting discounts and commissions relating to Registrable Securities.

1.8 Underwriting Requirements. In connection with any offering involving an underwriting of shares being issued by the Company, the Company shall not be required under Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it, and then only in such quantity as will not, in the opinion of the underwriters, jeopardize the success of the offering by the Company; provided that such underwriting agreement shall not provide for indemnification or

contribution obligations on the part of the Holders greater than the obligations set forth in Section 1.9. If the total amount of securities, including Registrable Securities requested by stockholders to be included in such offering, exceeds the amount of securities sold (other than by the Company) that the underwriters reasonably believe compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters believe will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling stockholders according to the total amount of securities entitled to be included therein owned by each selling stockholder or in such other proportions as shall mutually be agreed to by such selling stockholders), but in no event shall any shares being sold by a stockholder exercising a demand registration right similar to that granted in Section 1.2 be excluded from such offering. For purposes of apportionment, any selling stockholder which is a Holder of Registrable Securities and which is a partnership or corporation, the partners, retired partners and stockholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling stockholder", and any pro rata reduction with respect to such "selling stockholder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling stockholder", as defined in this sentence. In no event, shall the amount of securities of the selling Holders included in the registration be reduced below thirty percent (30%) of the total amount of the securities included in such registration unless such registration is the Company's initial public offering and such registration does not include the shares of any other selling stockholders, in which event any or all of the Registrable Securities may be excluded if the underwriter makes the determination described above. To facilitate the allocation of shares in accordance with the above provisions, the Company may round the number of shares allocated to any Holder to the nearest one hundred (100) shares.

If any Holder or holder disapproves of the terms of any such underwriting, such Holder or holder may elect to withdraw therefrom by written notice to the Company and the managing underwriter. Any Registrable Securities and/or securities excluded or withdrawn from such underwriting shall be withdrawn from such registration, and shall not be transferred in a public distribution prior to one hundred eighty (180) days after the effective date of the registration statement relating thereto, or such other shorter period of time as the underwriters may require.

1.9 Indemnification. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Act or the Securities Exchange Act of 1934, amended (the "1934 Act"), against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements

thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Act, the 1934 Act, any state securities law or any rule or regulation promulgated under the Act, the 1934 Act or any state securities law; and the Company will pay to each such Holder, underwriter or controlling person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 1.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this Section 1.9(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 1.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided, that, in no event shall any indemnity under this Section 1.9(b) exceed the gross proceeds from the offering received by such Holder, unless such liability resulted from the willful misconduct of such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a

reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.9(c), but the omission to so deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.9.

(d) If the indemnification provided for in this Section 1.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage, or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage, or expense as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge and access to information.

(e) The obligations of the Company and Holders under this Section 1.9 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.10 Reports Under Securities Exchange Act of 1934. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after ninety (90) days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the 1934 Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the 1934 Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the

first registration statement filed by the Company), the Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

1.11 Form S-3 Registration.

(a) In case the Company shall receive from any Holder or Holders a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(i) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(ii) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.11: (1) if Form S-3 is not available for such offering by the Holders; (2) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than $500,000; (3) if the Company shall furnish to the Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than 120 days after receipt of the request of the Holder or Holders under this Section 1.11; provided, however, that the Company shall not utilize this right more than once in any twelve (12) month period; (4) if the Company has already effected one registration on Form S-3 within the past twelve (12) months for the Holders pursuant to this Section 1.11; (5) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance; (6) if the Company, within ten (10) days of the receipt of the request of the initiating Holders, gives notice of its bona fide intention to effect the filing of a registration statement with the Commission within ninety (90) days of receipt of such request (other than with respect to a registration statement relating to a Rule 145 transaction, or an offering solely to employees); or (7) during the period starting with the date ninety (90) days prior to the Company's estimated date of filing of, and ending on

the date six (6) months immediately following, the effective date of any registration statement pertaining to securities of the Company (other than a registration of securities in a Rule 145 transaction or with respect to an employee benefit plan), provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective.

(b) If the Initiating Holders requesting such registration hereunder intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as part of their request made pursuant to this Section 1.11 and the Company shall include such information in the written notice referred to in Section 1.11(a)(i). In such event, the right of any Holder to include his Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Section 1.4(e)) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders and reasonably acceptable to the Company. Notwithstanding any other provision of this Section 1.11, if the underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all Holders thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities of the Company owned by each Holder. To facilitate the allocation of shares in accordance with the above provisions, the Company may round the number of shares allocated to any Holder to the nearest one hundred (100) shares.

If any Holder or holder disapproves of the terms of any such underwriting, such Holder or holder may elect to withdraw therefrom by written notice to the Company and the managing underwriter. Any Registrable Securities and/or securities excluded or withdrawn from such underwriting shall be withdrawn from such registration, and shall not be transferred in a public distribution prior to one hundred eighty (180) days after the effective date of the registration statement relating thereto, or such other shorter period of time as the underwriters may require.

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. All expenses incurred in connection with a registration requested pursuant to Section 1.11, including all registration, filing, qualification, printer's and accounting fees and the reasonable fees and disbursements of one counsel for the selling Holders selected by them, but excluding any underwriters' discounts or commissions associated with Registrable Securities, shall be borne by the Company. Registrations effected pursuant to this Section 1.11 shall not be counted as demands for registration or registrations effected pursuant to Section 1.2 or 1.3, respectively.

1.12 Assignment of Registration Rights. The rights to cause the Company to

register Registrable Securities pursuant to this Section 1 may be assigned by a Holder to a transferee or assignee who acquires at least the lesser of all of the shares owned by such Holder or 500,000 shares of Registrable Securities, provided the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and provided, further, that such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Act. Notwithstanding the above, such rights may be assigned by a Holder to an Affiliate (as defined below) of such Holder (the "Transferee"), regardless of the number of shares acquired by such Transferee. For purposes of this Agreement, "Affiliate" includes, with respect to a party which is a partnership or limited liability company, its partners, members or an affiliated entity managed by the same manager or managing partner or management company, or managed or owned by an entity controlling, controlled by, or under common control with, such manager or managing partner or management company.

1.13 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of at least two-thirds (66-2/3%) of the outstanding Registrable Securities, enter into any agreement with any holder or prospective holder of any securities of the Company which would allow such holder or prospective holder to include such securities in any registration filed under Section 1.3 hereof, unless (i) under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of its securities will not reduce the amount of the Registrable Securities of the Holders which is included or (ii) the Board of Directors approves the grant of registration right to such holder or prospective holder.

1.14 "Market Stand-Off" Agreement. Each holder of securities which are or at one time were Registrable Securities (or which are or were convertible into Registrable Securities) hereby agrees that, during a period not to exceed one hundred eighty (180) days, following the effective date of a registration statement of the Company filed under the Act, it shall not, to the extent requested by the Company and such underwriter, sell or otherwise transfer or dispose of (other than to a donee who agrees to be similarly bound), make a short sale, loan, or grant any option for the purchase of any Common Stock or other securities of the Company held by it at any time during such period except Common Stock included in such registration; provided, however, that:

(a) such agreement shall be applicable only to the first such registration statement of the Company which covers Common Stock (or other securities) to be sold on its behalf to the public in an underwritten offering; and

(b) all officers and directors of the Company enter into similar agreements.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Investor (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period and, furthermore, each holder of

securities agrees to execute all documents effectuating the above as may be requested by the underwriter at the time of the initial public offering.

1.15 Termination of Registration Rights. No stockholder shall be entitled to exercise any right provided for in this Section 1 after five (5) years following the Company's first Qualified Public Offering.

2. Preemptive Rights.

2.1 Grant of Right. Subject to the terms and conditions specified in this Section 2, the Company hereby grants to each Investor who, together with its Affiliates, holds more than 500,000 shares of Preferred Stock a preemptive right with respect to future sales by the Company of its Future Shares (as hereinafter defined).

2.2 Future Shares. "Future Shares" shall mean shares of any capital stock of the Company, whether now authorized or not, and any rights, options or warrants to purchase such capital stock, and securities of any type that are, or may become, convertible into such capital stock; provided however, that "Future Shares" do not include (i) the Shares purchased under the Series D Stock Purchase Agreement (ii) the shares of Common Stock issued or issuable upon the conversion of the Preferred Stock, (iii) securities offered pursuant to a registration statement filed under the Act, (iv) securities issued pursuant to the acquisition of another corporation by the Company by merger or, purchase of substantially all of the assets or other reorganization, (v) securities issued in connection with or as consideration for a collaborative partnership arrangement, as approved by a majority of the Board of Directors of the Company, or the acquisition, leasing or licensing of technology or other significant assets to be used in the Company's business, as approved by a majority of the Board of Directors of the Company and (vi) securities issued or issuable to officers, directors, employees or consultants of the Company pursuant to any employee or consultant stock offering, plan or arrangement approved by a majority of the Board of Directors of the Company.

2.3 Notice. In the event the Company proposes to offer any of its Future Shares, the Company shall first make an offering of such Future Shares to each Investor in accordance with the following provisions:

(a) The Company shall deliver a notice by certified mail (the "Notice") to the Investors stating (i) its bona fide intention to offer such Future Shares, (ii) the number of such Future Shares to be offered, (iii) the price, if any, for which it proposes to offer such Future Shares, and (iv) a statement as to the number of days from receipt of such Notice within which the Investor must respond to such Notice.

(b) Within twenty (20) calendar days after receipt of the Notice, the Investor may elect to purchase or obtain, at the price and on the terms specified in the Notice, up to that portion of such Future Shares which equals the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion of the Shares then held, by such Investor bears to the total

number of shares of Common Stock issued and outstanding, including shares issuable upon conversion of convertible securities issued and outstanding. If an Investor elects not to purchase such shares up to its pro rata allocation, any affiliate of such Investor which is also an Investor may increase its allocation to add the pro rata shares not purchased by its affiliate. The Company shall promptly, in writing, inform each Investor which purchases all of the Future Shares available to it (the "Fully-Exercising Investor") of any other Investor's failure to do likewise. During the ten (10) day period commencing after receipt of such information, each Fully-Exercising Investor shall be entitled to obtain that portion of the Future Shares offered to the Investors which was not subscribed for, which is equal to the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion of the Shares then held, by such Fully-Exercising Investor bears to the total number of shares of Common Stock issued and outstanding, including shares issuable upon conversion of convertible securities issued and outstanding then held, by all Fully-Exercising Investors who wish to purchase some of the unsubscribed shares.

2.4 Sale after Notice. If all such Future Shares referred to in the Notice are not elected to be obtained as provided in Section 2.3 hereof, the Company may, during the 90-day period following the expiration of the period provided in Section 2.3 hereof, offer the remaining unsubscribed Future Shares to any person or persons at a price not less than, and upon terms no more favorable to the offeree than those specified in the Notice. If the Company does not enter into an agreement for the sale of the Future Shares within such period, or if such agreement is not consummated within 90 days of the execution thereof, the right provided hereunder shall be deemed to be revived and such Future Shares shall not be offered unless first reoffered to the Investors in accordance herewith.

2.5 Assignment. The right of first offer granted under this Section 2 is assignable by the Investors to any transferee who acquires at least the lesser of all of the shares owned by such Investor or a minimum of 500,000 shares of Common Stock (including any shares of Common Stock into which shares of Preferred Stock are convertible).

2.6 Termination of Rights. No stockholder shall be entitled to exercise any right provided for in this Section 2 (i) upon the consummation of the sale of securities pursuant to a registration statement filed by the Company under the Act in connection with the initial firm commitment underwritten offering of its securities to the general public or (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Securities Exchange Act of 1934, whichever event shall first occur.

3. Voting Provisions. The undersigned hereby agree that in all elections of directors of the Company the Investors will vote their shares such that one nominee designated by Alta Venture Partners, one nominee designated by the Sprout Group, one nominee designated by ARCH Venture Fund III, L.P., and one nominee designated by TGI Fund II will be elected to the Company's Board of Directors. This Section 3 shall automatically terminate upon the earlier to occur of: (i) a Qualified Public Offering or (ii) when the Company first becomes subject to the periodic reporting requirements of Sections 12(g) or 15(d) of the Securities Exchange Act of 1934, as amended.

4. Prior Rights Agreements. Effective upon the execution of this Agreement by the Company and at least the holders of two-thirds (66 2/3%) of the Registrable Securities under the Prior Rights Agreement, the Prior Rights Agreement is null and void and superseded in its entirety by this Agreement.

5. Waiver of Preemptive Rights. To the extent that an Investor under the Prior Rights Agreement is not purchasing its pro rata share of Series D Preferred Stock pursuant to the Series D Agreement, all rights under the Preemptive Rights set forth in Section 2 of the Prior Rights Agreement to purchase such securities and to receive notice is hereby waived. This waiver is effective upon the execution of this Agreement by the holders of a majority of the Registrable Securities under the Prior Rights Agreement.

6. Transferability.

6.1 Restrictions on Transferability. The Shares and the Registrable Securities shall not be sold, assigned, transferred or pledged except upon the conditions specified in this Section 6, which conditions are intended to ensure compliance with the provisions of the Securities Act. The Investors will cause any proposed purchaser, assignee, transferee, or pledgee of the Shares or the Registrable Securities held by the Investors to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Section 6.

6.2 Restrictive Legend. Each certificate representing (i) the Shares, (ii) the Registrable Securities and (iii) any other securities issued in respect of the Shares or the Registrable Securities upon any stock split, stock dividend, recapitalization, merger, consolidation or similar event, shall (unless otherwise permitted by the provisions of Section 6.3 below) be stamped or otherwise imprinted with a legend in the following form (in addition to any legend required under applicable state securities laws):

> "THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF SUCH ACT. THESE SECURITIES ARE SUBJECT TO A CERTAIN VOTING PROVISION ENTERED INTO BY AND AMONG THE INVESTORS."

The Investors and Holders consent to the Company making a notation on its records and giving instructions to any transfer agent of the Shares or the Registrable Securities in order to implement the restrictions on transfer established in this Section 6.

6.3 Notice of Proposed Transfers. The holder of each certificate representing Restricted Securities by acceptance thereof agrees to comply in all respects with the provisions of this Section 6.3. Prior to any proposed sale, assignment, transfer or pledge of any Restricted Securities (other than (i) a transfer not involving a change in beneficial ownership, or (ii) in transactions involving the distribution without consideration of Restricted Securities by the Investors to any of its partners, or retired partners, or to the estate of any of its partners or retired partners, (iii) a transfer to an affiliated fund, partnership or company, which is not a competitor of the Company, or a transfer to an Affiliate of the holder, subject to compliance with applicable securities laws, or (iv) transfers in compliance with Rule 144, so long as the Company is furnished with satisfactory evidence of compliance with such Rule), unless there is in effect a registration statement under the Securities Act covering the proposed transfer, the holder thereof shall give written notice to the Company of such holder's intention to effect such transfer, sale, assignment or pledge. Each such notice shall describe the manner and circumstances of the proposed transfer, sale, assignment or pledge in sufficient detail, and shall be accompanied, at such holder's expense by either (a) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company addressed to the Company, to the effect that the proposed transfer of the Restricted Securities may be effected without registration under the Securities Act, or (b) a "no action" letter from the Commission to the effect that the transfer of such securities without registration will not result in a recommendation by the staff of the Commission that action be taken with respect thereto, whereupon the holder of such Restricted Securities shall be entitled to transfer such Restricted Securities in accordance with the terms of the notice delivered by the holder to the Company. Each certificate evidencing the Restricted Securities transferred as above provided shall bear, except if such transfer is made pursuant to Rule 144, the appropriate restrictive legend set forth in Section 6.2 above, except that such certificate shall not bear such restrictive legend if in the opinion of counsel for such holder and in the reasonable opinion of the Company such legend is not required in order to establish compliance with any provision of the Securities Act.

6.4 Removal of Restrictions on Transfer of Securities. Any legend referred to in Section 6.2 hereof stamped on a certificate evidencing (i) the Shares, (ii) the Registrable Securities or (iii) any other securities issued in respect of the Shares or the Registrable Securities upon any stock split, stock dividend, recapitalization, merger, consolidation or similar event and the stock transfer instructions and record notations with respect to such security shall be removed and the Company shall issue a certificate without such legend to the holder of such security if such security is registered under the Securities Act, or if such holder provides the Company with an opinion of counsel (which may be counsel for the Company) reasonably acceptable to the Company to the effect that a public sale or transfer of such security may be made without registration under the Securities Act or such holder provides the Company with reasonable assurances, which may, at the option of the Company, include an opinion of counsel satisfactory to the Company, that such security can be sold pursuant to Section (k) of Rule 144 under the Securities Act.

7. Covenants of the Company.

7.1 Delivery of Financial Statements. The Company shall deliver to each Investor who holds, together with its Affiliates, an aggregate of 500,000 shares of Series C Preferred Stock or

Series D Preferred Stock (or Conversion Shares) (a "Major Investor") and upon such Major Investors timely request for each such report:

(a) as soon as practicable, but in any event within one hundred eighty (180) days after the end of each fiscal year of the Company, statements of operations and cash flow for such fiscal year, a balance sheet of the Company as of the end of such year, and a schedule as to the sources and applications of funds for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("GAAP"), and audited and certified by independent public accountants of nationally recognized standing selected by the Company;

(b) as soon as practicable, but in any event prior to the end of each fiscal year of the Company, an annual budget and plan of operations for the upcoming fiscal year approved by the Board of Directors;

(c) within twenty (20) days of the end of each month, and until a public offering of Common Stock of the Company, an unaudited statement of operations and balance sheet for and as of the end of such month, in reasonable detail and prepared in accordance with GAAP, subject to year end audit adjustments and the absence of footnotes;

(d) with respect to the financial statements called for in subsection (c) of this Section 7.1, an instrument executed by the Chief Financial Officer or President of the Company and certifying that such financials were prepared in accordance with GAAP consistently applied with prior practice for earlier periods and fairly present the financial condition of the Company and its results of operation for the period specified, subject to year-end audit adjustments and the absence of footnotes;

(e) all accounting letters or reports from independent auditors and such other information relating to the financial condition, business, prospects or corporate affairs of the Company as the Major Investor or any assignee of the Major Investor may from time to time request, provided, however, that the Company shall not be obligated to provide information which the Board of Directors deems in good faith to be proprietary; and

7.2 Confidential Information. Each Major Investor agrees that it will keep confidential and will not disclose any confidential, proprietary or secret information which such Major Investor may obtain from the Company, and which the Company has prominently marked "confidential", "proprietary" or "secret" or has otherwise identified as being such, orally or in writing, pursuant to financial statements, reports and other materials submitted by the Company as required hereunder, unless such information is or becomes known to the Major Investor from a source other than the Company without violation of any rights of the Company, or is or becomes publicly known, or unless the Company gives its written consent to the Major Investor's release of such information, except that no such written consent shall be required (and the Major Investor shall be free to release such information to such recipient) if such information is to be provided to a Major Investor's counsel, in response to a subpoena or regulatory inquiry, or to an officer, director or partner of a Major Investor, provided that the Major

Investor shall inform the recipient of the confidential nature of such information, and such recipient must agree in advance of disclosure to treat the information as confidential.

7.3 Inspection. The Company shall permit each Major Investor, at such Major Investor's expense, to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Section 7.3 to provide access to any information which the Board of Directors reasonably considers to be a trade secret or similar confidential information.

7.4 Board Visitation Rights. Each Major Investor or its designated representative, unless already represented on the Company's Board of Directors (the "Observer"), shall have the right to attend the Company's Board of Directors meetings and to receive, at the same time such information as is provided to its directors and notice and copies of all information furnished to directors in connection with all meetings of the Board of Directors; provided, however, that the Company shall not be obligated pursuant to this Section 7.4 to provide access to any information which the Company's Board of Directors reasonably considers to be a trade secret or similar confidential information unless the Observer executes a form of nondisclosure agreement acceptable to the Company, which acceptance shall not be unreasonably withheld. The rights of the Major Investor under this Section 7.4 shall not be transferable.

7.5 Termination of Covenants. The covenants set forth in Sections 7.1, and 7.2 shall terminate as to Investors and be of no further force or effect upon the earlier to occur of: (i) a Qualified Public Offering or (ii) when the Company first becomes subject to the periodic reporting requirements of Sections 12(g) or 15(d) of the Securities Exchange Act of 1934, as amended.

8. Miscellaneous Provisions.

8.1 Waivers and Amendments. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of at least a majority of the shares of Registrable Securities except that any such amendment of Sections 1.13, 3 or 8.1 shall require the written consent of the Company and the holders of at least two-thirds (66 2/3%) of the shares of Registrable Securities. Any amendment or waiver effected in accordance with this Section 8.1 shall be binding upon each person or entity which are granted certain rights under this Agreement and the Company. Notwithstanding the foregoing, the Company may, without obtaining any further consent of the holders of Registrable Securities, amend this Agreement to the extent necessary to grant rights and obligations on a pari passu basis with the rights and obligations of the Series D Investors hereunder to investors in any subsequent round of financing prior to the Subsequent Closing Date (as such term is defined in the Series D Stock Purchase Agreement), and such investors shall become parties to this Agreement by executing a counterpart hereof.

8.2 Notices. All notices and other communications required or permitted hereunder shall be in writing and, except as otherwise noted herein, shall be deemed effectively given upon personal delivery, refusal of delivery, delivery by nationally recognized courier or five business days after deposit with the United States Post Office (by first class mail, postage prepaid), addressed: (a) if to the Company, at 1124 Columbia Street, Suite 130, Seattle, WA 98104 (or at such other address as the Company shall have furnished to the Investors in writing) attention of President and (b) if to an Investor, at the latest address of such person shown on the Company's records.

8.3 Descriptive Headings. The descriptive headings herein have been inserted for convenience only and shall not be deemed to limit or otherwise affect the construction of any provisions hereof.

8.4 Governing Law. This Agreement shall be governed by and interpreted under the laws of the State of Washington as applied to agreements among Washington residents, made and to be performed entirely within the State of Washington.

8.5 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument, but only one of which need be produced.

8.6 Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

8.7 Successors and Assigns. Except as otherwise expressly provided in this Agreement, this Agreement shall benefit and bind the successors, assigns, heirs, executors and administrators of the parties to this Agreement.

8.8 Entire Agreement. This Agreement constitutes the entire agreement among the parties hereto with respect to the specific subject matter hereof.

8.9 Separability; Severability. Unless expressly provided in this Agreement, the rights of each Investor under this Agreement are several rights, not rights jointly held with any other Investors. Any invalidity, illegality or limitation on the enforceability of this Agreement with respect to any Investor shall not affect the validity, legality or enforceability of this Agreement with respect to the other Investors. If any provision of this Agreement is judicially determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired.

8.10 Stock Splits. All references to numbers of shares in this Agreement shall be appropriately adjusted to reflect any stock dividend, split, combination or other recapitalization of shares by the Company occurring after the date of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first set forth above.

COMPANY:

XCYTE THERAPIES, INC.

By: ----------

Title: ----------

INVESTORS:

(Investor)

By: ----------

Name: ----------
(print)

Title: ----------

FOUNDERS:

- ----------
Ronald J. Berenson

- ----------
Jeffrey Bluestone

- ----------
Carl June

- ----------
Jeffrey Ledbetter

- ----------
Craig Thompson

[SIGNATURE PAGE FOR XCYTE THERAPIES, INC.
AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT]

SCHEDULE A

SCHEDULE OF INVESTORS

INVESTOR NAME AND ADDRESS	SERIES A	SERIES B	SERIES C	SERIES D
Alta California Partners, L.P. One Embarcadero Center Suite 4050 San Francisco, CA 94111 Attn: Elaine Walker and Jean Deleage Tel: (415) 362-4022 Fax: (415) 362-6178	1,840,086	787,294	949,635	571,491
Alta Embarcadero Partners, LLC One Embarcadero Center Suite 4050 San Francisco, CA 94111 Attn: Elaine Walker and Jean Deleage Tel: (415) 362-4022 Fax: (415) 362-6178	54,651	17,987	21,696	13,056
ARCH Venture Fund II, L.P. 8735 West Higgins Road Suite 235 Chicago, IL 60631 Attn: Melanie Davis Tel: (773) 380-6600 Fax: (773) 380-6606 1000 Second Avenue, Suite 3700 Seattle, WA 98104-1053 Attn: Bob Nelsen	631,579	363,636	0	0
Ron Berenson, M.D. PO Box 1598 Mercer Island, WA 98040 Tel: (206) 232-1433 Fax: (206) 236-1876	57,895	0	0	0

INVESTOR NAME AND ADDRESS	SERIES A	SERIES B	SERIES C	SERIES D
	26,316	0	0	0
GC&H Investments 1 Maritime Plaza, 20th Fl. San Francisco, CA 94111 Attn: John L. Cordoza Tel: (415) 693-2600				
CV Sofinnova Venture Partners III 140 Geary Street, 10th Floor San Francisco, CA 94108 Attn.: Michael F. Powell Tel: (415) 228-3387 Fax: (415) 228-3390	947,368	338,289	59,880	0
DLJ Capital Corp. 3000 Sand Hill Road Bldg. 3, Ste. 170 Menlo Park, CA 94025 Tel: (650) 234-2700 Fax: (650) 234-2779 Attn: Bob Curry	52,632	10,909	22,859	6,475
DLJ First ESC L.P. 3000 Sand Hill Road Bldg. 3, Ste. 170 Menlo Park, CA 94025 Tel: (650) 234-2700 Fax: (650) 234-2779 Attn: Bob Curry	263,158	54,545	114,294	32,374
Sprout Capital VII, L.P. 3000 Sand Hill Road Bldg. 3, Ste. 170 Menlo Park, CA 94025 Tel: (650) 234-2700 Fax: (650) 234-2779 Attn: Bob Curry	2,289,197	474,488	994,235	281,622
The Sprout CEO Fund, L.P. 3000 Sand Hill Road Bldg. 3, Ste. 170 Menlo Park, CA 94025 Tel: (650) 234-2700 Fax: (650) 234-2779 Attn: Bob Curry	26,592	5,512	11,549	3,270

INVESTOR NAME AND ADDRESS	SERIES A	SERIES B	SERIES C	SERIES D
WS Investment Company 650 Page Mill Road Palo Alto, CA 94304 Tel: (650) 443-9300 Fax: (650) 845-5000 Attn: J. Casey McGlynn	26,316	0	0	0
Paul Etsekson Fleet Pride P.O. Box 80986 Seattle, WA 98108 Tel: (206) 654-8089 Fax: (206) 343-1499	26,316	0	0	0
Gary P. Farber IRA Rollover Summit Partners 16102 S.E. Cougar Mountain Way Bellevue, WA 98006 Tel: (206) 447-9020	26,316	0	0	0
Mrs. Thomas Georges, Jr. 1814 S.W. Jackson Street Portland, OR 97201 Tel: (503) 227-3898	26,316	0	0	0
Thomas Georges, Jr. 1814 S.W. Jackson Street Portland, OR 97201 Tel: (503) 227-3898	10,526	0	0	0
Michael S. Rabson c/o Maxygen, Inc. 515 Galveston Drive Redwood City, CA 94063	2,632	0	0	0
SMS Bader Martin Ross & Smith, P.S. 1000 Second Avenue, 34th Floor Seattle, WA 98104 Tel: (206) 667-0310 Fax: (206) 682-1874 Attn: Walter R. Smith, CPA	0	22,727	0	0

INVESTOR NAME AND ADDRESS	SERIES A	SERIES B	SERIES C	SERIES D
Benjamin Stern 528 Laidlaw Blvd Winnipeg, Canada R3POK9	26,316	0	0	0
ARCH Development Corporation Walker 213 1101 East 58th Street Chicago, IL 60637 Attn: Terry Willey	157,890	0	0	0
ARCH Venture Fund III, L.P. 8735 West Higgins Road Suite 235 Chicago, IL 60631 Attn: Melanie Davis Tel: (773) 380-6600 Fax: (773) 380-6606 1000 Second Avenue, Suite 3700 Seattle, WA 98104-1053 Attn: Bob Nelsen	157,890	1,681,818	1,119,265	962,230
Jeffrey Ledbetter 18798 Ridgefield Road NW Shoreline, WA 98177	157,890	0	0	0
TGI Fund II, LC 6501 Columbia Center 701-5th Avenue Seattle, WA 98104 Attn: Michael Beblo and Dave Maki	0	0	1,796,410	286,022
Vengott LC 6501 Columbia Center 701-5th Avenue Seattle, WA 98104 Attn: Michael Beblo and Dave Maki	0	0	179,641	0
Steven M. Johnson 6501 Columbia Center 701-5th Avenue Seattle, WA 98104	0	0	32,934	0

INVESTOR NAME AND ADDRESS	SERIES A	SERIES B	SERIES C	SERIES D
John E. Parkey 6501 Columbia Center 701-5th Avenue Seattle, WA 98104	0	0	29,940	0
Charles A. Blanchard 6501 Columbia Center 701-5th Avenue Seattle, WA 98104	0	0	14,970	0
Anthony P. Russo, Trustee Anthony P. Russo Separate Property Trust U/A 9/11/90 6501 Columbia Center 701-5th Avenue Seattle, WA 98104	0	0	14,970	0
David J. Maki Tredegar Investments 6300 Columbia Center 701 Fifth Avenue Seattle, WA 98104-7092	0	0	14,970	0
R. Ray Cummings Cummings Consulting 8695 NE Grizdale Lane Bainbridge Island, WA 98110	0	0	11,976	0
Falcon Technology Partners, L.P. 600 Dorset Road Devon, PA 19333 Attn: Jim Rathman	0	0	598,802	95,341
Vulcan Ventures Inc. 110 110th Avenue NE, Suite 550 Bellevue, WA 98004 Attn: Ruth B. Kunath	0	0	598,802	719,424
Fluke Capital Management, L.P. 11400 SE 6th Street, Suite 230 Bellevue, WA 98004 Attn: Dennis P. Weston & Kevin C. Gabelein	0	0	598,802	89,928

INVESTOR NAME AND ADDRESS	SERIES A	SERIES B	SERIES C	SERIES D
Tom Alberg Madrona Investment Group 1000 Second Avenue Seattle, WA 98104	0	0	0	719,424
MGN Opportunity Group LLC Matthew G. Norton Company The Norton Building 801 Second Avenue, Suite 1300 Seattle, WA 98104 Attn: Stephen Humphreys	0	0	0	359,712
Arnold L. Holm, Jr. Holm Construction Services 310 Third Avenue NE, Suite 103 Issaquah, WA 98027	0	0	0	36,000
Henry James 22420 North Dogwood Lane Woodway, WA 98020	0	0	0	89,928
Scott Oki Oki Enterprises, LLC 10838 Main Street Bellevue, WA 98004	0	0	0	359,712
VLG Investments LLC 2800 Sand Hill Road Menlo Park, CA 94025 Attn: Elias J. Blawie	0	0	0	12,619
VLG Associates 2000 2800 Sand Hill Road Menlo Park, CA 94025 Attn: Elias J. Blawie	0	0	0	1,770
Sonya F. Erickson 4750 Carillon Point Kirkland, WA 98033	0	0	0	1,799
Marilyn Parsons 306 NW 113th Place Seattle, WA 98177	52,630	0	0	0

INVESTOR NAME AND ADDRESS	SERIES A	SERIES B	SERIES C	SERIES D
Genetics Institute c/o American Home Products Corp. S Giralda Farms Madison, NJ 07940 Attn: Senior V.P. & General Counsel	0	145,875	0	0

EXHIBIT 10.6

AMENDMENT TO
AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT
OF XCYTE THERAPIES, INC.

This Amendment to the Amended and Restated Investor Rights Agreement dated as of May 25, 2000 of Xcyte Therapies, Inc. (the "Amendment") is entered into as of October 18, 2000 by and between Xcyte Therapies, Inc., a Delaware corporation (the "Company"), the holders of the Company's capital stock listed on Schedule A attached to the Amended and Restated Investor Rights Agreement (collectively, the "Investors"), Phoenix Leasing Incorporated and Robert Kingsbook (each of whom is referred to as a "Warrantholder").

RECITAL

The Company, the Investors and the Warrantholders are parties to an Amended and Restated Investor Rights Agreement dated as of May 25, 2000 and amended by the Addendum to the Series D Preferred Stock Purchase Agreement and Omnibus Amendment to Series D Financing Documents dated as of August 8, 2000 (the "Rights Agreement"). Capitalized terms used herein without definition shall have the meaning ascribed to them in the Rights Agreement. The Company and Landlord are entering into a Lease Agreement dated September 20, 2000 (the "Lease Agreement") pursuant to which the Company will issue Landlord a warrant to purchase shares of the Company's Series D Preferred Stock (the "Warrant").

AGREEMENT

1. Amendment to Section 2.2. Section 2.2 is hereby amended and restated to read in its entirety as follows:

2.2 Future Shares. "Future Shares" shall mean shares of any capital stock of the Company, whether now authorized or not, and any rights, options or warrants to purchase such capital stock, and securities of any type that are, or may become, convertible into such capital stock; provided however, that "Future Shares" do not include (i) the Shares purchased under the Series D Stock Purchase Agreement (ii) the shares of Common Stock issued or issuable upon the conversion of the Preferred Stock, (iii) securities offered pursuant to a registration statement filed under the Act, (iv) securities issued pursuant to the acquisition of another corporation by the Company by merger or, purchase of substantially all of the assets or other reorganization, (v) securities issued in connection with or as consideration for a collaborative partnership arrangement, as approved by a majority of the Board of Directors of the Company, or the acquisition, leasing or licensing of technology or other significant assets to be used in the Company's business, as approved by a majority of the Board of Directors of the Company, (vi) securities issued or issuable to officers, directors, employees or consultants of the Company pursuant to any employee or consultant stock offering, plan or arrangement approved by a majority of the Board of Directors of the Company and (vii) all shares of Common Stock or other securities, or options or warrants to purchase Common Stock or any such other securities, issuable to landlords, financial institutions or lessors in connection with office leases, commercial credit arrangements, equipment financings or similar transactions."

2. No Other Amendments. Except as expressly amended as set forth above, the Rights Agreement shall remain in full force and effect in accordance with its terms.

3. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one document.

(signature page follows)

The parties have executed this Amendment to Amended and Restated Investor Rights Agreement of Xcyte Therapies, Inc. as of the date first written above.

COMPANY:

XCYTE THERAPIES, INC.

By:

Name:

Its:

WARRANTHOLDERS:

PHOENIX LEASING INCORPORATED

By:

Name:

Its:

Robert Kingsbook

INVESTORS:

By:

Name:

Its:

[SIGNATURE PAGE TO XCYTE THERAPIES, INC. AMENDMENT TO AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT]

INVESTORS:

ALTA CALIFORNIA PARTNERS, L.P.

By:

Name:

Its:

Address: One Embarcadero Center
Suite 4050
San Francisco, CA 94111

[SIGNATURE PAGE TO XCYTE THERAPIES, INC. AMENDMENT
TO AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT]

INVESTORS:

ARCH DEVELOPMENT CORPORATION

By:

Name:

Its:

Address: 1000 Second Avenue
Suite 3700
Seattle, WA 98104-1053

ARCH VENTURE FUND III, L.P.

By:

Name:

Its:

Address: 1000 Second Avenue
Suite 3700
Seattle, WA 98104-1053

ARCH VENTURE PARTNERS II, L.P.

By:

Name:

Its:

Address: 1000 Second Avenue
Suite 3700
Seattle, WA 98104-1053

[SIGNATURE PAGE TO XCYTE THERAPIES, INC. AMENDMENT
TO AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT]

INVESTORS:

RONALD J. BERENSON, M.D.

By:

Name:

Its:

Address: 8836 S.E. 74th Place
Mercer Island, WA 98040

[SIGNATURE PAGE TO XCYTE THERAPIES, INC. AMENDMENT
TO AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT]

INVESTORS:

DLJ CAPITAL CORP.

By:

Name:

Its:

Address: 3000 Sand Hill Road
Building 3, Suite 170
Menlo Park, CA 94025

DLJ FIRST ESC L.L.C.

By:

Name:

Its:

Address: 3000 Sand Hill Road
Building 3, Suite 170
Menlo Park, CA 94025

DLJ FIRST ESC. L.P.

By:

Name:

Its:

Address: 3000 Sand Hill Road
Building 3, Suite 170
Menlo Park, CA 94025

[SIGNATURE PAGE TO XCYTE THERAPIES, INC. AMENDMENT
TO AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT]

INVESTORS:

MPM ASSET MANAGEMENT INVESTORS

By:

Name:

Its:

Address: One Cambridge Center
Cambridge, MA 02142

MPM BIOVENTURES GMBH & CO.

By:

Name:

Its:

Address: One Cambridge Center
Cambridge, MA 02142

MPM BIOVENTURES II, LP

By:

Name:

Its:

Address: One Cambridge Center
Cambridge, MA 02142

MPM BIOVENTURES QP, LP

By:

Name:

Its:

Address: One Cambridge Center
Cambridge, MA 02142

INVESTORS:

SPROUT CAPITAL VII, L.P.

By:

Name:

Its:

Address: 3000 Sand Hill Road
Building 3, Suite 170
Menlo Park, CA 94025

SPROUT CEO FUND, L.P.

By:

Name:

Its:

Address: 3000 Sand Hill Road
Building 3, Suite 170
Menlo Park, CA 94025

[SIGNATURE PAGE TO XCYTE THERAPIES, INC. AMENDMENT
TO AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT]

INVESTORS:

TGI FUND II, LC

By:

Name:

Its:

Address: 6501 Columbia Center
701 Fifth Ave.
Seattle, WA 98104

VENGOTT LC
C/O TREDEGAR INVESTMENTS

By:

Name:

Its:

Address: 6501 Columbia Center
701 Fifth Ave.
Seattle, WA 98104

[SIGNATURE PAGE TO XCYTE THERAPIES, INC. AMENDMENT
TO AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT]

EXHIBIT 10.7

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

- ---

Warrant No. <> Number of Shares: <>
ate of Issuance: <> (subject to adjustment)

XCYTE THERAPIES, INC.

COMMON STOCK PURCHASE WARRANT

Xcyte Therapies, Inc., a Delaware corporation (the "Company"), for value received, hereby certifies that <>, or its registered assigns (the "Registered Holder"), is entitled, subject to the terms set forth below, to purchase from the Company, at any time after the date hereof and on or before the Expiration Date (as defined in Section 5 below), up to <> shares of Common Stock of the Company, at a purchase price of $0.30 per share. The shares purchasable upon exercise of this Warrant and the purchase price per share, as adjusted from time to time pursuant to the provisions of this Warrant, are hereinafter referred to as the "Warrant Stock" and the "Purchase Price," respectively.

This Warrant is issued pursuant to, and is subject to the terms and conditions of, an Addendum to Series D Preferred Stock Purchase Agreement and Omnibus Amendment to Series D Financing Agreements dated August 14, 2000 among the Company and certain Investors (the "Purchase Agreement").

1. EXERCISE.

(a) MANNER OF EXERCISE. This Warrant may be exercised by the Registered Holder, in whole or in part, by surrendering this Warrant, with the purchase/exercise form appended hereto as Exhibit A duly executed by such Registered Holder or by such Registered Holder's duly authorized attorney, at the principal office of the Company, or at such other office or agency as the Company may designate, accompanied by payment in full of the Purchase Price payable in respect of the number of shares of Warrant Stock purchased upon such exercise. The Purchase Price may be paid by cash, check, wire transfer or by the surrender of promissory notes or other instruments representing indebtedness of the Company to the Registered Holder.

(b) EFFECTIVE TIME OF EXERCISE. Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant shall have been surrendered to the Company as provided in Section 1(a) above. At such

time, the person or persons in whose name or names any certificates for Warrant Stock shall be issuable upon such exercise as provided in Section 1(d) below shall be deemed to have become the holder or holders of record of the Warrant Stock represented by such certificates.

(c) NET ISSUE EXERCISE.

(i) In lieu of exercising this Warrant in the manner provided above in Section 1(a), the Registered Holder may elect to receive shares equal to the value of this Warrant (or the portion thereof being canceled) by surrender of this Warrant at the principal office of the Company together with notice of such election on the purchase/exercise form appended hereto as Exhibit A duly executed by such Registered Holder or such Registered Holder's duly authorized attorney, in which event the Company shall issue to such Holder a number of shares of Warrant Stock computed using the following formula:

$$X = \frac{Y (A - B)}{A}$$

Where X = The number of shares of Warrant Stock to be issued to the Registered Holder.

Y = The number of shares of Warrant Stock purchasable under this Warrant (at the date of such calculation).

A = The fair market value of one share of Warrant Stock (at the date of such calculation).

B = The Purchase Price (as adjusted to the date of such calculation).

(ii) For purposes of this Section 1(c), the fair market value of Warrant Stock on the date of calculation shall mean with respect to each share of Warrant Stock:

(A) if the exercise is in connection with an initial public offering of the Company's Common Stock, and if the Company's Registration Statement relating to such public offering has been declared effective by the Securities and Exchange Commission, then the fair market value per share shall be the product of (x) the initial "Price to Public" specified in the final prospectus with respect to the offering and (y) the number of shares of Common Stock into which each share of Warrant Stock is convertible at the date of calculation;

(B) if (A) is not applicable, the fair market value of Warrant Stock shall be at the highest price per share which the Company could obtain on the date of calculation from a willing buyer (not a current employee or director) for shares of Warrant Stock sold by the Company, from authorized but unissued shares, as determined in good faith by the Board of Directors, unless the Company is at such time subject to an acquisition as described in Section 5(b) below, in which case the fair market value of Warrant Stock shall be deemed to be the value received by the holders of such stock pursuant to such acquisition.

(d) DELIVERY TO HOLDER. As soon as practicable after the exercise of this Warrant in whole or in part, and in any event within ten (10) days thereafter, the Company at its

expense will cause to be issued in the name of, and delivered to, the Registered Holder, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct:

(i) a certificate or certificates for the number of shares of Warrant Stock to which such Registered Holder shall be entitled, and

(ii) in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of shares of Warrant Stock equal (without giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the number of such shares purchased by the Registered Holder upon such exercise as provided in Section 1(a) or 1(c) above.

2. ADJUSTMENTS.

(a) STOCK SPLITS AND DIVIDENDS. If outstanding shares of the Company's Common Stock shall be subdivided into a greater number of shares or a dividend in Common Stock shall be paid in respect of Common Stock, the Purchase Price in effect immediately prior to such subdivision or at the record date of such dividend shall simultaneously with the effectiveness of such subdivision or immediately after the record date of such dividend be proportionately reduced. If outstanding shares of Common Stock shall be combined into a smaller number of shares, the Purchase Price in effect immediately prior to such combination shall, simultaneously with the effectiveness of such combination, be proportionately increased. When any adjustment is required to be made in the Purchase Price, the number of shares of Warrant Stock purchasable upon the exercise of this Warrant shall be changed to the number determined by dividing (i) an amount equal to the number of shares issuable upon the exercise of this Warrant immediately prior to such adjustment, multiplied by the Purchase Price in effect immediately prior to such adjustment, by (ii) the Purchase Price in effect immediately after such adjustment.

(b) RECLASSIFICATION, ETC. In case there occurs any reclassification or change of the outstanding securities of the Company or of any reorganization of the Company (or any other corporation the stock or securities of which are at the time receivable upon the exercise of this Warrant) or any similar corporate reorganization on or after the date hereof, then and in each such case the Registered Holder, upon the exercise hereof at any time after the consummation of such reclassification, change, or reorganization shall be entitled to receive, in lieu of the stock or other securities and property receivable upon the exercise hereof prior to such consummation, the stock or other securities or property to which such Holder would have been entitled upon such consummation if such Holder had exercised this Warrant immediately prior thereto, all subject to further adjustment pursuant to the provisions of this Section 2.

(c) ADJUSTMENT CERTIFICATE. When any adjustment is required to be made in the Warrant Stock or the Purchase Price pursuant to this Section 2, the Company shall promptly mail to the Registered Holder a certificate setting forth (i) a brief statement of the facts requiring such adjustment, (ii) the Purchase Price after such adjustment and (iii) the kind and amount of stock or other securities or property into which this Warrant shall be exercisable after such adjustment.

(d) ACKNOWLEDGEMENT. In order to avoid doubt, it is acknowledged that the holder of this Warrant shall be entitled to the benefit of all adjustments in the number of shares of Common Stock of the Company.

3. TRANSFERS.

(a) UNREGISTERED SECURITY. Each holder of this Warrant acknowledges that this Warrant, the Warrant Stock and the Common Stock of the Company have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and agrees not to sell, pledge, distribute, offer for sale, transfer or otherwise dispose of this Warrant, any Warrant Stock issued upon its exercise in the absence of (i) an effective registration statement under the Act as to this Warrant or such Warrant Stock and registration or qualification of this Warrant or such Warrant Stock under any applicable U.S. federal or state securities law then in effect, or (ii) an opinion of counsel, satisfactory to the Company, that such registration and qualification are not required. Each certificate or other instrument for Warrant Stock issued upon the exercise of this Warrant shall bear a legend substantially to the foregoing effect.

(b) TRANSFERABILITY. Subject to the provisions of Section 3(a) hereof and of Section 1.12 of the Investors' Rights Agreement dated May 25, 2000 among the Company and certain holders of the Company's securities, this Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of the Warrant with a properly executed assignment (in the form of Exhibit B hereto) at the principal office of the Company.

(c) WARRANT REGISTER. The Company will maintain a register containing the names and addresses of the Registered Holders of this Warrant. Until any transfer of this Warrant is made in the warrant register, the Company may treat the Registered Holder of this Warrant as the absolute owner hereof for all purposes; provided, however, that if this Warrant is properly assigned in blank, the Company may (but shall not be required to) treat the bearer hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary. Any Registered Holder may change such Registered Holder's address as shown on the warrant register by written notice to the Company requesting such change.

4. NO IMPAIRMENT. The Company will not, by amendment of its charter or through reorganization, consolidation, merger, dissolution, sale of assets or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will (subject to Section 13 below) at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holder of this Warrant against impairment.

5. TERMINATION. This Warrant (and the right to purchase securities upon exercise hereof) shall terminate upon the earliest to occur of the following (the "Expiration Date"): (a) August 8, 2005, (b) the sale, conveyance or disposal of all or substantially all of the Company's property or business or the Company's merger into or consolidation with any other corporation (other than a wholly-owned subsidiary of the Company) or any other transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed of, provided that this Section 5(b) shall not apply to a merger effected

exclusively for the purpose of changing the domicile of the Company, or (c) the closing of a firm commitment underwritten public offering pursuant to a registration statement on Form S-1 under the Securities Act, the public offering price of which is not less than $4.00 per share (appropriately adjusted for any stock split, dividend, combination or other recapitalization)] and which results in aggregate cash proceeds to the Company of $20,000,000 (net of underwriting discounts and commissions).

6. NOTICES OF CERTAIN TRANSACTIONS. In case:

(a) the Company shall take a record of the holders of its Common Stock (or other stock or securities at the time deliverable upon the exercise of this Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, or

(b) of any capital reorganization of the Company, any reclassification of the capital stock of the Company, any consolidation or merger of the Company, any consolidation or merger of the Company with or into another corporation (other than a consolidation or merger in which the Company is the surviving entity), or any transfer of all or substantially all of the assets of the Company, or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company,

then, and in each such case, the Company will mail or cause to be mailed to the Registered Holder of this Warrant a notice specifying, as the case may be, (i) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation, winding-up or redemption is to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other stock or securities at the time deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation, winding-up or redemption) are to be determined. Such notice shall be mailed at least ten (10) days prior to the record date or effective date for the event specified in such notice.

7. RESERVATION OF STOCK. The Company will at all times reserve and keep available, solely for the issuance and delivery upon the exercise of this Warrant, such shares of Warrant Stock and other stock, securities and property, as from time to time shall be issuable upon the exercise of this Warrant.

8. EXCHANGE OF WARRANTS. Upon the surrender by the Registered Holder of any Warrant or Warrants, properly endorsed, to the Company at the principal office of the Company, the Company will, subject to the provisions of Section 3 hereof, issue and deliver to or upon the order of such Holder, at the Company's expense, a new Warrant or Warrants of like tenor, in the name of such Registered

Holder or as such Registered Holder (upon payment by such Registered Holder of any applicable transfer taxes) may direct, calling in the aggregate on the face or faces thereof for the number of shares of Common Stock called for on the face or faces of the Warrant or Warrants so surrendered.

9. REPLACEMENT OF WARRANTS. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and (in the case of loss, theft or destruction) upon delivery of an indemnity agreement (with surety if reasonably required) in an amount reasonably satisfactory to the Company, or (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will issue, in lieu thereof, a new Warrant of like tenor.

10. MAILING OF NOTICES. Any notice required or permitted pursuant to this Warrant shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or sent by courier, overnight delivery service or confirmed facsimile, or forty-eight (48) hours after being deposited in the regular mail, as certified or registered mail (airmail if sent internationally), with postage prepaid, addressed (a) if to the Registered Holder, to the address of the Registered Holder most recently furnished in writing to the Company and (b) if to the Company, to the address set forth below or subsequently modified by written notice to the Registered Holder.

11. NO RIGHTS AS STOCKHOLDER. Until the exercise of this Warrant, the Registered Holder of this Warrant shall not have or exercise any rights by virtue hereof as a stockholder of the Company.

12. NO FRACTIONAL SHARES. No fractional shares of Common Stock will be issued in connection with any exercise hereunder. In lieu of any fractional shares which would otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the fair market value of one share of Common Stock on the date of exercise, as determined in good faith by the Company's Board of Directors.

13. AMENDMENT OR WAIVER. Any term of this Warrant may be amended or waived upon written consent of the Company and the holders of at least a majority of the Common Stock issuable upon exercise of outstanding warrants purchased pursuant to the Purchase Agreement. By acceptance hereof, the Registered Holder acknowledges that in the event the required consent is obtained, any term of this Warrant may be amended or waived with or without the consent of the Registered Holder; provided, however, that any amendment hereof that would materially adversely affect the Registered Holder in a manner different from the holders of the remaining warrants issued pursuant to the Purchase Agreement shall also require the consent of Registered Holder.

14. HEADINGS. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

15. GOVERNING LAW. This Warrant shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflicts of law.

XCYTE THERAPIES, INC.

By

Address: 1124 Columbia Street
Suite 130
Seattle, Washington 98104

Fax Number: (206) 262-0900

EXHIBIT A

PURCHASE/EXERCISE FORM

To: XCYTE THERAPIES, INC. Dated:

The undersigned, pursuant to the provisions set forth in the attached Warrant No. <>, hereby irrevocably elects to (a) purchase _____ shares of the Common Stock covered by such Warrant and herewith makes payment of $ _____, representing the full purchase price for such shares at the price per share provided for in such Warrant, or (b) exercise such Warrant for _____ shares purchasable under the Warrant pursuant to the Net Issue Exercise provisions of Section 1(c) of such Warrant.

The undersigned acknowledges that it has reviewed the representations and warranties contained in Section 3 of the Purchase Agreement (as defined in the Warrant) and by its signature below hereby makes such representations and warranties to the Company. Defined terms contained in such representations and warranties shall have the meanings assigned to them in the Purchase Agreement, provided that the term "Purchaser" shall refer to the undersigned and the term "Securities" shall refer to the Warrant Stock.

The undersigned further acknowledges that it has reviewed the market standoff provisions set forth in Section 1.14 of the Investors' Rights Agreement dated May 25, 2000, as amended, among the Company and certain holders of the Company's securities and agrees to be bound by such provisions.

Signature:

Name (print):

Title (if applic.)

Company (if applic.):

EXHIBIT B

ASSIGNMENT FORM

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant with respect to the number of shares of Common Stock covered thereby set forth below, unto:

NAME OF ASSIGNEE	ADDRESS/FAX NUMBER	NO. OF SHARES

Dated: ----------

Signature:

Witness:

EXHIBIT 10.8

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE OR DISPOSITION OF SUCH SECURITIES MAY BE EFFECTED WITHOUT (i) AN EFFECTIVE REGISTRATION STATEMENT RELATING THERETO, (ii) AN OPINION OF COUNSEL FOR HOLDER, REASONABLY SATISFACTORY TO COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED, (iii) RECEIPT OF A NO-ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION, OR (iv) OTHERWISE COMPLYING WITH THE PROVISIONS OF ARTICLE III OF THIS WARRANT.

WARRANT

TO PURCHASE SHARES OF SERIES C PREFERRED STOCK

Dated August 25, 2000

This certifies that for value received, _____, or registered assigns, is entitled as of August 25, 2000 (the "Closing Date"), subject to the terms set forth herein, to purchase from XCYTE THERAPIES, INC., a Delaware corporation (the "Company"), up to _____ fully paid and non-assessable shares of Company's Series C Preferred Stock, at the price of One Dollar and Sixty-Seven Cents ($1.67) per share. The initial exercise price of One Dollar and Sixty-Seven Cents ($1.67) per share, and the number of shares purchasable hereunder, are subject to adjustment in certain events, all as more fully set forth under Article IV herein. This Warrant is the result of the partial assignment of a Warrant dated July 1, 1999.

ARTICLE I

DEFINITIONS

"Certificate of Incorporation" means the Restated Certificate of Incorporation of Company, as filed with the Delaware Secretary of State on July 21, 1998.

"Commission" means the Securities and Exchange Commission, or any other federal agency then administering the Exchange Act or the Securities Act, as defined herein.

"Common Stock" means Company's Common Stock, any stock into which such stock shall have been changed or any stock resulting from any reclassification of such stock, and any other capital stock of Company of any class or series now or hereafter authorized having the right to share in distributions either of earnings or assets of Company without limit as to amount or percentage.

"Company" means XCYTE THERAPIES, INC., a Delaware corporation, and any successor corporation.

"Conversion Price" means the Conversion Price for Series C Preferred Stock, as determined in accordance with the Certificate of Incorporation.

"Convertible Securities" means evidences of indebtedness, shares of stock or other securities which are convertible into or exchangeable for, with or without payment of additional consideration,

shares of Common Stock, either immediately or upon the arrival of a specified date or the happening of a specified event or both.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor federal statute, and the rules and regulations of the Commission promulgated thereunder, all as the same shall be in effect from time to time.

"Exercise Period" means the period commencing on the Closing Date and terminating at the earlier to occur of: (i) 5:00 p.m., Pacific Time on the seventh (7th) anniversary of the Closing Date, or (ii) the closing of Company's initial sale and issuance of shares of Common Stock in an underwritten public offering, pursuant to a registration statement on Form S-i under the Securities Act, the public offering price of which is not less than $4.00 per share (appropriately adjusted for any stock split, dividend, combination or other recapitalization) and which results in aggregate cash proceeds to the Company of $20,000,000 (net of underwriting documents and commissions).

"Exercise Price" means the price per share of Series C Preferred Stock set forth in the Preamble to this Warrant, as such price may be adjusted pursuant to Article IV hereof.

"Fair Market Value" means

(i) If shares of Series C Preferred Stock or Common Stock, as the case may be, are being sold pursuant to a Registration and Fair Market Value is being determined as of the closing of the public offering, the "price to public" specified for such shares in the final prospectus for such public offering;

(ii) If shares of Series C Preferred Stock or Common Stock, as the case may be, are then listed or admitted to trading on any national securities exchange or traded on any national market system and Fair Market Value is not being determined as of the date described in clause (i) of this definition, the average of the daily closing prices for the thirty (30) trading days before such date, excluding any trades which are not bona fide, arm's length transactions. The closing price for each day shall be the last sale price on such date or, if no such sale takes place on such date, the average of the closing bid and asked prices on such date, in each case as officially reported on the principal national securities exchange or national market system on which such shares are then listed, admitted to trading or traded;

(iii) If no shares of Series C Preferred Stock or Common Stock, as the case may be, are then listed or admitted to trading on any national securities exchange or traded on any national market system or being offered to the public pursuant to a Registration, the average of the reported closing bid and asked prices thereof on such date in the over-the-counter market as shown by the National Association of Securities Dealers automated quotation system or, if such shares are not then quoted in such system, as published by the National Quotation Bureau, Incorporated or any similar successor organization, and in either case as reported by any member firm of the New York Stock Exchange selected by Holder;

(iv) If no shares of Series C Preferred Stock or Common Stock, as the case may be, are then listed or admitted to trading on any national exchange or traded on any national market system, if no closing bid and asked prices thereof are then so quoted or published in the over-the-counter market and if no such shares are being offered to the public pursuant to a Registration, the Fair Market Value of a

share of Series C Preferred Stock or Common Stock, as the case may be, shall be as determined in good faith by Company's Board of Directors.

"Fiscal Year" means the fiscal year of Company.

"Holder" means the person in whose name this Warrant is registered on the books of Company maintained for such purpose.

"Option" means any right, warrant or option to subscribe for or purchase shares of Common Stock or Convertible Securities.

"Person" means and includes natural persons, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts, government entities and authorities and other organizations, whether or not legal entities.

"Preferred Stock" means the Preferred Stock of Company, as defined in the Certificate of Incorporation.

"Principal Executive Office" means Company's office at 1124 Columbia Street, Suite 130, Seattle, Washington 98104, or such other office as designated in writing to Holder by Company.

"Register," "Registered" and "Registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

"Rights Agreement" means the Amended and Restated Registration Rights Agreement, dated as of July 21, 1998, by and among Company and the shareholders of Company named therein, attached hereto as Exhibit "D".

"Rule 144" means Rule 144 as promulgated by the Commission under the Securities Act, as such Rule may be amended from time to time, or any similar successor rule that the Commission may promulgate.

"Securities Act" means the Securities Act of 1933, as amended, or any successor federal statute, and the rules and regulations of the Commission promulgated thereunder, all as the same shall be in effect from time to time.

"Series C Preferred Stock" means the Series C Preferred Stock of Company, as defined in the Certificate of Incorporation.

"Shareholder" means a holder of one or more Warrant Shares or shares of Common Stock acquired upon conversion of Warrant Shares.

"Warrant" means the warrant dated as of Closing Date issued to Holder and all warrants issued upon the partial exercise, transfer or division of or in substitution for any Warrant.

"Warrant Shares" means the shares of Series C Preferred Stock issuable upon the exercise of this Warrant provided that if under the terms hereof there shall be a change such that the securities purchasable hereunder shall be issued by an entity other than Company or there shall be a change in the

type or class of securities purchasable hereunder, then the term shall mean the securities issuable upon the exercise of the rights granted hereunder.

ARTICLE II

EXERCISE

2.1. Exercise Right; Manner of Exercise. Holder may exercise this Warrant, in whole or in part, at any time and from time to time during the Exercise Period upon (i) surrender of this Warrant, together with an executed Notice of Exercise, substantially in the form of Exhibit "A" attached hereto, at the Principal Executive Office, and (ii) payment to Company of the aggregate Exercise Price for the number of Warrant Shares specified in the Notice of Exercise (such aggregate Exercise Price the "Total Exercise Price"). The Total Exercise Price shall be paid by check. Certificates for the Warrant Shares so purchased shall be delivered to Holder within a reasonable time, not exceeding fifteen (15) days after this Warrant is exercised. The issuance of Warrant Shares upon exercise of this Warrant shall be made without charge to Holder for any issuance tax with respect thereto or any other cost incurred by Company in connection with the exercise of this Warrant and the related issuance of Warrant Shares.

2.2. Conversion Right. In lieu of exercising this Warrant as specified in Section 2.1, Holder may from time to time convert this Warrant, in whole or in part, into that number of shares of Series C Preferred Stock equal to the product of: (a) the quotient obtained by dividing (i) the Fair Market Value of one share of Series C Preferred Stock at the time of such net exercise election less the Exercise Price of one such share by (ii) the Fair Market Value of such share; and (b) the aggregate number of shares of Series C Preferred Stock to be purchased pursuant to this Section 2.2. If, as of the last day of the Exercise Period, this Warrant has not been fully exercised, then as of such date this Warrant shall be automatically converted, in full, in accordance with this Section 2.2, without any action or notice by Holder.

2.3. Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant, Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

2.4. Fractional Shares. Company shall not issue fractional shares of Series C Preferred Stock or Common Stock or scrip representing fractional shares of Series C Preferred Stock or Common Stock upon any exercise or conversion of this Warrant. As to any fractional share of Series C Preferred Stock or Common Stock which Holder would otherwise be entitled to purchase from Company upon such exercise or conversion, Company shall purchase from Holder such fractional share at a price equal to an amount calculated by multiplying such fractional share (calculated to the nearest 1/100th of a share) by the fair market value of a share of Series C Preferred Stock or Common Stock, as applicable, on the date of the Notice of Exercise or the Conversion Date, as applicable, as determined in good faith by Company's Board of Directors. Payment of such amount shall be made in cash or by check payable to the order of Holder at the time of delivery of any certificate or certificates arising upon such exercise or conversion.

ARTICLE III

REGISTRATION, TRANSFER, EXCHANGE AND REPLACEMENT

3.1. Maintenance of Registration Books. Company shall keep at the Principal Executive Office a register in which, subject to such reasonable regulations as it may prescribe, it shall provide for

the registration, transfer and exchange of this Warrant. Company and any Company agent may treat the Person in whose name this Warrant is registered as the owner of this Warrant for all purposes whatsoever and neither Company nor any Company agent shall be affected by any notice to the contrary.

3.2 Restrictions on Transfers.

(a) Compliance with Securities Act. Holder, by acceptance hereof, agrees that this Warrant, the Series C Preferred Stock to be issued upon exercise hereof and the shares of Common Stock to be issued upon conversion of such shares of Series C Preferred Stock are being acquired for investment, solely for Holder's own account and not as a nominee for any other Person, and that Holder will not offer, sell or otherwise dispose of this Warrant, any such shares of Series C Preferred Stock or any such shares of Common Stock except under circumstances which will not result in a violation of the Securities Act. Upon exercise of this Warrant, Holder shall confirm in writing, by executing the form attached as Exhibit "B" hereto, that the shares of Series C Preferred Stock or Common Stock purchased thereby are being acquired for investment, solely for Holder's own account and not as a nominee for any other Person, and not with a view toward distribution or resale.

(b) Certificate Legends. This Warrant, all shares of Series C Preferred Stock issued upon exercise of this Warrant (unless Registered under the Securities Act), and all shares of Common Stock issued upon conversion of such shares of Series C Preferred Stock (unless Registered under the Securities Act) shall be stamped or imprinted with a legend in substantially the following form (in addition to any legends required by applicable state securities laws):

> THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE OR DISPOSITION OF SUCH SECURITIES MAY BE EFFECTED WITHOUT (1) AN EFFECTIVE REGISTRATION STATEMENT RELATING THERETO, (ii) AN OPINION OF COUNSEL FOR HOLDER, REASONABLY SATISFACTORY TO COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED, (iii) RECEIPT OF A NO-ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION, OR (iv) OTHERWISE COMPLYING WITH THE PROVISIONS OF ARTICLE III OF THE WARRANT UNDER WHICH THIS SECURITY WAS ISSUED.

(c) Disposition of Warrant or Shares. With respect to any offer, sale or other disposition of this Warrant, any shares of Series C Preferred Stock issued upon exercise of this Warrant or shares of Common Stock acquired pursuant to conversion of such shares of Series C Preferred Stock prior to Registration of such shares, Holder or the Shareholder, as the case may be, agrees to give written notice to Company prior thereto, describing briefly the manner thereof, together with a written opinion of Holder's or Shareholder's counsel, if reasonably requested by Company, to the effect that such offer, sale or other disposition may be effected without Registration under the Securities Act or qualification under any applicable state securities laws of this Warrant or such shares, as the case may be, and indicating whether or not under the Securities Act certificates for this Warrant or such shares, as the case may be, to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to insure compliance with the Securities Act. Promptly upon receiving such written notice and reasonably satisfactory opinion, if so requested, Company, as promptly as practicable, shall notify Holder or the Shareholder, as the case may be, that it may sell or otherwise dispose of this Warrant or such shares, as the case may be, all in accordance with the terms of the notice delivered to Company. If a determination has been made pursuant to this subsection (c) that the opinion of counsel for Holder or the Shareholder, as the case may be, is not reasonably satisfactory to Company, Company shall

so notify Holder or the Shareholder, as the case may be, promptly after such determination has been made and shall specify the legal analysis supporting any such conclusion. Notwithstanding the foregoing, this Warrant or such shares, as the case may be, may be offered, sold or otherwise disposed of in accordance with Rule 144, provided that Company shall have been furnished with such information as Company may reasonably request to provide reasonable assurance that the provisions of Rule 144 have been satisfied. Each certificate representing this Warrant or the shares thus transferred (except a transfer pursuant to Rule 144) shall bear a legend as to the applicable restrictions on transferability in order to insure compliance with the Securities Act, unless in the aforesaid reasonably satisfactory opinion of counsel for Holder or the Shareholder, as the case may be, such legend is not necessary in order to insure compliance with the Securities Act. Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

(d) Warrant Transfer Procedure. Transfer of this Warrant to a third party, following compliance with the preceding subsections of this Section 3.2, shall be effected by execution of the Assignment Form attached hereto as Exhibit "C", and surrender for registration of transfer of this Warrant at the Principal Executive Office, together with funds sufficient to pay any applicable transfer tax. Upon receipt of the duly executed Assignment Form and the necessary transfer tax funds, if any, Company, at its expense, shall execute and deliver, in the name of the designated transferee or transferees, one or more new Warrants representing the right to purchase a like aggregate number of shares of Series C Preferred Stock.

(e) Termination of Restrictions. The restrictions imposed under this Section 3.2 upon the transferability of the Warrant, the shares of Series C Preferred Stock acquired upon the exercise of this Warrant and the shares of Common Stock issuable upon conversion of such shares of Series C Preferred Stock shall cease when (i) a registration statement covering all shares of Common Stock issued or issuable upon conversion of the Series C Preferred Stock becomes effective under the Securities Act, (ii) Company is presented with an opinion of counsel reasonably satisfactory to Company that such restrictions are no longer required in order to insure compliance with the Securities Act or with a Commission "no-action" letter stating that future transfers of such securities by the transferor or the contemplated transferee would be exempt from registration under the Securities Act, or (iii) such securities may be transferred in accordance with Rule 144(k). When such restrictions terminate, Company shall, or shall instruct its transfer agent to, promptly, and without expense to Holder or the Shareholder, as the case may be, issue new securities in the name of Holder and/or the Shareholder, as the case may be, not bearing the legends required under subsection (b) of this Section 3.2. In addition, new securities shall be issued without such legends if such legends may be properly removed under the terms of Rule 144(k).

3.3. Exchange. At Holder's option, this Warrant may be exchanged for other Warrants representing the right to purchase a like aggregate number of shares of Series C Preferred Stock upon surrender of this Warrant at the Principal Executive Office. Whenever this Warrant is so surrendered to Company at the Principal Executive Office for exchange, Company shall execute and deliver the Warrants which Holder is entitled to receive. All Warrants issued upon any registration of transfer or exchange of Warrants shall be the valid obligations of Company, evidencing the same rights, and entitled to the same benefits, as the Warrants surrendered upon such registration of transfer or exchange. No service charge shall be made for any exchange of this Warrant.

3.4. Replacement. Upon receipt of evidence reasonably satisfactory to Company of the loss, theft, destruction or mutilation of this Warrant and (i) in the case of any such loss theft or destruction, upon delivery of indemnity reasonably satisfactory to Company in form and amount, or (ii) in the case of

any such mutilation, upon surrender of such Warrant for cancellation at the Principal Executive Office, Company, at its expense, shall execute and deliver, in lieu thereof, a new Warrant.

ARTICLE IV

ANTIDILUTION PROVISIONS

4.1. Conversion of Series C Preferred Stock. If all of the Series C Preferred Stock is converted into shares of Common Stock in connection with a Registration, then this Warrant shall automatically become exercisable for that number of shares of Common Stock equal to the number of shares of Common Stock that would have been received if this Warrant had been exercised in full and the shares of Series C Preferred Stock received thereupon had been simultaneously converted into shares of Common Stock immediately prior to such event, and the Exercise Price shall be automatically adjusted to equal the amount obtained by dividing (i) the aggregate Exercise Price of the shares of Series C Preferred Stock for which this Warrant was exercisable immediately prior to such conversion, by (ii) the number of shares of Common Stock for which this Warrant is exercisable immediately after such conversion.

4.2. Reorganization, Reclassification or Recapitalization of Company. In case of (1) a capital reorganization, reclassification or recapitalization of Company's capital stock (other than in the cases referred to in of Section 4.4 hereof), (2) Company's consolidation or merger with or into another corporation in which Company is not the surviving entity, or a reverse triangular merger in which Company is the surviving entity but the shares of Company's capital stock outstanding immediately prior to the merger are converted, by virtue of the merger, into other property, whether in the form of securities, cash or otherwise, or (3) the sale or transfer of Company's property as an entirety or substantially as an entirety, then, as part of such reorganization, reclassification, recapitalization, merger, consolidation, sale or transfer, lawful provision shall be made so that there shall thereafter be deliverable upon the exercise of this Warrant or any portion thereof (in lieu of or in addition to the number of shares of Series C Preferred Stock theretofore deliverable, as appropriate), and without payment of any additional consideration, the number of shares of stock or other securities or property to which the holder of the number of shares of Series C Preferred Stock which would otherwise have been deliverable upon the exercise of this Warrant or any portion thereof at the time of such reorganization, reclassification, recapitalization, consolidation, merger, sale or transfer would have been entitled to receive in such reorganization, reclassification, recapitalization, consolidation, merger, sale or transfer.

This Section 4.2 shall apply to successive reorganizations, reclassifications, recapitalizations, consolidations, mergers, sales and transfers and to the stock or securities of any other corporation that are at the time receivable upon the exercise of this Warrant. If the per-share consideration payable to Holder for shares of Series C Preferred Stock in connection with any transaction described in this Section 4.2 is in a form other than cash or marketable securities, then the value of such consideration shall be determined in good faith by Company's Board of Directors.

4.3. Splits and Combinations. If Company at any time subdivides any of its outstanding shares of Series C Preferred Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced, and, conversely if the outstanding shares of Series C Preferred Stock are combined into a smaller number of shares, the Exercise Price in effect immediately prior to such combination shall be proportionately increased. Upon any adjustment of the Exercise Price under this Section 4.3, the number of shares of Series C Preferred Stock issuable upon exercise of this Warrant shall equal the number of shares determined by dividing (i) the aggregate Exercise Price payable for the purchase of all shares issuable upon exercise of this Warrant immediately

prior to such adjustment by (ii) the Exercise Price per share in effect immediately after such adjustment.

4.4. Reclassifications. If Company changes any, of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities that were subject to the purchase rights under this Warrant immediately prior to such reclassification or other change and the Exercise Price therefor shall be appropriately adjusted. No adjustment shall be made pursuant to this Section 4.4 upon any conversion described in Section 4.1 hereof.

4.5. Dividends and Distributions. If Company declares a dividend or other distribution on the Series C Preferred Stock or if a dividend or other distribution on the Series C Preferred Stock occurs pursuant to the Certificate of Incorporation (other than a cash dividend or distribution), then, as part of such dividend or distribution, lawful provision shall be made so that there shall thereafter be deliverable upon the exercise of this Warrant or any portion thereof, in addition to the number of shares of Series C Preferred Stock receivable thereupon and without payment of any additional consideration, the amount of the dividend or other distribution to which the holder of the number of shares of Series C Preferred Stock obtained upon exercise hereof would have been entitled to receive had the exercise occurred as of the record date for such dividend or distribution.

4.6. Liquidation Dissolution. If Company shall dissolve, liquidate or wind up its affairs, Holder shall have the right, but not the obligation, to exercise this Warrant effective as of the date of such dissolution, liquidation or winding up. If any such dissolution, liquidation or winding up results in any cash distribution to Holder in excess of the aggregate Exercise Price for the shares of Series C Preferred Stock for which this Warrant is exercised, then Holder may, at its option, exercise this Warrant without making payment of such aggregate Exercise Price and, in such case, Company shall, upon distribution to Holder, consider such aggregate Exercise Price to have been paid in full, and in making such settlement to Holder, shall deduct an amount equal to such aggregate Exercise Price from the amount payable to Holder.

4.7. Other Dilutive Events. If any event occurs as to which the other provisions of this Article IV are not strictly applicable but the failure to make any adjustment would not fairly protect the purchase rights represented by this Warrant in accordance with the essential intent and principles hereof, then, in each such case, Company shall appoint a firm of independent public accountants of recognized national standing (which may be Company's regular auditors) which shall give their opinion upon the adjustment, if any, on a basis, consistent with the essential intent and principles established in this Article IV, necessary to preserve, without dilution, the purchase rights represented by this Warrant. Upon receipt of such opinion, Company shall promptly mail a copy thereof to Holder and shall make the adjustments described therein.

4.8. Certificates and Notices.

(a) Adjustment Certificates. Upon any adjustment of the Exercise Price and/or the number of shares of Series C Preferred Stock purchasable upon exercise of this Warrant, a certificate, signed by (i) Company's President and Chief Financial Officer, or (ii) any independent firm of certified public accountants of recognized national standing Company selects at its own expense, setting forth in reasonable detail the events requiring the adjustment and the method by which such adjustment was calculated, shall be mailed to Holder and shall specify the adjusted Exercise Price and the number of

shares of Series C Preferred Stock purchasable upon exercise of the Warrant after giving effect to the adjustment.

(b) Extraordinary Corporate Events. If Company, after the date hereof, proposes to effect (i) any transaction described in Sections 4.2 or 4.4 hereof, (ii) a liquidation, dissolution or winding up of Company described in Section 4.6 hereof, or (iii) any payment of a dividend or distribution with respect to Series C Preferred Stock or Common Stock, then, in each such case, Company shall mail to Holder a notice describing such proposed action and specifying the date on which Company's books shall close, or a record shall be taken, for determining the holders of Series C Preferred Stock or Common Stock, as appropriate, entitled to participate in such action, or the date on which such reorganization, reclassification, consolidation, merger, sale, transfer, liquidation, dissolution or winding up shall take place or commence, as the case may be, and the date as of which it is expected that holders of Series C Preferred Stock and Common Stock of record shall be entitled to receive securities and/or other property deliverable upon such action, if any such date is to be fixed. Such notice shall be mailed to Holder at least thirty (30) days prior to the record date for such action in the case of any action described in clause (i) or clause (iii) above, and in the case of any action described in clause (ii) above, at least thirty (30) days prior to the date on which the action described is to take place and at least thirty (30) days prior to the record date for determining holders of Series C Preferred Stock or Common Stock, as appropriate, entitled to receive securities and/or other property in connection with such action.

4.9. No Impairment. Company shall not, by amendment of the Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by Company, but shall at all times in good faith assist in the carrying out of all the provisions of this Article IV and in the taking of all such action as may be necessary or appropriate in order to protect the rights of Holder against impairment.

4.10. Application. Except as otherwise provided herein, all sections of this Article IV are intended to operate independently of one another. If an event occurs that requires the application of more than one section, all applicable sections shall be given independent effect.

ARTICLE V

REGISTRATION RIGHTS

At the earlier to occur of: (i) Company's next equity financing, (ii) sixty (60) days prior to the filing of any registration, as defined in the Rights Agreement, or (iii) sixty (60) days prior to the sale conveyance, disposal, or encumbrance of all or substantially all of the Company's property or business or the Company's merger into or consolidation with any other corporation (other than a wholly-owned subsidiary corporation) or any other transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed of, provided that this section (iii) shall not apply to a merger effected exclusively for the purpose of changing the domicile of the Company, Company shall cause Holder to become a party to the Rights Agreement and Holder shall be deemed a "Holder", as defined in the Rights Agreement, for purposes of the Rights Agreement and shall be entitled to all the rights, and be subject to all the obligations, of a Holder under the Rights Agreement, the Warrant Shares shall be deemed "Series C Preferred Stock", as defined in the Rights Agreement, and the Common Stock issuable upon conversion of the Warrant Shares shall be deemed "Registrable Securities", as defined in the Rights Agreement, for purposes of the Rights Agreement (collectively, the "Rights"). Such actions shall be effected by Company executing and delivering to Holder a fully-

executed at the time Company Amendment to Rights Agreement substantially in the form of Exhibit "E" hereto. Failure by Company to cause Holder to become a party to an Investor Rights Agreement as provided herein shall, in addition to being a default under this Warrant, be deemed an Event of Default under that certain Senior Loan and Security Agreement No. 6261 dated as of July 1, 1999.

ARTICLE VI

COVENANTS

6.1. Financial Information. Company shall deliver to Holder, concurrent with delivery to any of the Investors, as defined in the Rights Agreement, all information delivered to any of the Investors pursuant to Section 7.1 of the Rights Agreement and all other information delivered to any of the Investors from time to time pursuant to the Rights Agreement as in effect from time to time during the term hereof. If the Rights Agreement is terminated for any reason, and for so long as Company is not subject to the periodic reporting requirements of Sections 12(g) or 15(d) of the Exchange Act, Company shall deliver to Holder all information that was required to be delivered to any of the Investors, as defined in the Rights Agreement, pursuant to the Section 7.1 of the Rights Agreement, as in effect on the date hereof.

6.2 Non-Financial Covenants. Company covenants that:

(a) Authorized Shares. Company will at all times have authorized, and reserved for the purpose of issue or transfer upon exercise of the rights evidenced by this Warrant, a sufficient number of shares of Series C Preferred Stock to provide for the exercise of the rights represented by this Warrant (for purposes of determining compliance with this covenant, the shares of Series C Preferred Stock issuable upon exercise of all other options and warrants shall be deemed issued and outstanding), and a sufficient number of shares of Common Stock to provide for the conversion into Common Stock of all the shares of Series C Preferred Stock issued and issuable upon the exercise of this Warrant but theretofore unconverted (for purposes of determining compliance with this covenant, the shares of Common Stock issuable upon exercise of all options and warrants to acquire Common Stock and upon conversion of all instruments convertible into Common Stock shall be deemed issued and outstanding);

(b) Proper Issuance. Company, at its expense, will take all such action as may be necessary to assure that the Series C Preferred Stock issuable upon the exercise of this Warrant, and the Common Stock issuable upon the conversion of such Series C Preferred Stock, may be so issued without violation of any applicable law or regulation, or of any requirements of any domestic securities exchange upon which any capital stock of Company may be listed. Such action may include, but not be limited to, causing such shares to be duly registered or approved or listed on relevant domestic securities exchanges; and

(c) Fully Paid Shares. Company will take all actions necessary or appropriate to validly and legally issue (i) fully paid and non-assessable shares of Series C Preferred Stock upon exercise of this Warrant and (ii) fully paid and non-assessable shares of Common Stock upon conversion of such shares of Series C Preferred Stock. All such shares will be free from all taxes, liens and charges with respect to the issuance thereof, other than any stock transfer taxes in respect to any transfer occurring contemporaneously with such issuance.

ARTICLE VII

MISCELLANEOUS

7.1. Certain Expenses. Company shall pay all expenses in connection with, and all taxes (other than stock transfer taxes) and other governmental charges that may be imposed in respect of, the issuance, sale and delivery of the Warrant, the Warrant Shares and the shares of Common Stock issuable upon conversion of the Warrant Shares.

7.2. Remedies. Company stipulates that the remedies at law of Holder in the event of any default or threatened default by Company in the performance of or compliance with any of the terms of this Warrant are not and will not be adequate to the fullest extent permitted by law, and that such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

7.3. Enforcement Costs. If any party to, or beneficiary of, this Warrant seeks to enforce its rights hereunder by legal proceedings or otherwise, then the non-prevailing party shall pay all reasonable costs and expenses incurred by the prevailing party, including, without limitation, all reasonable attorneys' fees (including the allocable costs of in-house counsel).

7.4. Notices. Any notice, demand or delivery to be made pursuant to this Warrant will be sufficiently given or made if sent by first class mail, postage prepaid, addressed to (a) Holder and the Shareholders at their last known addresses appearing on the books of Company maintained for such purpose or (b) Company at its Principal Executive Office. Holder, the Shareholders and Company may each designate a different address by notice to the other pursuant to this section. A notice shall be deemed effective upon the earlier of (i) receipt or (ii) the third day after mailing in accordance with the terms of this Section 7.4.

7.5. Successors and Assigns. This Warrant shall be binding upon Company and any Person succeeding Company by merger, consolidation or acquisition of all or substantially all of Company's assets, and all of the obligations of Company with respect to the shares of Series C Preferred Stock issuable upon exercise of this Warrant and the shares of Common Stock issuable upon the conversion of such shares of Series C Preferred Stock, shall survive the exercise, expiration or termination of this Warrant and all of the covenants and agreements of Company shall inure to the benefit of Holder, each Shareholder and their respective successors and assigns.

7.6. Modification: Severability. If, in any action before any court or agency legally empowered to enforce any term, any term is found to be unenforceable, then such term shall be deemed modified to the extent necessary to make it enforceable by such court or agency. If any term is not curable as set forth in this section, the unenforceability of such term shall not affect the other provisions of this Warrant but this Warrant shall be construed as if such unenforceable term had never been contained herein.

7.7. Amendment. This Warrant may not be modified or amended except by written agreement of Company and Holder.

7.8. Headings. The headings of the Articles and Sections of this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

7.9. Governing Law. This Warrant shall be governed by, and construed in accordance with, the California law, without giving effect to conflicts of law principles.

IN WITNESS WHEREOF, Company has caused this Warrant to be executed by its duly authorized officer as of _____, 19__.

XCYTE THERAPIES, INC.

By: /s/ Ron Berenson

Name: Ron Berenson

Title: President & CEO

SCHEDULE OF EXHIBITS

EXHIBIT "A" - Notice of Exercise (Section 2.1)

EXHIBIT "B" - Investment Representation Certificate (Section 3.2(a))

EXHIBIT "C" - Assignment Form (Section 3.2(d))

EXHIBIT "D" - Rights Agreement (Article I) a.

EXHIBIT "E" - Amendment to Rights Agreement (Article V)

EXHIBIT "A"

NOTICE OF EXERCISE FORM

(To be executed only upon partial or full

exercise of the within Warrant)

The undersigned registered Holder of the within Warrant hereby irrevocably exercises the within Warrant for and purchases shares of Series C Preferred Stock of * [COMPANY] and herewith makes payment therefor in the amount of $_____, all at the price and on the terms and conditions specified in the within Warrant and requests that a certificate (or _____ certificates in denominations of shares) for the shares of Series C Preferred Stock of *[COMPANY] hereby purchased be issued in the name of and delivered to (choose one) (a) the undersigned, or (b) *[NAME], whose address is _____and, if such shares of Series C Preferred Stock shall not include all the shares of Series C Preferred Stock issuable as provided in the within Warrant, that a new Warrant of like tenor for the number of shares of Series C Preferred Stock of *[COMPANY] not being purchased hereunder be issued in the name of and delivered to (choose one) (a) the undersigned, or (b) *[NAME], whose address is _____.

Dated: _____, 199__

Signature Guaranteed _____

_____

By:_____
(Signature of Registered Holder)

Title:_____

NOTICE: The signature to this Notice of Exercise must correspond with the name as written upon the face of the within Warrant in every particular, without alteration or enlargement or any change whatever.

The signature to this Notice of Exercise must be guaranteed by a commercial bank or trust company in the United States or a member firm of the New York Stock Exchange.

SCHEDULE OF EXHIBITS

EXHIBIT "A" - Notice of Exercise (Section 2.1)

EXHIBIT "B" - Investment Representation Certificate (Section 3.2(a))

EXHIBIT "C" - Assignment Form (Section 3.2(d))

EXHIBIT "D" - Rights Agreement (Article I) a.

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Dated: _____, 199__

Signature Guaranteed _____

_____

By:_____
(Signature of Registered Holder)

Title:_____

NOTICE: The signature to this Notice of Exercise must correspond with the name as written upon the face of the within Warrant in every particular, without alteration or enlargement or any change whatever.

The signature to this Notice of Exercise must be guaranteed by a commercial bank or trust company in the United States or a member firm of the New York Stock Exchange.

EXHIBIT "B"

INVESTMENT REPRESENTATION CERTIFICATE

Purchaser:

Company: XCYTE THERAPIES, INC.

Security: Series C Preferred Stock

Amount:

Date:

In connection with the purchase of the above-listed securities (the "Securities"), the undersigned (the "Purchaser") represents to Company as follows:

The Purchaser is aware of Company's business affairs and financial condition, and has acquired sufficient information about Company to reach an informed and knowledgeable decision to acquire the Securities. The Purchaser is purchasing the Securities for its own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof for purposes of the Securities Act of 1933, as amended (the "Securities Act")

The Purchaser understands that the Securities have not been registered under the Securities Act in reliance upon a specific exemption therefor, which exemption depends upon, among other things, the bona fide nature of the Purchaser's investment intent as expressed herein. In this connection, the Purchaser understands that, in the view of the Securities and Exchange Commission ("SEC"), the statutory basis for such exemption may be unavailable if the Purchaser's representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future;

The Purchaser further understands that the Securities must be held indefinitely unless subsequently registered under the Securities Act or unless an exemption from registration is otherwise available. Moreover, the Purchaser understands that Company is under no obligation to register the Securities. In addition, the Purchaser understands that the certificate evidencing the Securities will be imprinted with the legend referred to in the Warrant under which the Securities are being purchased;

The Purchaser is aware of the provisions of Rule 144, promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer thereof (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions, if applicable, including, among other things: (i) the availability of certain public information about Company; (ii) the resale occurring not less than one (1) year after the party has purchased and paid for the securities to be sold; (iii) the sale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934) and the amount of securities being sold during any three-month period not exceeding the specified limitations stated therein;

The Purchaser further understands that at the time it wishes to sell the Securities there may be no public market upon which to make such a sale, and that, even if such a public market upon which to make such

a sale then exists, Company may not be satisfying the current public information requirements of Rule 144, and that, in such event, the Purchaser may be precluded from selling the Securities under Rule 144 even if the one (1) year minimum holding period had been satisfied; and

The Purchaser further understands that in the event all of the requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 is not exclusive, the staff of the SEC has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

Date: _____, 199___

PURCHASER:

_____

EXHIBIT "C"

ASSIGNMENT FORM

(To be executed only upon the assignment of
the within Warrant)

FOR VALUE RECEIVED, the undersigned registered Holder of the within Warrant hereby sells, assigns and transfers unto _____, whose address is _____ all of the rights of the undersigned under the within Warrant, with respect to shares of Series C Preferred Stock of XCYTE THERAPIES, INC. and, if such shares of Series C Preferred Stock shall not include all the shares of Series C Preferred Stock issuable as provided in the within Warrant, that a new Warrant of like tenor for the number of shares of Series C Preferred Stock of XCYTE THERAPIES, INC. not being transferred hereunder be issued in the name of and delivered to the undersigned, and does hereby irrevocably constitute and appoint _____ attorney to register such transfer on the books of XCYTE THERAPIES, INC. maintained for the purpose, with full power of substitution in the premises.

Dated: _____ , 199___

Signature Guaranteed _____

_____

By:_____
(Signature of Registered Holder)

Title:_____

NOTICE: The signature to this Assignment must correspond with the name upon the face of the within Warrant in every particular, without alteration or enlargement or any change whatever.

The signature to this Notice of Assignment must be guaranteed by a commercial bank or trust company in the United States or a member firm of the New York Stock Exchange.

EXHIBIT "D"

RIGHTS AGREEMENT

(Article I)

EXHIBIT "E"

AMENDMENT TO RIGHTS AGREEMENT

(Article V)

Series C Preferred Stock Warrantholder

Holder	Number of Shares
Phoenix Leasing Incorporated	1,530
Robert Kingsbrook	6,157
Gus and Mary Jane Constantin Living Trust	3,934
CIT Venture Leasing Fund, LLC	694

EXHIBIT 10.9

NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER SAID ACT OR WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE HOLDER, SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR RECEIPT OF A NO-ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION.

WARRANT TO PURCHASE SHARES OF SERIES C PREFERRED STOCK

_____ 2000

THIS CERTIFIES THAT, for value received, GENERAL ELECTRIC CAPITAL CORPORATION, ("Holder") is entitled to subscribe for and purchase shares of the fully paid and nonassessable Series C Preferred Stock (the "Shares" or the "Preferred Stock") of Xcyte Therapies, Inc., a Delaware corporation (the "Company"), at the Warrant Price (as hereinafter defined), subject to the provisions and upon the terms and conditions hereinafter set forth. As used herein, the term "Series C Preferred Stock" shall mean the Company's presently authorized Series C Preferred Stock and any stock into which such Series C Preferred Stock may hereafter be converted or exchanged.

1. Warrant Price. The Warrant Price shall initially be One and 67/100 dollars ($1.67) per share, subject to adjustment as provided in Section 7 below. The number of shares for which this Warrant shall be exercisable shall be the greater of Fourteen Thousand Three Hundred Seventy One (14,371) Shares or the number of shares calculated by multiplying the amount of the credit facility utilized during the funding period, and any extension thereof, by 4% and then dividing by the Warrant Price.

2. Conditions to Exercise. The purchase right represented by this Warrant may be exercised at any time, or from time to time, in whole or in part during the term commencing on the date hereof and ending on the earlier of:

(a) 5:00 P.M. Pacific time on the seventh anniversary of the date of this Warrant, or

(b) the effective date of the merger of the Company with or into, the consolidation of the Company with, or the sale by the Company of all or substantially all of its assets or all or substantially all of its shares to another corporation or other entity (other than such a transaction wherein the shareholders of the Company retain or obtain a majority of the voting capital stock of the surviving, resulting, or purchasing corporation); provided that the Company shall notify the registered Holder of this Warrant of the proposed effective date of the merger, consolidation, or sale at least 20 days prior to the effectiveness thereof, and the Holder shall be entitled to give notice of exercise of this Warrant contingent upon the closing of such transaction.

In the event that, although the Company shall have given notice of a transaction pursuant to subparagraph (b) of this Section 2, the transaction does not close within 90 days of the day specified by the Company, unless otherwise elected by the Holder any exercise of the Warrant subsequent to the giving of such notice shall be rescinded and the Warrant shall again be exercisable until terminated in accordance with this Paragraph 2.

3. Method of Exercise: Payment; Issuance of Shares; Issuance of New Warrant.

(a) Cash Exercise. Subject to Section 2 hereof, the purchase right represented by this Warrant may be exercised by the Holder hereof, in whole or in part, by the surrender of this Warrant (with a duly executed Notice of Exercise in the form attached hereto) at the principal office of the Company (as set forth in Section 18 below) and by payment to the Company, by check, of an amount equal to the then applicable Warrant Price per share multiplied by the number of shares then being purchased. In the event of any exercise of the rights represented by this Warrant, certificates for the shares of stock so purchased shall be in the name of, and delivered to, the Holder hereof, or as such Holder may direct (subject to the terms of transfer contained herein and upon payment by such Holder hereof of any applicable transfer taxes). Such delivery shall be made within 30 days after exercise of the Warrant and at the Company's expense and, unless this Warrant has been fully exercised or expired, a new Warrant having terms and conditions substantially identical to this Warrant and representing the portion of the Shares, if any, with respect to which this Warrant shall not have been exercised, shall also be issued to the Holder hereof within 30 days after exercise of the Warrant.

(b) Net Issue Exercise. In lieu of exercising this Warrant pursuant to Section 3(a), Holder may elect to receive shares equal to the value of this Warrant (or of any portion thereof remaining unexercised) by surrender of this Warrant at the principal office of the Company together with notice of such election, in which event the Company shall issue to Holder the number of shares of the Company's Preferred Stock computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where X = the number of shares of Preferred Stock to be issued to Holder.

Y = the number of shares of Preferred Stock purchasable under this Warrant (at the date of such calculation).

A = the Fair Market Value of one share of the Company's Preferred Stock (at the date of such calculation).

B = Warrant Price (as adjusted to the date of such calculation).

(c) Fair Market Value. For purposes of this Section 3, Fair Market Value of one share of the Company's Preferred Stock shall mean:

(i) In the event of an exercise in connection with an Initial Public Offering, the per share Fair Market Value for the Preferred Stock shall be the Offering Price at which the underwriters initially sell Common Stock to the public multiplied by the number of shares of Common Stock into which each share of Preferred Stock is then convertible; or

(ii) The average of the closing bid and asked prices of Common Stock quoted in the Over-The-Counter Market Summary, the last reported sale price quoted on the Nasdaq National Market ("NNM") or on any exchange on which the Common Stock is listed, whichever is applicable, as published in the Western Edition of the Wall Street Journal for the twenty (20) trading days prior to the date of determination of Fair Market Value, multiplied by the number of shares of Common Stock into which each share of Preferred Stock is then convertible; or

(iii) In the event of an exercise in connection with a merger, acquisition or other consolidation in which the Company is not the surviving entity, the per share Fair Market Value for the Preferred Stock shall be the value to be received per share of Preferred Stock by all holders of the Preferred Stock in such transaction as determined by the Board of Directors; or

(iv) In any other instance, the per share Fair Market Value for the Preferred Stock shall be as determined in good faith by the Company's Board of Directors.

In the event of 3(c)(iii) or 3(c)(iv), above, the Company's Board of Directors shall prepare a certificate, to be signed by an authorized officer of the Company, setting forth in reasonable detail the basis for and method of determination of the per share Fair Market Value of the Preferred Stock. The Board will also certify to the Holder that this per share Fair Market Value will be applicable to all holders of the Company's Preferred Stock. Such certification must be made to Holder at least thirty (30) business days prior to the proposed effective date of the merger, consolidation, sale, or other triggering event as defined in 3(c)(iii) or 3(c)(iv).

(d) Automatic Exercise. To the extent this Warrant is not previously exercised, it shall be automatically exercised in accordance with Sections 3(b) and 3(c) hereof (even if not surrendered) immediately before: (i) its expiration or (ii) the consummation of any consolidation or merger of the Company, or any sale or transfer of a majority of the Company's assets or shares pursuant to Section 2(b).

4. Representations and Warranties of Holder and Restrictions on Transfer Imposed by the Securities Act of 1933.

(a) Representations and Warranties by Holder. The Holder represents and warrants to the Company with respect to this purchase as follows:

(i) The Holder has substantial experience in evaluating and investing in private placement transactions of securities of companies similar to the Company

so that the Holder is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its interests.

(ii) The Holder is acquiring the Warrant and the Shares of Preferred Stock issuable upon exercise of the Warrant (collectively the "Securities") for investment for its own account and not with a view to, or for resale in connection with, any distribution thereof. The Holder understands that the Securities have not been registered under the Securities Act of 1933, as amended (the "Act") by reason of a specific exemption from the registration provisions of the Act which depends upon, among other things, the bona fide nature of the investment intent as expressed herein. In this connection, the Holder understands that, in the view of the Securities and Exchange Commission (the "SEC"), the statutory basis for such exemption may be unavailable if this representation was predicated solely upon a present intention to hold the Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities or for a period of one year or any other fixed period in the future.

(iii) The Holder acknowledges that the Securities must be held indefinitely unless subsequently registered under the Act or an exemption from such registration is available. The Holder is aware of the provisions of Rule 144 promulgated under the Act ("Rule 144") which permits limited resale of securities purchased in a private placement subject to the satisfaction of certain conditions, including, in case the securities have been held for more than one but less than two years, the existence of a public market for the shares, the availability of certain public information about the Company, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being through a "broker's transaction" or in a transaction directly with a "market maker" (as provided by Rule 144(f)) and the number of shares or other securities being sold during any three-month period not exceeding specified limitations.

(iv) The Holder further understands that at the time the Holder wishes to sell the Securities there may be no public market upon which such a sale may be effected, and that even if such a public market exists, the Company may not be satisfying the current public information requirements of Rule 144, and that in such event, the Holder may be precluded from selling the Securities under Rule 144 unless (a) a one-year minimum holding period has been satisfied and (b) the Holder was not at the time of the sale nor at any time during the three-month period prior to such sale an affiliate of the Company.

(v) The Holder has had an opportunity to discuss the Company's business, management and financial affairs with its management and an opportunity to review the Company's facilities. The Holder understands that such discussions, as well as the written information issued by the Company, were intended to describe

the aspects of the Company's business and prospects which it believes to be material but were not necessarily a thorough or exhaustive description.

(b) Legends. Each certificate representing the Securities shall be endorsed with the following legend:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED UNLESS COVERED BY AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT, A "NO ACTION" LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION WITH RESPECT TO SUCH TRANSFER, A TRANSFER MEETING THE REQUIREMENTS OF RULE 144 OF THE SECURITIES AND EXCHANGE COMMISSION, OR (IF REASONABLY REQUIRED BY THE COMPANY) AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY SUCH TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

The Company need not enter into its stock records a transfer of Securities unless the conditions specified in the foregoing legend are satisfied. The Company may also instruct its transfer agent not to allow the transfer of any of the Shares unless the conditions specified in the foregoing legend are satisfied.

(c) Removal of Legend and Transfer Restrictions. The legend relating to the Act endorsed on a certificate pursuant to paragraph 4(b) of this Warrant shall be removed and the Company shall issue a certificate without such legend to the Holder of the Securities if (i) the Securities are registered under the Act and a prospectus meeting the requirements of Section 10 of the Act is available or (ii) the Holder provides to the Company an opinion of counsel for the Holder reasonably satisfactory to the Company, a no-action letter or interpretive opinion of the staff of the SEC reasonably satisfactory to the Company, or other evidence reasonably satisfactory to the Company, to the effect that public sale, transfer or assignment of the Securities may be made without registration and without compliance with any restriction such as Rule 144.

5. Condition of Transfer or Exercise of Warrant. It shall be a condition to any transfer or exercise of this Warrant that at the time of such transfer or exercise, the Holder shall provide the Company with a representation in writing that the Holder or transferee is acquiring this Warrant and the shares of Preferred Stock to be issued upon exercise for investment purposes only and not with a view to any sale or distribution, or will provide the Company with a statement of pertinent facts covering any proposed distribution. As a further condition to any transfer of this Warrant or any or all of the shares of Preferred Stock issuable upon exercise of this Warrant, other than a transfer registered under the Act, the Company may request a legal opinion, in form and substance satisfactory to the Company and its counsel, reciting the pertinent circumstances surrounding the proposed transfer and stating that such transfer is exempt from the registration and prospectus delivery requirements of the Act. Each certificate evidencing the shares issued upon exercise of the Warrant or upon any transfer of the shares (other than a transfer registered under the Act or any subsequent transfer of shares so registered) shall, at the Company's option,

if the Shares are not freely saleable under Rule 144(k) under the Act, contain a legend in form and substance satisfactory to the Company and its counsel, restricting the transfer of the shares to sales or other dispositions exempt from the requirements of the Act.

As further condition to each transfer, at the request of the Company, the Holder shall surrender this Warrant to the Company and the transferee shall receive and accept a Warrant, of like tenor and date, executed by the Company.

6. Stock Fully Paid; Reservation of Shares. All Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be fully paid and nonassessable, and free from all taxes, liens, and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized, and reserved for issuance upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its Preferred Stock to provide for the exercise of the rights represented by this Warrant.

7. Adjustment for Certain Events. The number and kind of securities purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

(a) Reclassification or Merger. In case of any reclassification or change of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is the acquiring and the surviving corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or in case of any sale of all or substantially all of the assets of the Company, then, unless this Warrant shall have expired pursuant to Section 2(b), the Company, or such successor or purchasing corporation, as the case may be, shall duly execute and deliver to the Holder a new Warrant (in form and substance satisfactory to the Holder of this Warrant), or the Company shall make appropriate provision without the issuance of a new Warrant, so that the Holder shall have the right to receive, at a total purchase price not to exceed that payable upon the exercise of the unexercised portion of this Warrant, and in lieu of the shares of Preferred Stock theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change, merger or sale by a Holder of the number of shares of Preferred Stock then purchasable under this Warrant, or in the case of such a merger or sale in which the consideration paid consists all or in part of assets other than securities of the successor or purchasing corporation, at the option of the Holder, the securities of the successor or purchasing corporation having a value at the time of the transaction equivalent to the value of the Preferred Stock purchasable upon exercise of this Warrant at the time of the transaction. Any new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4. The provisions of this subparagraph (a) shall similarly apply to successive reclassifications, changes, mergers and transfers.

(b) Subdivision or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its outstanding shares of Preferred Stock, the Warrant Price shall be proportionately decreased and the number of Shares issuable hereunder shall be proportionately increased in the case of a subdivision and the Warrant Price shall be proportionately increased and the number of Shares issuable hereunder shall be proportionately decreased in the case of a combination.

(c) Stock Dividends and Other Distributions. If the Company at any time while this Warrant is outstanding and unexpired shall (i) pay a dividend with respect to Preferred Stock payable in Preferred Stock, then the Warrant Price shall be adjusted, from and after the date of determination of shareholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (A) the numerator of which shall be the total number of shares of Preferred Stock outstanding immediately prior to such dividend or distribution, and (B) the denominator of which shall be the total number of shares of Preferred Stock outstanding immediately after such dividend or distribution; or (ii) make any other distribution with respect to Preferred Stock (except any distribution specifically provided for in Sections 6(a) and 6(b)), then, in each such case, provision shall be made by the Company such that the Holder of this Warrant shall receive upon exercise of this Warrant a proportionate share of any such dividend or distribution as though it were the Holder of the Preferred Stock (or Common Stock issuable upon conversion thereof) as of the record date fixed for the determination of the shareholders of the Company entitled to receive such dividend or distribution.

(d) Adjustment of Number of Shares. Upon each adjustment in the Warrant Price, the number of Shares purchasable hereunder shall be adjusted, to the nearest whole share, to the product obtained by multiplying the number of Shares purchasable immediately prior to such adjustment in the Warrant Price by a fraction, the numerator of which shall be the Warrant Price immediately prior to such adjustment and the denominator of which shall be the Warrant Price immediately thereafter.

8. Notice of Adjustments. Whenever any Warrant Price or the kind or number of securities issuable under this Warrant shall be adjusted pursuant to Section 7 hereof, the Company shall prepare a certificate signed by an officer of the Company setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price and number or kind of shares issuable upon exercise of the Warrant after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (by certified or registered mail, return receipt required, postage prepaid) within thirty (30) days of such adjustment to the Holder of this Warrant as set forth in Section 18 hereof.

9. Transferability of Warrant. This Warrant is transferable on the books of the Company at its principal office by the registered Holder hereof upon surrender of this Warrant properly endorsed, subject to compliance with Section 5 and applicable federal and state securities laws. The Company shall issue and deliver to the transferee a new Warrant representing the Warrant so transferred. Upon any partial transfer, the Company will issue and deliver to Holder a new

Warrant with respect to the Warrant not so transferred. Holder shall not have any right to transfer any portion of this Warrant to any direct competitor of the Company.

10. No Fractional Shares. No fractional share of Preferred Stock will be issued in connection with any exercise hereunder, but in lieu of such fractional share the Company shall make a cash payment therefor upon the basis of the Warrant Price then in effect.

11. Charges, Taxes and Expenses. Issuance of certificates for shares of Preferred Stock upon the exercise of this Warrant shall be made without charge to the Holder for any United States or state of the United States documentary stamp tax or other incidental expense with respect to the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder.

12. No Shareholder Rights Until Exercise. This Warrant does not entitle the Holder hereof to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof.

13. Registry of Warrant. The Company shall maintain a registry showing the name and address of the registered Holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at such office or agency of the Company, and the Company and Holder shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

14. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft, or destruction, of indemnity reasonably satisfactory to it, and, if mutilated, upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant, having terms and conditions substantially identical to this Warrant, in lieu hereof.

15. Miscellaneous.

(a) Issue Date. The provisions of this Warrant shall be construed and shall be given effect in all respect as if it had been issued and delivered by the Company on the date hereof.

(b) Successors. This Warrant shall be binding upon any successors or assigns of the Company.

(c) Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California.

(d) Headings. The headings used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant.

(e) Saturdays, Sundays, Holidays. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or

shall be a legal holiday in the State of California, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

16. No Impairment. The Company will not, by amendment of its Certificate of Incorporation or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder hereof against impairment.

17. Addresses. Any notice required or permitted hereunder shall be in writing and shall be mailed by overnight courier, registered or certified mail, return receipt required, and postage prepaid, or otherwise delivered by hand or by messenger, addressed as set forth below, or at such other address as the Company or the Holder hereof shall have furnished to the other party.

18. "Market Stand-Off" Agreement. Holder hereby agrees that for a period of up to 180 days following the effective date of the first registration statement of the Company covering common stock (or other securities) to be sold on behalf of the Company in an underwritten public offering, it will not, to the extent requested by the Company and any underwriter, sell or otherwise transfer or dispose of (other than to donees or transferees who agree to be similarly bound) any of the Shares at any time during such period except common stock included in such registration; provided, however, that all officers and directors of the Company who hold securities of the Company or options to acquire securities of the Company and all other persons with registration rights enter into similar agreements.

If to the Company: Xcyte Therapies, Inc.
1124 Columbia Street
Suite 130
Seattle, WA 98104
Attn: Director of Finance

If to the Holder: General Electric Capital Corporation
5150 El Camino Real
Suite B-21
Los Altos, CA 94022
Attn: Barbara B. Kaiser, EVP/GM

IN WITNESS WHEREOF, XCYTE THERAPIES, INC. has caused this Warrant to be executed by its officers thereunto duly authorized.

Dated as of 1/10, 2000.

By: /s/ Ronald Jay Berenson

Name: Ronald Jay Berenson

Title: President & CEO

NOTICE OF EXERCISE

TO:

1. The undersigned Warrantholder ("Holder") elects to acquire shares of the Series C Preferred Stock (the "Preferred Stock") of _____, (the "Company"), pursuant to the terms of the Stock Purchase Warrant dated _____ ____ 1999, (the "Warrant").

2. The Holder exercises its rights under the Warrant as set forth below:

( ) The Holder elects to purchase _____ shares of Preferred Stock as provided in Section 3(a) and tenders herewith a check in the amount of $_____ as payment of the purchase price.

( ) The Holder elects to convert the purchase rights into shares of Preferred Stock as provided in Section 3(b)'of the Warrant.

3. The Holder surrenders the Warrant with this Notice of Exercise.

4. The Holder represents that it is acquiring the aforesaid shares of Preferred Stock for investment and not with a view to or for resale in connection with distribution and that the Holder has no present intention of distributing or reselling the shares.

5. Please issue a certificate representing the shares of the Preferred Stock in the name of the Holder or in such other name as is specified below:

Name:

Address:

Taxpayer I.D.:

(Holder)

By:

Title:

Date:

EXHIBIT 10.10

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

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Warrant No. PD-1 Date of Issuance: December 7, 2000
80,000 shares

XCYTE THERAPIES, INC.

SERIES D PREFERRED STOCK PURCHASE WARRANT

Xcyte Therapies, Inc. (the "Company"), for value received, hereby certifies that Hibbs/Woodinville Associates LLC, or its registered assigns (the "Registered Holder"), is entitled, subject to the terms set forth below, to purchase from the Company, at any time after the date hereof and on or before the Expiration Date (as defined in Section 5 below), up to 80,000 shares of Series D Preferred Stock of the Company ("Preferred Stock"), at a purchase price of $2.78 per share. The shares purchasable upon exercise of this Warrant and the purchase price per share, as adjusted from time to time pursuant to the provisions of this Warrant, are hereinafter referred to as the "Warrant Stock" and the "Purchase Price," respectively.

1. EXERCISE.

(a) MANNER OF EXERCISE. This Warrant may be exercised by the Registered Holder, in whole or in part, by surrendering this Warrant, with the purchase/exercise form appended hereto as Exhibit A duly executed by such Registered Holder or by such Registered Holder's duly authorized attorney, at the principal office of the Company, or at such other office or agency as the Company may designate, accompanied by payment in full of the Purchase Price payable in respect of the number of shares of Warrant Stock purchased upon such exercise. The Purchase Price may be paid by cash, check, wire transfer or by the surrender of promissory notes or other instruments representing indebtedness of the Company to the Registered Holder.

(b) EFFECTIVE TIME OF EXERCISE. Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant shall have been surrendered to the Company as provided in Section 1(a) above. At such time, the person or persons in whose name or names any certificates for Warrant Stock shall be issuable upon such exercise as provided in Section 1(d) below shall be deemed to have become the holder or holders of record of the Warrant Stock represented by such certificates.

(c) NET ISSUE EXERCISE.

(i) In lieu of exercising this Warrant in the manner provided above in Section 1(a), the Registered Holder may elect to receive shares equal to the value of this Warrant (or the portion thereof being canceled) by surrender of this Warrant at the principal office of the Company together with notice of such election on the purchase/exercise form appended hereto as Exhibit A duly executed by such Registered Holder or such Registered Holder's duly authorized attorney, in which event the Company shall issue to such Holder a number of shares of Warrant Stock computed using the following formula:

$$X = \frac{Y (A - B)}{A}$$

Where X = The number of shares of Warrant Stock to be issued to the Registered Holder.

Y = The number of shares of Warrant Stock purchasable under this Warrant (at the date of such calculation).

A = The fair market value of one share of Warrant Stock (at the date of such calculation).

B = The Purchase Price (as adjusted to the date of such calculation).

(ii) For purposes of this Section 1(c), the fair market value of Warrant Stock on the date of calculation shall mean with respect to each share of Warrant Stock:

(A) if the exercise is in connection with an initial public offering of the Company's Common Stock, and if the Company's Registration Statement relating to such public offering has been declared effective by the Securities and Exchange Commission, then the fair market value per share shall be the product of (x) the initial "Price to Public" specified in the final prospectus with respect to the offering and (y) the number of shares of Common Stock into which each share of Warrant Stock is convertible at the date of calculation;

(B) if (A) is not applicable, the fair market value of Warrant Stock shall be at the highest price per share which the Company could obtain on the date of calculation from a willing buyer (not a current employee or director) for shares of Warrant Stock sold by the Company, from authorized but unissued shares, as determined in good faith by the Board of Directors, unless the Company is at such time subject to an acquisition as described in Section 6(b) below, in which case the fair market value of Warrant Stock shall be deemed to be the value received by the holders of such stock pursuant to such acquisition.

(d) DELIVERY TO HOLDER. As soon as practicable after the exercise of this Warrant in whole or in part, and in any event within ten (10) days thereafter, the Company at its expense will cause to be issued in the name of, and delivered to, the Registered Holder, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct:

(i) a certificate or certificates for the number of shares of Warrant Stock to which such Registered Holder shall be entitled, and

(ii) in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of shares of Warrant Stock equal (without giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the number of such shares purchased by the Registered Holder upon such exercise as provided in Section 1(a) or 1(c) above.

2. ADJUSTMENTS.

(a) REDEMPTION OR CONVERSION OF PREFERRED STOCK. If all of the Preferred Stock is redeemed or converted into shares of Common Stock, then this Warrant shall automatically become exercisable for that number of shares of Common Stock equal to the number of shares of Common Stock that would have been received if this Warrant had been exercised in full and the shares of Preferred Stock received thereupon had been simultaneously converted into shares of Common Stock immediately prior to such event, and the Exercise Price shall be automatically adjusted to equal the number obtained by dividing (i) the aggregate Purchase Price of the shares of Preferred Stock for which this Warrant was exercisable immediately prior to such redemption or conversion, by (ii) the number of shares of Common Stock for which this Warrant is exercisable immediately after such redemption or conversion.

(b) STOCK SPLITS AND DIVIDENDS. If outstanding shares of the Company's Preferred Stock shall be subdivided into a greater number of shares or a dividend in Preferred Stock shall be paid in respect of Preferred Stock, the Purchase Price in effect immediately prior to such subdivision or at the record date of such dividend shall simultaneously with the effectiveness of such subdivision or immediately after the record date of such dividend be proportionately reduced. If outstanding shares of Preferred Stock shall be combined into a smaller number of shares, the Purchase Price in effect immediately prior to such combination shall, simultaneously with the effectiveness of such combination, be proportionately increased. When any adjustment is required to be made in the Purchase Price, the number of shares of Warrant Stock purchasable upon the exercise of this Warrant shall be changed to the number determined by dividing (i) an amount equal to the number of shares issuable upon the exercise of this Warrant immediately prior to such adjustment, multiplied by the Purchase Price in effect immediately prior to such adjustment, by (ii) the Purchase Price in effect immediately after such adjustment.

(c) RECLASSIFICATION, ETC. In case there occurs any reclassification or change of the outstanding securities of the Company or of any reorganization of the Company (or any other corporation the stock or securities of which are at the time receivable upon the exercise of this Warrant) or any similar corporate reorganization on or after the date hereof, then and in each such case the Registered Holder, upon the exercise hereof at any time after the consummation of such reclassification, change, or reorganization shall be entitled to receive, in lieu of the stock or other securities and property receivable upon the exercise hereof prior to such consummation, the stock or other securities or property to which such Holder would have been entitled upon such consummation if such Holder had exercised this Warrant immediately prior thereto, all subject to further adjustment pursuant to the provisions of this Section 2.

(d) ADJUSTMENT CERTIFICATE. When any adjustment is required to be made in the Warrant Stock or the Purchase Price pursuant to this Section 2, the Company shall promptly mail to the Registered Holder a certificate setting forth (i) a brief statement of the facts requiring such adjustment, (ii) the Purchase Price after such adjustment and (iii) the kind and amount of stock or other securities or property into which this Warrant shall be exercisable after such adjustment.

(e) ACKNOWLEDGEMENT. In order to avoid doubt, it is acknowledged that the holder of this Warrant shall be entitled to the benefit of all adjustments in the number of shares of Common Stock of the Company issuable upon conversion of the Preferred Stock of the Company which occur prior to the exercise of this Warrant, including without limitation, any increase in the number of shares of Common Stock issuable upon conversion as a result of a dilutive issuance of capital stock.

3. TRANSFERS.

(a) UNREGISTERED SECURITY. Each holder of this Warrant acknowledges that this Warrant, the Warrant Stock and the Common Stock of the Company have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and agrees not to sell, pledge, distribute, offer for sale, transfer or otherwise dispose of this Warrant, any Warrant Stock issued upon its exercise or any Common Stock issued upon conversion of the Warrant Stock in the absence of (i) an effective registration statement under the Act as to this Warrant, such Warrant Stock or such Common Stock and registration or qualification of this Warrant, such Warrant Stock or such Common Stock under any applicable U.S. federal or state securities law then in effect, or (ii) an opinion of counsel, satisfactory to the Company, that such registration and qualification are not required. Each certificate or other instrument for Warrant Stock issued upon the exercise of this Warrant shall bear a legend substantially to the foregoing effect.

(b) TRANSFERABILITY. Subject to the provisions of Section 3(a) hereof, this Warrant and all rights hereunder are transferable to any individual or entity with the consent of the Company, which consent shall not be unreasonably withheld; provided that any assignee shall be bound by the terms hereof. Notwithstanding the foregoing, this Warrant may not be transferred to any individual or entity engaged in any business that competes with any business of the Company, and any purported transfer to a such an individual or entity shall be void. A permitted transfer of this Warrant shall be effected by surrendering the Warrant with a properly executed assignment (in the form of Exhibit B hereto) at the principal office of the Company. This Warrant may not be transferred in part unless the transferee acquires the right to purchase all of the shares of Warrant Stock hereunder.

(c) WARRANT REGISTER. The Company will maintain a register containing the names and addresses of the Registered Holders of this Warrant. Until any transfer of this Warrant is made in the warrant register, the Company may treat the Registered Holder of this Warrant as the absolute owner hereof for all purposes; provided, however, that if this Warrant is properly assigned in blank, the Company may (but shall not be required to) treat the bearer

hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary. Any Registered Holder may change such Registered Holder's address as shown on the warrant register by written notice to the Company requesting such change.

4. REPRESENTATIONS AND WARRANTIES OF HOLDER. The Registered Holder hereby represents and warrants to the Company as follows:

(a) PURCHASE ENTIRELY FOR OWN ACCOUNT. The Registered Holder acknowledges that this Warrant is given to the Registered Holder in reliance upon the Registered Holder's representation to the Company, which by its acceptance of this Warrant the Registered Holder hereby confirms, that the Warrant, the Warrant Shares, and the Common Stock issuable upon conversion of the Warrant Shares (collectively, the "Securities") being acquired by the Registered Holder are being acquired for investment for the Registered Holder's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Registered Holder has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, the Registered Holder further represents that the Registered Holder does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Securities. The Registered Holder represents that it has full power and authority to enter into this Agreement. The Registered Holder has not been formed for the specific purpose of acquiring any of the Securities.

(b) DISCLOSURE OF INFORMATION. The Registered Holder has had an opportunity to discuss the Company's business, management, financial affairs and the terms and conditions of the offering of the Securities with the Company's management and has had an opportunity to review the Company's facilities. The Registered Holder understands that such discussions, as well as the written information issued by the Company, were intended to describe the aspects of the Company's business which it believes to be material.

(c) RESTRICTED SECURITIES. The Registered Holder understands that the Securities have not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Registered Holder's representations as expressed herein. The Registered Holder understands that the Securities are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, the Registered Holder must hold the Securities indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. The Registered Holder further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Securities, and on requirements relating to the Company which are outside of the Registered Holder's control, and which the Company is under no obligation and may not be able to satisfy.

(d) NO PUBLIC MARKET. The Registered Holder understands that no public market now exists for any of the securities issued by the Company, that the Company has made no assurances that a public market will ever exist for the Securities.

(e) LEGENDS. The Registered Holder understands that the Securities, and any securities issued in respect of or exchange for the Securities, may bear one or all of the following legends:

(i) "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933."

(ii) Any legend required by the Blue Sky laws of any state to the extent such laws are applicable to the shares represented by the certificate so legended.

(f) ACCREDITED INVESTOR. The Registered Holder is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Act.

5. NO IMPAIRMENT. The Company will not, by amendment of its charter or through reorganization, consolidation, merger, dissolution, sale of assets or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holder of this Warrant against impairment.

6. TERMINATION. This Warrant (and the right to purchase securities upon exercise hereof) shall terminate upon the earliest to occur of the following (the "Expiration Date"): (a) January 20, 2006, (b) within 20 business days of the sale, conveyance or disposal of all or substantially all of the Company's property or business or the Company's merger into or consolidation with any other corporation (other than a wholly-owned subsidiary of the Company) or within 20 business days of any other transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed of, provided that this Section 6(b) shall not apply to a merger effected exclusively for the purpose of changing the domicile of the Company, or (c) the closing of a firm commitment underwritten public offering pursuant to a registration statement on FORM S-1 under the Securities Act, the public offering price of which is not less than $4.00 per share (appropriately adjusted for any stock split, dividend, combination or other recapitalization) and which results in aggregate cash proceeds to the Company of $20,000,000 (net of underwriting discounts and commissions).

7. NOTICES OF CERTAIN TRANSACTIONS. In case:

(a) the Company shall take a record of the holders of its Preferred Stock (or other stock or securities at the time deliverable upon the exercise of this Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, or

(b) of any capital reorganization of the Company, any reclassification of the capital stock of the Company, any consolidation or merger of the Company, any consolidation or merger of the Company with or into another corporation (other than a consolidation or merger in which the Company is the surviving entity), or any transfer of all or substantially all of the assets of the Company, or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company,

(d) of any redemption of the Preferred Stock or mandatory conversion of the Preferred Stock into Common Stock of the Company, or

(e) of a public offering described in Section 6(c).

then, and in each such case, the Company will mail or cause to be mailed to the Registered Holder of this Warrant a notice specifying, as the case may be, (i) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation, winding-up, redemption or conversion is to take place, and the time, if any is to be fixed, as of which the holders of record of Preferred Stock (or such other stock or securities at the time deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation, winding-up, redemption or conversion) are to be determined, or (iii) the expected date on which the closing of a firm commitment underwritten public offering described in Section 6(c) shall occur. Such notice shall be mailed at least ten (10) days prior to the record date or effective date for the event specified in such notice.

8. RESERVATION OF STOCK. The Company will at all times reserve and keep available, solely for the issuance and delivery upon the exercise of this Warrant, such shares of Warrant Stock and other stock, securities and property, as from time to time shall be issuable upon the exercise of this Warrant.

9. EXCHANGE OF WARRANTS. Upon the surrender by the Registered Holder of any Warrant or Warrants, properly endorsed, to the Company at the principal office of the Company, the Company will, subject to the provisions of Section 3 hereof, issue and deliver to or upon the order of such Holder, at the Company's expense, a new Warrant or Warrants of like tenor, in the name of such Registered Holder or as such Registered Holder (upon payment by such Registered

Holder of any applicable transfer taxes) may direct, calling in the aggregate on the face or faces thereof for the number of shares of Preferred Stock called for on the face or faces of the Warrant or Warrants so surrendered.

10. REPLACEMENT OF WARRANTS. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and (in the case of loss, theft or destruction) upon delivery of an indemnity agreement (with surety if reasonably required) in an amount reasonably satisfactory to the Company, or (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will issue, in lieu thereof, a new Warrant of like tenor.

11. MAILING OF NOTICES. Any notice required or permitted pursuant to this Warrant shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or sent by courier, overnight delivery service or confirmed facsimile, or forty-eight (48) hours after being deposited in the regular mail, as certified or registered mail (airmail if sent internationally), with postage prepaid, addressed (a) if to the Registered Holder, to the address of the Registered Holder most recently furnished in writing to the Company and (b) if to the Company, to the address set forth below or subsequently modified by written notice to the Registered Holder.

12. NO RIGHTS AS STOCKHOLDER. Until the exercise of this Warrant, the Registered Holder of this Warrant shall not have or exercise any rights by virtue hereof as a stockholder of the Company.

13. NO FRACTIONAL SHARES. No fractional shares of Preferred Stock will be issued in connection with any exercise hereunder. In lieu of any fractional shares which would otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the fair market value of one share of Preferred Stock on the date of exercise, as determined in good faith by the Company's Board of Directors.

14. AMENDMENT OR WAIVER. Any term of this Warrant may be amended or waived only by an instrument in writing signed by the party against which enforcement of the amendment or waiver is sought.

15. HEADINGS. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

16. GOVERNING LAW. This Warrant shall be governed, construed and interpreted in accordance with the laws of the State of Washington, without giving effect to principles of conflicts of law.

17. INVESTOR RIGHTS AGREEMENT. The Warrant Stock and any Common Stock issued upon conversion of the Warrant Stock shall be deemed "Registrable Securities" under the Amended and Restated Investor Rights Agreement dated as of May 25, 2000, as amended, between the Company, the Investors identified therein to the fullest extent possible, and the Registered Holder shall be deemed, and become to the fullest extent possible by virtue of the issuance of this Warrant, a "Holder" under said Agreement, entitled to all of the registration and

other rights, benefits and privileges accorded "Holders" thereunder to the fullest extent possible, and subject to all obligations, duties and conditions imposed on "Holders" thereunder to the fullest extent possible. The Registered Holder, the Warrant, the Warrant Stock and any common stock issued upon conversion of the Warrant Stock shall be subject to the "market standoff" obligations pursuant to Section 1.14 of said Agreement. The Company's Board of Directors acting pursuant to Section 1.13(ii) of said Agreement shall grant to Registered Holder to the fullest extent possible all registration rights accorded Holders thereunder.

XCYTE THERAPIES, INC.

By

Address: 1124 Columbia Street
Suite 130
Seattle, WA 98104

Fax Number: (206) 262-0900

SIGNATURE PAGE TO XCYTE THERAPIES
WARRANT TO PURCHASE SERIES D
TO HIBBS/WOODINVILLE ASSOCIATES LLC

EXHIBIT A

PURCHASE/EXERCISE FORM

To: XCYTE THERAPIES, INC. Dated:

The undersigned, pursuant to the provisions set forth in the attached Warrant No. PD-1, hereby irrevocably elects to (a) purchase _____ shares of the Preferred Stock covered by such Warrant and herewith makes payment of $_____, representing the full purchase price for such shares at the price per share provided for in such Warrant, or (b) exercise such Warrant for _____ shares purchasable under the Warrant pursuant to the Net Issue Exercise provisions of Section 1(c) of such Warrant.

The undersigned further acknowledges that it has reviewed the representations and warranties of the Registered Holder contained in Section 4 of the Warrant and the covenants of the Registered Holder contained in Section 17 of the Warrant, and by its signature below the undersigned hereby makes such representations, warranties and covenants to the Company as of the date hereof.

Signature:

Name (print):

Title (if applic.)

Company (if applic.):

EXHIBIT B

ASSIGNMENT FORM

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant with respect to the number of shares of Series D Preferred Stock covered thereby set forth below, unto:

NAME OF ASSIGNEE	ADDRESS/FAX NUMBER	NO. OF SHARES

Dated: ----------

Signature: ----------

Witness: ----------

EXHIBIT 10.11

SENIOR LOAN AND SECURITY AGREEMENT NO. 6261

THIS SENIOR LOAN AND SECURITY AGREEMENT NO. 6261 (this "Security Agreement") is dated as of July 1, 1999 between XCYTE THERAPIES, NC., a Delaware corporation ("Borrower") and PHOENIX LEASING INCORPORATED, a California corporation ("Lender").

RECITALS

A. Borrower desires to borrow from Lender in one or more borrowings the Commitment amount as defined in Section 3(a)(ii) below, and Lender desires to loan, subject to the terms and conditions herein set forth, such amount to Borrower (each, a "Loan" and collectively, the "Loans"). Such borrowings shall be evidenced by one or more Senior Secured Promissory Notes (each, a "Note" and collectively, the "Notes"), in the form attached hereto.

B. As security for Borrower's obligations to Lender under this Security Agreement, the Notes and any other agreement between Borrower and Lender, Borrower will grant to Lender hereunder a first priority security interest in certain of its equipment, machinery, fixtures, other items and intangibles, and also certain custom use equipment, installation and delivery costs, purchase tax, toolings, software and other items generally considered fungible or expendable ("Soft Costs") whether now owned by Borrower or hereafter acquired, and all substitutions and replacements of and additions, improvements, accessions and accumulations to said equipment, machinery and fixtures and other items, together with all rents, issues, income, profits and proceeds therefrom which is described on the Note attached hereto or any subsequently-executed Note entered into by Lender and Borrower and which incorporates this Security Agreement by reference (collectively, the "Collateral").

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

SECTION 1. TERM OF AGREEMENT. The term of this Security Agreement begins on the date set forth above and shall continue thereafter and be in effect so long as and at any time any Note entered into pursuant to this Security Agreement is in effect. The Term and monthly payment amount payable with respect to each item of Collateral shall be as set forth in and as stated in the respective Note(s). The terms of each Note hereto are subject to all conditions and provisions of this Security Agreement as it may at any time be amended. Each Note shall constitute a separate and independent Loan and contractual obligation of Borrower and shall incorporate the terms and conditions of this Security Agreement and any additional provisions contained in such Note. In the event of a conflict between the terms and conditions of this Security Agreement and any provisions of such Note, the provisions of such Note shall prevail with respect to such Note only.

SECTION 2. NON-CANCELABLE LOAN. This Security Agreement and each Note cannot be canceled or terminated except as expressly provided herein. Borrower agrees that its obligations to pay all monthly payment amounts and other sums payable hereunder (and under any Note) and the rights of Lender and any assignee in and to such monthly payment amounts and other sums, are absolute and unconditional and are not subject to any abatement, reduction, setoff, defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims which Borrower may have against Lender, any assignee, the manufacturer or seller of the Collateral, or against any person for any reason whatsoever.

SECTION 3. LENDER COMMITMENT. (a) General Terms. Subject to the terms and conditions of this Security Agreement, Lender hereby agrees to make one or more senior secured Loans to Borrower, subject to the following conditions: (i) each Loan shall be evidenced by a Note; (ii) the total principal amount of the Loans shall not exceed $1,000,000 in the aggregate (the "Commitment") provided that no more than 20% of the amount of the utilized Commitment may be used to finance Soft Costs; (iii) the amount of each Loan shall be at least $25,000 except for a final Loan which may be less than $25,000; (iv) Lender shall not be obligated to make any Loan after August 31, 2000; (v) at the time of each Loan, no Event of Default or event which with the giving of notice or passage of time, or both, could become an Event of Default shall have occurred, as reasonably determined by Lender, and certified by Borrower; (vi) at the time of each Loan, Borrower has reimbursed Lender for all UCC filing and search costs, inspection and labeling costs, and appraisal fees, if any; (vii) for each Loan, Borrower shall present to Lender a list of proposed Collateral for approval by Lender in its sole discretion; (viii) for each Loan, Borrower shall have provided Lender with each of the closing documents described in Exhibit A hereto (which documents shall be in form and substance reasonably acceptable to Lender); (ix) Borrower is performing substantially in accordance with its business plan referred to as "Xcyte Therapies Cash Position" labeled Budget 99 to 00 Revised .xls and "Xctye Therapies Cash Flow Statement" labeled Revised for 3.16.99 Board Meeting" (the "Business Plan") (all quarterly figures will be prorated to monthly), as may be amended from time to time in form and substance acceptable to Lender; (x) there shall be no material adverse change in Borrower's condition, financial or otherwise, that would materially impair the ability of Borrower to meet its payment and other obligations under this Loan (a "Material Adverse Effect") as reasonably determined by Lender, and Borrower so certifies, from (yy) the date of the most recent financial statements delivered by Borrower to Lender to (zz) the date of the proposed Loan; (xi) prior to payment in full of all Notes, Borrower shall not offer any loan secured by any equipment, furniture or fixtures to any other person or entity other than Lender, unless Lender declines to finance such transaction or Borrower and Lender are unable to agree on the terms of such financing; (xii) Borrower shall use the proceeds of all Loans hereunder to purchase or reimburse the purchase of Collateral; (xiii) all Collateral has been marked and labeled by Lender or Lender's agent; and (xiv) Lender has received in form and substance acceptable to Lender: (a) Borrower's interim financial statements signed by a financial officer of Borrower; and (b) complete copies of the Borrower's audit reports for its most recent fiscal year when completed, which shall include at least Borrower's balance sheet as of the close of such year, and Borrower's statement of income and retained earnings and of changes in financial position for such year, prepared on a consolidated basis and certified by independent public accountants. Such certificate shall not be qualified or limited because of restricted or limited

examination by such accountant of any material portion of the company's records. Such reports shall be prepared in accordance with generally accepted accounting principles and practices consistently applied.

(b) The Notes. Each Loan shall be evidenced by a Note which may not be prepaid in whole or in part. Each Note shall bear interest and be payable at the times and in the manner provided therein. Following payment of the Indebtedness related to each Note, Lender shall promptly return such Note, marked "canceled," to Borrower.

SECTION 4. SECURITY INTERESTS. (a) Borrower hereby grants to Lender a first security interest in all Collateral; (b) This Security Agreement secures (i) the payment of the principal of and interest on the Notes and all other sums due thereunder and under this Security Agreement (the "Indebtedness") and (ii) the performance by Borrower of all of its other covenants now or hereafter existing under the Notes, this Security Agreement and any other obligation owed by Borrower to Lender (the "Obligations").

SECTION 5. BORROWER'S REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants that (a) it is in good standing under the laws of the state of its formation, duly qualified to do business and will remain duly qualified during the term of each Loan in each state where necessary to carry on its present business and operations, including the jurisdiction(s) where the Collateral will be located as specified on each Exhibit A to each Note, except where failure to be so qualified would not have a Material Adverse Effect; (b) it has full authority to execute and deliver this Security Agreement and the Notes and perform the terms hereof and thereof, and this Security Agreement and the Notes have been duly authorized, executed and delivered and constitute valid and binding obligations of Borrower enforceable in accordance with their terms; (c) the execution and delivery of this Security Agreement and the Notes will not contravene any law, regulation or judgment affecting Borrower or result in any breach of any material agreement or other instrument binding on Borrower; (d) no consent of Borrower's shareholders or holder of any indebtedness, or filing with, or approval of, any governmental agency or commission, which has not already been obtained or performed, as appropriate, is a condition to the performance of the terms of this Security Agreement or the Notes; (e) there is no action or proceeding pending or threatened against Borrower before any court or administrative agency which might have a Material Adverse Effect on the business, financial condition or operations of Borrower; (f) at the time any Loan is made hereunder, Borrower owns and will keep all of the Collateral free and clear of all liens, claims and encumbrances, and, except for this Security Agreement, there is no deed of trust, mortgage, security agreement or other third party interest against any of the Collateral other than Permitted Liens (as defined below); (g) at the time any Loan is made hereunder, Borrower has good and marketable title to the Collateral; (h) at the time any Loan is made hereunder, all Collateral has been received, installed and is ready for use and is satisfactory in all respects for the purposes of this Security Agreement; (i) the Collateral is, and will remain at all times under applicable law, removable personal property, which is free and clear of any lien or encumbrance except in favor of Lender other than Permitted Liens (as defined below), notwithstanding the manner in which the Collateral may be attached to any real property; (j) all credit and financial information submitted to Lender herewith or at any other time is and will at the time given be true and correct

in all material respects; and (k) the security interest granted to Lender hereunder is a first priority security interest, and (I) on or before January 1, 2000, Borrower's computer system shall be Year 2000 performance compliant and will thus be able to accurately process date data from, into and between the twentieth and twenty-first centuries including leap year calculations. "Permitted Liens" shall mean and include: (i) liens for taxes or other governmental charges not at the time delinquent or thereafter payable without penalty or being contested in good faith; and (ii) liens of carriers, warehousemen, mechanics, materialmen, vendors, landlords and other liens arising by operation of law incurred in the ordinary course of business.

SECTION 6. METHOD AND PLACE OF PAYMENT. Borrower shall pay to Lender, at such address as Lender specifies in writing, all amounts payable to it under this Security Agreement and the Notes.

SECTION 7. LOCATION; INSPECTION; LABELS. All of the Collateral shall be located at the address (the "Collateral Location") shown on Exhibit A to each Note and shall not be moved unless Borrower has provided Lender with written notice of the change in location and Lender has acknowledged receipt of the notice. All of the records regarding the Collateral shall be located at 2203 Airport Way South, Suite 300, Seattle, WA 98134, or such other location of which Borrower has given notice to Lender in accordance with this Security Agreement. Lender shall have the right to inspect Collateral, including records relating thereto, and Borrower's books and records at any time (upon reasonable notification) during regular business hours, such books and records to be maintained in accordance with generally accepted accounting principles. Borrower shall be responsible for all labor, material and freight charges incurred in connection with any removal or relocation of Collateral which is requested by Borrower and consented to by Lender, as well as for any charges due to the installation or moving of the Collateral. Payments under the Notes and under this Security Agreement shall continue during any period in which the Collateral is in transit during a relocation. During Borrower's regular business hours and upon at least two days' notice to Borrower, Lender or its agent shall mark and label Collateral, which labels (to be provided by Lender) shall state that such Collateral is subject to a security interest of Lender, and Borrower shall keep such labels on the Collateral as so labeled.

SECTION 8. COLLATERAL MAINTENANCE. (a) General. Upon reasonable notice, Borrower will permit Lender to inspect each item of Collateral and its maintenance records during Borrower's regular business hours. Borrower will at its sole expense comply with all applicable laws, rules, regulations, requirements and orders with respect to the use, maintenance, repair, condition, storage and operation of each item of Collateral. Any addition or improvement that is so required or cannot be so removed will immediately become Collateral of Lender. (b) Service and Repair. Borrower will at its sole expense maintain and service and repair any damage to each item of Collateral in a manner consistent with prudent industry practice and Borrower's own practice so that such item of Collateral is at all times (i) in the same condition as when delivered to Borrower, except for ordinary wear and tear, and (ii) in good operating order for the function intended by its manufacturer's warranties and recommendations.

SECTION 9. LOSS OR DAMAGE. Borrower assumes the entire risk of loss to the Collateral through use, operation or otherwise. Borrower hereby indemnifies and holds harmless

Lender from and against all claims, loss of Loan payments, costs, damages, and expenses relating to or resulting from any loss, damage or destruction of the Collateral, any such occurrence being hereinafter called a "Casualty Occurrence." Notwithstanding any Casualty Occurrence, the Loan to which such casualtied item of Collateral is subject shall continue in full force and effect without any abatement in the monthly payment due. Borrower shall, at its election, (a) no later than thirty (30) days after such Casualty Occurrence repair the Collateral returning it to good operating condition, (b) no later than thirty (30) days after such Casualty Occurrence replace the Collateral with Collateral acceptable to Lender in its reasonable discretion, in good condition and repair taking all steps required by Lender to perfect Lender's first priority security interest therein, which replacement Collateral shall be subject to the terms of this Security Agreement, or (c) on the next regular monthly payment date which falls after such thirty (30) days, or if there is no such payment date, thirty (30) days after such Casualty Occurrence pay to Lender an amount equal to the Balance Due (as defined below) for each lost or damaged item of Collateral. The Balance Due for each such item is the sum of: (i) all amounts for each item which may be then due or accrued to the payment date, plus (ii) as of such payment date, an amount equal to the product of the fraction specified below times the sum of all remaining payments under the respective Note, including the amount of any mandatory or optional payment required or permitted to be paid by Borrower to Lender at the maturity of the Note discounting to present value the amounts in (ii) at a rate of 6% per annum compounded monthly on the basis of a 360 day year ("Discount Rate"). The numerator of the fraction shall be the collateral value (as set forth on the applicable Note) of the item and the denominator shall be the aggregate collateral value of all items under the Note. Upon the making of such payments, Lender shall release such item of Collateral from its lien hereunder.

SECTION 10. INSURANCE. Borrower at its expense shall keep the Collateral insured against all risks of physical loss for at least the replacement value of the Collateral and in no event for less than the amount payable following a Casualty Occurrence (as provided in Section 9). Such insurance shall provide for a loss payable endorsement to Lender and/or any assignee of Lender. If there is no event of default by Borrower, any insurance proceeds received by Lender shall be released by Lender for application to the costs incurred by Borrower to repair the Collateral. Borrower shall maintain commercial general liability insurance, including products liability and completed operations coverage, with respect to loss or damage for personal injury, death or property damage in an amount not less than $2,000,000 in the aggregate, naming Lender and/or Lender's assignee as additional insured. Such insurance shall contain insurer's agreement to give thirty (30) days' advance written notice to Lender before cancellation or material change of any policy of insurance. Borrower will provide Lender and any assignee of Lender with a certificate of insurance from the insurer evidencing Lender's or such assignee's interest in the policy of insurance. Such insurance shall cover any Casualty Occurrence to any unit of Collateral. Notwithstanding anything in Section 9 or this Section 10 to the contrary, this Security Agreement and Borrower's obligations hereunder shall remain in full force and effect with respect to any unit of Collateral which is not subject to a Casualty Occurrence. If Borrower fails to provide or maintain insurance as required herein, Lender shall have the right, but shall not be obligated, to obtain such insurance. In that event, Borrower shall pay to Lender the cost thereof.

SECTION 11. MISCELLANEOUS AFFIRMATIVE COVENANTS. So long as any portion of the Indebtedness is unpaid and as long as any of the Obligations are outstanding Borrower will: (a) duly pay all governmental taxes and assessments at the time they become due and payable; provided, however, Borrower may contest the same in good faith so long as no payment default by Borrower has occurred and is continuing; (b) comply with all applicable material governmental laws, rules and regulations relating to its business and the Collateral where a failure to comply would have a Material Adverse Effect; (c) take no action to adversely affect Lender's security interest in the Collateral as a first and prior perfected security interest; (d) furnish Lender with its annual audited financial statements within ninety (90) days following the end of Borrower's fiscal year, unaudited quarterly financial statements within forty-five (45) days after the end of each fiscal quarter, and within thirty (30) days of the end of each month a financial statement for that month prepared by Borrower, and including an income statement and balance sheet, all of which shall be certified by an officer of Borrower as true and correct and shall be prepared in accordance with generally accepted accounting principles consistently applied, and such other information as Lender may reasonably request; and (e) promptly (but in no event more than five (5) days after the occurrence of such event) notify Lender of any change in Borrower's condition during the commitment period which constitutes a Material Adverse Effect, and of the occurrence of any Event of Default.

SECTION 12. INDEMNITIES. Borrower will protect, indemnify and save harmless Lender and any assignees from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including reasonable attorneys' fees and expenses), imposed upon or incurred by or asserted against Lender or any assignee of Lender by Borrower or any third party by reason of the occurrence or existence (or alleged occurrence or existence) of any act or event relating to or caused by any portion of the Collateral, or its purchase, acceptance, possession, use, maintenance or transportation, including without limitation, consequential or special damages of any kind, any failure on the part of Borrower to perform or comply with any of the terms of this Security Agreement or any Note, claims for latent or other defects, claims for patent, trademark or copyright infringement and claims for personal injury, death or property damage, including those based on Lender's negligence or strict liability in tort and excluding only those based on Lender's gross negligence or willful misconduct. In the event that any action, suit or proceeding is brought against Lender by reason of any such occurrence, Borrower, upon Lender's request, will, at Borrower's expense, resist and defend such action, suit or proceeding or cause the same to be resisted and defended by counsel designated and approved by Lender. Borrower's obligations under this Section 12 shall survive the payment in full of all the Indebtedness and the performance of all Obligations with respect to acts or events occurring or alleged to have occurred prior to the payment in full of all the Indebtedness and the performance of all Obligations.

SECTION 13. TAXES. Borrower does not indemnify Lender for any loss of Lender's anticipated tax benefits unless the loss arises from an act or omission by the Borrower or from any misrepresentation under the Security Agreement by the Borrower. Borrower agrees to reimburse Lender (or pay directly if instructed by Lender) and any assignee of Lender for, and to indemnify and hold Lender and any assignee harmless from, all fees (including, but not limited to, license, documentation, recording and registration fees), and all sales, use, gross receipts,

personal property, occupational, value added or other taxes, levies, imposts, duties, assessments, charges, or withholdings of any nature whatsoever, together with any penalties, fines, additions to tax, or interest thereon (the foregoing collectively "Impositions"), except same as may be attributable to Lender's income, arising at any time prior to or during the term of any Notes or of this Security Agreement, or upon termination or early termination of this Security Agreement and levied or imposed upon Lender directly or otherwise by any Federal, state or local government in the United States or by any foreign country or foreign or international taxing authority upon or with respect to (a) the Collateral, (b) the exportation, importation, registration, purchase, ownership, delivery, leasing, financing, possession, use, operation, storage, maintenance, repair, return, sale, transfer of title, or other disposition thereof, (c) the rentals, receipts, or earnings arising from the Collateral, or any disposition of the rights to such rentals, receipts, or earnings, (d) any payment pursuant to this Security Agreement or the Notes, or (e) this Security Agreement, the Notes or any transaction or any part hereof or thereof.

SECTION 14. RELEASE OF LIENS. Upon payment of all of the Indebtedness and performance of all of the Obligations, Lender shall execute UCC termination statements and such other documents as Borrower shall reasonably request to evidence the release of Lender's lien relating to the Collateral.

SECTION 15. ASSIGNMENT. WITHOUT LENDER'S PRIOR WRITTEN CONSENT WHICH CONSENT WILL NOT BE UNREASONABLY WITHHELD OR DELAYED, BORROWER SHALL NOT (a) ASSIGN, TRANSFER, PLEDGE, HYPOTHECATE OR OTHERWISE DISPOSE OF THIS SECURITY AGREEMENT, ANY NOTE, ANY COLLATERAL, OR ANY INTEREST THEREIN, (I,) LEASE OR LEND COLLATERAL OR PERMIT IT TO BE USED BY ANYONE OTHER THAN BORROWER OR BORROWER'S EMPLOYEES, CONTRACTORS AND AGENTS OR (c) MERGE INTO, CONSOLIDATE WITH OR CONVEY OR TRANSFER ITS PROPERTIES SUBSTANTIALLY AS AN ENTIRETY TO ANY OTHER PERSON OR ENTITY. LENDER MAY ASSIGN ANY OF THE NOTES, THIS SECURITY AGREEMENT OR ITS SECURITY INTEREST IN ANY OR ALL COLLATERAL, OR ANY OR ALL OF THE ABOVE, IN WHOLE OR IN PART TO ONE OR MORE ASSIGNEES OR SECURED PARTIES WITHOUT NOTICE TO BORROWER. If Borrower is given notice of such assignment it agrees to acknowledge receipt thereof in writing and Borrower shall execute such additional documentation as Lender's assignee and/or secured party shall reasonably require at Lender's expense. Each such assignee and/or secured party shall have all of the rights, but (except as provided in this Section 15) none of the obligations, of Lender under this Security Agreement, unless such assignee or secured party expressly agrees to assume such obligations in writing. Borrower shall not assert against any assignee and/or secured party any defense, counterclaim or offset that Borrower may have against Lender. Notwithstanding any such assignment, and providing no Event of Default has occurred and is continuing, Lender, or its assignees, secured parties, or their agents or assigns, shall not interfere with Borrower's right to quietly enjoy use of Collateral subject to the terms and conditions of this Security Agreement. Subject to the foregoing, the Notes and this Security Agreement shall inure to the benefit of, and are binding upon, the successors and assignees of the parties hereto. Borrower acknowledges that any such

assignment by Lender will not change Borrower's duties or obligations under this Security Agreement and the Notes or increase any burden or risk on Borrower.

SECTION 16. DEFAULT. (a) Events of Default. Any of the following events or conditions shall constitute an "Event of Default" hereunder: (i) Borrower's failure to pay any monies due to Lender hereunder or under any Note beyond the tenth (10th) day after the same is due; (ii) Borrower's failure to comply with its obligations under Section 10 or Section 15; (iii) any representation or warranty of Borrower made in this Security Agreement or the Notes or in any other agreement, statement or certificate furnished to Lender in connection with this Security Agreement or the Notes shall prove to have been incorrect in any material respect when made or given; (iv) Borrower's failure to comply with or perform any material term, covenant or condition of this Security Agreement or any Note or under any lease or mortgage of real property covering the location of the Collateral if such failure to comply or perform is not cured by Borrower within thirty (30) days after Borrower knows of the noncompliance or nonperformance or notice from Lender or such longer period that Borrower is diligently attempting to effect such cure; (v) seizure of any of the Collateral under legal process; (vi) the filing by or against Borrower or any guarantor under any guaranty executed in connection with this Security Agreement ("Guarantor") of a petition for reorganization or liquidation under the Bankruptcy Code or any amendment thereto or under any other insolvency law providing for the relief of debtors; (vii) the voluntary or involuntary making of an assignment of a substantial portion of its assets by Borrower or by any Guarantor for the benefit of its creditors, the appointment of a receiver or trustee for Borrower or any Guarantor or for any of Borrower's or Guarantor's assets, the institution by or against Borrower or any Guarantor of any formal or informal proceeding for dissolution, liquidation, settlement of claims against or winding up of the affairs of Borrower or any Guarantor provided that in the case of all such involuntary proceedings, same are not dismissed within sixty (60) days after commencement; (viii) the making by Borrower or by any Guarantor of a transfer of all or a material portion of Borrower's or Guarantor's assets or inventory not in the ordinary course of business; or (ix) any default or breach by any Guarantor of any of the terms of its guaranty to Lender in connection with this Security Agreement.

(b) Remedies. If any Event of Default has occurred, Lender may in its sole discretion exercise one or more of the following remedies with respect to any or all of the Collateral: (i) declare due any or all of the aggregate sum of all remaining payments under the Notes, including the amount of any mandatory or optional payment required or permitted to be paid by Borrower to Lender at the maturity of the Notes ("Remaining Payments"); (ii) proceed by appropriate court action or actions either at law or in equity to enforce Borrower's performance of the applicable covenants of the Notes and this Security Agreement or to recover all reasonable damages and expenses incurred by Lender by reason of an Event of Default; (iii) except as provided by law, without court order or prior demand, enter upon the premises where the Collateral is located and take immediate possession of and remove it without liability of Lender to Borrower or any other person or entity; (iv) terminate this Security Agreement and sell the Collateral at public or private sale, or otherwise dispose of, hold, use or lease any or all of the Collateral in a commercially reasonable manner; or (v) exercise any other right or remedy available to it under applicable law. If Lender has declared due any or all of the Remaining Payments, Borrower will pay immediately to Lender, without duplication, (A) the Remaining Payments discounted to

present value at the Discount Rate, (B) all amounts which may be then due or accrued, and (C) all other amounts due under this Security Agreement and under the Notes (Lender's Return, as referred to below, means the amounts described in clauses (A), (B) and (C) above). The net proceeds of any sale or lease of such Collateral will be credited against Lender's Return. The net proceeds of a sale of the Collateral pursuant to this Section 16(b) is defined as the sales price of the Collateral less selling expenses, including, without limitation, costs of remarketing the Collateral and all refurbishing costs and commissions paid with respect to such remarketing. The net proceeds of a lease of the Collateral pursuant to this Section 16(b) is defined as the amount equal to the monthly payments due under such lease (discounted to present value at the Discount Rate) plus the residual value of the Collateral at the end of the basic term of such lease, as reasonably determined by Lender, and discounted at the Discount Rate.

At Lender's request, Borrower shall assemble the Collateral and make it available to Lender at such time and location as Lender may reasonably designate. Borrower waives any right it may have to redeem the Collateral.

Declaration that any or all amounts under this Security Agreement and/or the Notes are immediately due and payable and Lender's taking possession of any or all Equipment shall not terminate this Security Agreement or any of the Notes unless Lender so notifies Borrower in writing. None of the above remedies is intended to be exclusive but each is cumulative and may be enforced separately or concurrently.

(c) Application of Proceeds. The proceeds of any sale of all or any part of the Collateral and the proceeds of any remedy afforded to Lender by this Security Agreement shall be paid to and applied as follows:

First, to the payment of reasonable costs and expenses of suit or foreclosure, if any, and of the sale, if any, including, without limitation, refurbishing costs, costs of remarketing and commissions related to remarketing, all Remedy Expenses, all expenses, liabilities and advances incurred or made pursuant to this Security Agreement or any Note by Lender in connection with foreclosure, suit, sale or enforcement of this Security Agreement or the Notes, and taxes, assessments or liens superior to Lender's security interest granted by this Security Agreement;

Second, to the payment of all other amounts not described in item Third below due under this Security Agreement and all Notes;

Third, to pay Lender an amount equal to Lender's Return, to the extent not previously paid by Borrower; and

Fourth, to the payment of any surplus to Borrower or to whomever may lawfully be entitled to receive it.

(d) Effect of Delay: Waiver: Foreclosure on Collateral. No delay or omission of Lender, in exercising any right or power arising from any Event of Default shall prevent Lender from exercising that right or power if the Event of Default continues. No waiver of an Event of Default, whether full or partial, by Lender or such holder shall be taken to extend to any

subsequent Event of Default, or to impair the rights of Lender in respect of any damages suffered as a result of the Event of Default. The giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment or discharge of the Indebtedness and performance of the Obligations shall in no way operate to prejudice, waive or affect the security interest created by this Security Agreement or any rights, powers or remedies exercised hereunder or thereunder. Lender shall not be required first to foreclose on the Collateral prior to bringing an action against Borrower for sums owed to Lender under this Security Agreement or under any Note.

SECTION 17. LATE PAYMENTS. Borrower shall pay Lender a late charge of 10% of any payment owed Lender by Borrower which is not paid when due (taking into account applicable grace periods), for every month such payment is not paid when due. If such amounts have not been received by Lender at Lender's place of business or by Lender's designated agent by the date such amounts are due under this Security Agreement or the Notes, Lender shall bill Borrower for such charges. Borrower acknowledges that invoices for amounts due hereunder or under the Notes are sent by Lender for Borrower's convenience only. Borrower's non-receipt of an invoice will not relieve Borrower of its obligation to make payments hereunder or under the Notes.

SECTION 18. PAYMENTS BY LENDER. If Borrower shall fail to make any payment or perform any act required hereunder (including, but not limited to, maintenance of any insurance required by Section 10), then Lender may, but shall not be required to, after such notice to Borrower as is reasonable under the circumstances, make such payment or perform such act with the same effect as if made or performed by Borrower. Borrower will upon demand reimburse Lender for all sums paid and all reasonable costs and expenses incurred in connection with the performance of any such act.

SECTION 19. FINANCING STATEMENTS. Borrower hereby appoints Lender (and each of Lender's officers, employees or agents designated by Lender) with full power of substitution by Lender, as Borrower's attorney, with power to execute and deliver on Borrower's behalf, financing statements and other documents necessary to perfect and/or give notice of Lender's security interest in any of the Collateral. Notwithstanding the above, Borrower will, upon Lender's request, execute all financing statements pursuant to the Uniform Commercial Code and all such other documents reasonably requested by Lender to perfect Lender's security interests hereunder. Borrower authorizes Lender to file financing statements signed only by Lender (where such authorization is permitted by law) at all places where Lender deems necessary.

SECTION 20. NATURE OF TRANSACTION. Lender makes no representation whatsoever, express or implied, concerning the legal character of the transaction evidenced hereby, for tax or any other purpose.

SECTION 21. SUSPENSION OF LENDER'S OBLIGATIONS. The obligations of Lender hereunder will be suspended to the extent that Lender is hindered or prevented from complying therewith because of labor disturbances, including but not limited to strikes and

lockouts, acts of God, fires, floods, storms, accidents, industrial unrest, acts of war, insurrection, riot or civil disorder, any order, decree, law or governmental regulations or interference, failure of the manufacturer to deliver any item of Collateral or any cause whatsoever not within the sole and exclusive control of Lender.

SECTION 22. LENDER'S EXPENSE. Borrower shall pay Lender all reasonable costs and expenses including reasonable attorney's fees, litigation expenses and the fees of collection agencies, incurred by Lender (a) in enforcing any of the terms, conditions or provisions hereof and related to the exercise of its remedies ("Remedy Expenses"), and (b) in connection with any bankruptcy or post-judgment proceeding, whether or not suit is filed and, in each and every action, suit or proceeding, including any and all appeals and petitions therefrom.

SECTION 23. ALTERATIONS; ATTACHMENTS. No alterations or attachments shall be made to the Collateral without Lender's prior written consent, which shall not be given for changes that will adversely affect the reliability and utility of the Collateral or which cannot be removed without damage to the Collateral, or which in any way decrease the value of the Collateral for purposes of resale or lease. All attachments and improvements to the Collateral shall be deemed to be "Collateral" for purposes of the Security Agreement, and a first priority security interest therein shall immediately vest in Lender.

SECTION 24. CHATTEL PAPER. (a) One executed copy of the Security Agreement will be marked "Original" and all other counterparts will be duplicates. To the extent, if any, that this Security Agreement constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction) no security interest in the Security Agreement may be created in any documents other than the "Original." (b)There shall be only one original of each Note and it shall be marked "Original," and all other counterparts will be duplicates. To the extent, if any, that any Notes to this Security Agreement constitutes chattel paper (or as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction) no security interest in any Note(s) may be created in any documents other than the "Original."

SECTION 25. STOCK WARRANT. Borrower agrees that it will issue to Lender upon execution of this Security Agreement a Warrant in the form of the Warrant Agreement attached hereto as Exhibit B. Borrower and Lender agree that the value of the Warrant hereunder is ten dollars ($10.00).

SECTION 26. COMMITMENT FEE. Borrower has paid to Lender a commitment fee ("Fee") of $10,000. The Fee shall be applied by Lender first to reimburse Lender for all out-of-pocket UCC and other search costs, inspections and labeling costs and appraisal fees, if any, incurred by Lender, and then proportionally to the first monthly payment for each Note hereunder in the proportion that the Collateral value for such Note bears to Lender's entire commitment. However, the portion of the Fee which is not applied to such monthly payments shall be non-refundable except if Lender defaults in its obligation to fund Loans pursuant to Section 3.

SECTION 27. NOTICES. All notices hereunder shall be in writing, by registered mail, or reliable messenger or delivery service (including overnight service) and shall be directed, as the case may be, to Lender at 2401 Kerner Boulevard, San Rafael, California 94901, Attention: Asset Management and to Borrower at 2203 Airport Way South, Suite 300, Seattle, WA 98134, Attention: Kathi Cordova, Director Finance, or at such other address as the parties may notify one another of in writing from time to time.

SECTION 28. MISCELLANEOUS. (a) Borrower shall provide Lender with such corporate resolutions, financial statements and other documents as Lender shall reasonably request from time to time. (b) Borrower represents that the Collateral hereunder is used solely for business purposes. (c) Time is of the essence with respect to this Security Agreement. (d) Borrower acknowledges that Borrower has read this Security Agreement and the Notes, understands them and agrees to be bound by their terms and further agrees that this Security Agreement and the Notes constitute the entire agreement between Lender and Borrower with respect to the subject matter hereof and supersede all previous agreements, promises, or representations. (e) This Security Agreement and the Notes may not be changed, altered or modified except by an instrument signed by an officer or authorized representative of Lender and Borrower. (f) Any failure of Lender to require strict performance by Borrower or any waiver by Lender of any provision herein or in a Note shall not be construed as a consent or waiver of any other breach of the same or any other provision. (g) If any provision of this Security Agreement or any Note is held invalid, such invalidity shall not affect any other provisions hereof or thereof. (h) The obligations of Borrower to pay the Indebtedness and perform the Obligations shall survive the expiration or earlier termination of this Security Agreement and each Note until all Obligations of Borrower to Lender have been met and all liabilities of Borrower to Lender and any assignee have been paid in full. (i) Borrower will notify Lender at least 30 days before changing its name, principal place of business or chief executive office. (j) Borrower will, at its expense, promptly execute and deliver to Lender such documents and assurances (including financing statements) and take such further action as Lender may reasonably request in order to carry out the intent of this Security Agreement and Lender's rights and remedies.

SECTION 29. JURISDICTION AND WAIVER OF JURY TRIAL. This Security Agreement and each Note shall be deemed to have been made under and shall be governed by the laws of the State of California in all respects, including matters of construction, validity and performance. At Lender's sole discretion, option and election, jurisdiction and venue for any legal action between the parties arising out of or relating to this Security Agreement or any Note shall be in the Superior Court of Mann County, California, or, in cases where federal diversity jurisdiction is available, in the United States District Court for the Northern District of California located in San Francisco, California. BORROWER, TO THE EXTENT IT MAY LAWFULLY DO SO, HEREBY WAIVES ITS RIGHT TO TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS SECURITY AGREEMENT, ANY NOTE, ANY SECURITY DOCUMENTS, OR ANY OTHER AGREEMENTS EXECUTED IN CONNECTION HEREWITH.

SECTION 30. END OF LOAN POSITION. (a) General. Borrower shall be required to choose a final payment or Note extension election ("End of Loan Position") at the expiration

of the first Note's term. Borrower shall provide written notice of its election to Lender at least 90 days prior to the end of the term of the first Note. That choice shall be an election of Borrower's End of Loan Position election for all, but not less than all, of the Collateral under all Notes under the Security Agreement.

In the event Borrower does not provide 90 days' prior written notice of its election, Borrower shall be deemed to have elected Election No. 2.

(b) End of Loan Position Elections. As its End of Loan Position, Borrower shall be required to:

Election No. 1: Make a final payment equal to 12% of the Note's original principal amount.

Election No. 2: Extend the Note's term for an additional 12 months ("Extended Term") for a monthly rate of 1.44% of the Note's original principal amount.

IN WITNESS WHEREOF, Borrower and Lender have caused this Security Agreement to be executed as of the date and year first above written.

PHOENIX LEASING INCORPORATED	XCYTE THERAPIES, INC.
By: _____	By: /s/ Ronald Jay Berenson
Name: _____	Name (Print): Ronald Jay Berenson
Title: _____	Title: President & CEO
	HEADQUARTERS LOCATION: 2203 Airport Way South, Suite 300 Seattle, WA 98134 County of King
	EXHIBITS AND SCHEDULES: Exhibit A -- Closing Memorandum Exhibit B -- Stock Warrant

EXHIBIT A TO
SENIOR LOAN AND SECURITY AGREEMENT NO. 6261
DATED JULY 1, 1999

CLOSING MEMORANDUM

1.* Duly executed Senior Loan and Security Agreement.

2. Duly executed Senior Security Promissory Note with Exhibit A Collateral description attached.

3. Insurance certificates reflecting coverage required under Section 10 of the Senior Loan and Security Agreement.

4.* Resolutions of Borrower's board of directors.

5. Real Property Waiver.**

6. UCC-1 Financing Statements with respect to the Collateral.

7. * Stock warrant.

8. UCC search (Lender will obtain).

9. Certificate of Chief Financial Officer stating that (i) there are no liens, charges, security interests or other encumbrances that may affect Lender's right, title and interest in the Collateral and there are no UCC-1 financing statements filed or in the process of being filed against any of the Collateral, (ii) Borrower is performing according to Borrower's business plan, (iii) no change which is a Material Adverse Effect has occurred in the financial condition of Borrower, (iv) no default has occurred, and (v) the representations and warranties in Section 5 of the Senior Loan and Security Agreement are true and correct as if made on the date of the Loan.

10.* Certificate from the Secretary of State of Borrower's state of incorporation, and from the state in which Borrower's chief executive office is located, if different, stating the Borrower is in good standing or is authorized to transact business, as the case may be, dated not more than thirty days prior to the first Loan (Lender will obtain).

11.* Borrower's Business Plan.

12. Borrower's most recent financial statements.

13. List of proposed Collateral.

14. Purchase documentation verifying Borrower's ownership of equipment.

15. See Section 3 of the Senior Loan and Security Agreement for additional conditions to closing.

16. Intercreditor Agreement, if applicable.

* First Loan only.

** Required if any Equipment is a fixture, i.e., attached to real property, or located in certain states.

EXHIBIT B TO
SENIOR LOAN AND SECURITY AGREEMENT NO. 6261

FORM OF STOCK WARRANT

CORPORATE RESOLUTION TO BORROW

RESOLVED: That this corporation, XCYTE THERAPIES, INC., borrow funds from PHOENIX LEASING INCORPORATED, a California corporation, ("Lender") and grant as collateral for such borrowings such items of personal property and fixtures, and upon such terms and conditions, as the officer or officers hereinafter authorized, in their discretion, may deem necessary or advisable; and that the aggregate principal amount of borrowings hereunder shall be the sum of $1,000,000 which amount may be exceeded in the future.

RESOLVED FURTHER: That:

Ronald Jay Berenson	President & CEO	Ronald Jay Berenson
- ----------	----------	----------

or

- ----------	----------	----------
(Print or type name)	(Title of Corporate Officer	(specimen signature)

of this corporation (this officer or officers authorized to act pursuant hereto being hereinafter designated as "authorized officers"), are individually authorized, directed and empowered, in the name of this corporation, to execute and deliver to Lender, and Lender is requested to accept, any notes, security agreements, and other documents or agreements that may be required by Lender in connection with such borrowings.

RESOLVED FURTHER: That the authorized officers are individually authorized, directed and empowered, in the name of this corporation, to do or cause to be done all such further acts and things as they shall deem necessary, advisable, convenient, or proper in connection with the execution and delivery of any such notes, security agreements, and other documents or agreements and in connection with or incidental to the carrying of the same into effect, including without limitation, the execution, acknowledgment, and delivery of all instruments and documents which may reasonably Lender under or in connection with any such borrowing.

RESOLVED FURTHER: That Lender is authorized to act upon these resolutions until [PHOTOCOPY CUT OFF] their revocation is delivered to Lender, and that the authority hereby granted shall apply and effect to the successors in office of the officers herein named.

I, _____, Officer of XCYTE THERAPIES, INC., a corporation in [PHOTOCOPY CUT OFF] the laws of the State of Delaware, do hereby certify that the foregoing is a full, true and [PHOTOCOPY CUT OFF] resolutions of the Board of Directors of the said corporation, duly and regularly passed [PHOTOCOPY CUT OFF] Board of Directors of said corporation as required by law and by the by-laws of the said [PHOTOCOPY CUT OFF] the ____ day of _____, 19___.

I further certify that said resolutions are still in full force and effect and have not been [PHOTOCOPY CUT OFF] revoked and that the specimen signatures appearing above are the signatures of the office [PHOTOCOPY CUT OFF] sign for this corporation by virtue of the said resolutions.

IN WITNESS WHEREOF, I have hereunto set my hand as such Secretary, and affixed the corporate seal of the said corporation, this _____ day of _____, 19___.

AFFIX CORPORATE
SEAL HERE

OFFICER OF XCYTE THERAPIES, INC.

[PERSON WHO SIGNS HERE MUST BE DIFFERENT FROM PERSON(S) WHO SIGNED ABOVE.]

EXHIBIT 10.12

MASTER SECURITY AGREEMENT

dated as of JANUARY 15,2000 ("AGREEMENT")

THIS AGREEMENT is between GENERAL ELECTRIC CAPITAL CORPORATION (together with its successors and assigns, if any, "SECURED PARTY"), and XCYTE THERAPIES, INC. ("DEBTOR"). Secured Party has an office at 5150 El Camino Real, Suite B-21, Los Altos, CA 94022. Debtor is a corporation organized and existing under the laws of the state of Delaware. Debtor's mailing address and chief place of business is 1124 COLUMBIA STREET, SUITE 130, SEATTLE, WA 98104.

1. CREATION OF SECURITY INTEREST.

Debtor grants to Secured Party, its successors and assigns, a security interest in and against all property listed on any collateral schedule now or in the future annexed to or made a part of this Agreement ("COLLATERAL SCHEDULE"), and in and against all additions, attachments, accessories and accessions to such property, all substitutions, replacements or exchanges therefor, and all insurance and/or other proceeds thereof (all such property is individually and collectively called the "COLLATERAL"). This security interest is given to secure the payment and performance of all debts, obligations and liabilities of any kind whatsoever of Debtor to Secured Party, now existing or arising in the future, including but not limited to the payment and performance of certain Promissory Notes from time to time identified on any Collateral Schedule (collectively "NOTES" and each a "NOTE"), and any renewals, extensions and modifications of such debts, obligations and liabilities (such Notes, debts, obligations and liabilities are called the "INDEBTEDNESS"). Notwithstanding anything to the contrary contained in this Agreement, to the extent that Secured Party asserts a purchase money security interest in any items of Collateral ("PMSI COLLATERAL"): (i) the PMSI Collateral shall secure only that portion of the Indebtedness which has been advanced by Secured Party to enable Debtor to purchase, or acquire rights in or the use of such PMSI Collateral (the "PMSI INDEBTEDNESS"), and (ii) no other Collateral shall secure the PMSI Indebtedness.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF DEBTOR.

Debtor represents, warrants and covenants as of the date of this Agreement and as of the date of each Collateral Schedule that:

(a) Debtor is, and will remain, duly organized, existing and in good standing under the laws of the State set forth in the preamble of this Agreement, has its chief executive offices at the location specified in the preamble, and is, and will remain, duly qualified and licensed in every jurisdiction wherever necessary to carry on its business and operations;

(b) Debtor has adequate power and capacity to enter into, and to perform its obligations under this Agreement, each Note and any other documents evidencing, or given in connection with, any of the Indebtedness (all of the foregoing are called the "DEBT DOCUMENTS");

(c) This Agreement and the other Debt Documents have been duly authorized, executed and delivered by Debtor and constitute legal, valid and binding agreements enforceable in accordance with their terms, except to the extent that the enforcement of remedies may be limited under applicable bankruptcy and insolvency laws;

(d) No approval, consent or withholding of objections is required from any governmental authority or instrumentality with respect to the entry into, or performance by Debtor of any of the Debt Documents, except any already obtained;

(e) The entry into, and performance by, Debtor of the Debt Documents will not (i) violate any of the organizational documents of Debtor or any judgment, order, law or regulation applicable to Debtor, or (ii) result in any breach of or constitute a default under any contract to which Debtor is a party, or result in the creation of any lien, claim or encumbrance on any of Debtor's property (except for liens in favor of Secured Party) pursuant to any indenture, mortgage, deed of trust, bank loan, credit agreement, or other agreement or instrument to which Debtor is a party;

(f) There are no suits or proceedings pending in court or before any commission, board or other administrative agency against or affecting Debtor which could, in the aggregate, have a material adverse effect on Debtor, its business or operations, or its ability to perform its obligations under the Debt Documents, nor does Debtor have reason to believe that any such suits or proceedings are threatened;

(g) All financial statements delivered to Secured Party in connection with the Indebtedness have been prepared in accordance with generally accepted accounting principles, and since the date of the most recent financial statement, there has been no material adverse change in Debtors financial condition;

(h) The Collateral is not, and will not be, used by Debtor for personal, family or household purposes;

(i) The Collateral is, and will remain, in good condition and repair and Debtor will not be negligent in its care and use;

(j) Debtor is, and will remain, the sole and lawful owner, and in possession of, the Collateral, and has the sole right and lawful authority to grant the security interest described in this Agreement; and

(k) The Collateral is, and will remain, free and clear of all liens, claims and encumbrances of any kind whatsoever, except for (i) liens in favor of Secured Party, (ii) liens for taxes not yet due or for taxes being contested in good faith and which do not involve, in the judgment of Secured Party, any risk of the sale, forfeiture or loss of any of the Collateral, and (iii) inchoate materialmen's, mechanics, repairmen's and similar liens arising by operation of law in the normal course of business for amounts which are not delinquent (all of such liens are called "PERMITTED LIENS").

3. COLLATERAL.

(a) Until the declaration of any default, Debtor shall remain in possession of the Collateral; except that Secured Party shall have the right to possess (i) any chattel paper or instrument that constitutes a part of the Collateral, and (ii) any other Collateral in which Secured Party's security interest may be perfected only by possession. Secured Party may inspect any of the Collateral during normal business hours after giving Debtor reasonable prior notice. If Secured Party asks, Debtor will promptly notify Secured Party in writing of the location of any Collateral.

(b) Debtor shall (i) use the Collateral only in its trade or business, (ii) maintain all of the Collateral in good operating order and repair, normal wear and tear excepted, (iii) use and maintain the Collateral only in compliance with manufacturers recommendations and all applicable laws, and (iv) keep all of the Collateral free and clear of all liens, claims and encumbrances (except for Permitted Liens).

(c) Debtor shall not, without the prior written consent of Secured Party, (I) part with possession of any of the Collateral (except to Secured Party or for maintenance and repair), (ii) remove any of the Collateral from the continental United States, or (iii) sell, rent, lease, mortgage, grant a security interest in or otherwise transfer or encumber (except for Permitted Liens) any of the Collateral.

(d) Debtor shall pay promptly when due all taxes, license fees, assessments and public and private charges levied or assessed on any of the Collateral, on its use, or on this Agreement or any of the other Debt Documents. At its option, Secured Party may discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral and may pay for the maintenance, insurance and preservation of the Collateral and effect compliance with the terms of this Agreement or any of the other Debt Documents. Debtor agrees to reimburse Secured Party, on demand, all costs and expenses incurred by Secured Party in connection with such payment or performance and agrees that such reimbursement obligation shall constitute Indebtedness.

(e) Debtor shall, at all times, keep accurate and complete records of the Collateral, and Secured Party shall have the right to inspect and make copies of all of Debtor's books and records relating to the Collateral during normal business hours, after giving Debtor reasonable prior notice.

(f) Debtor agrees and acknowledges that any third person who may at any time possess all or any portion of the Collateral shall be deemed to hold, and shall hold, the Collateral as the agent of, and as pledge holder for, Secured Party. Secured Party may at any time give notice to any third person described in the preceding sentence that such third person is holding the Collateral as the agent of, and as pledge holder for, the Secured Party.

4. INSURANCE.

(a) Debtor shall at all times bear the entire risk of any loss, theft, damage to, or destruction of, any of the Collateral from any cause whatsoever.

(b) Debtor agrees to keep the Collateral insured against loss or damage by fire and extended coverage perils, theft, burglary, and for any or all Collateral which are vehicles, for risk of loss by collision, and if requested by Secured Party, against such other risks as Secured Party may reasonably require. The insurance coverage shall be in an amount no less than the full replacement value of the Collateral, and deductible amounts, insurers and policies shall be acceptable to Secured Party. Debtor shall deliver to Secured Party policies or certificates of insurance evidencing such coverage. Each policy shall name Secured Party as a loss payee, shall provide for coverage to Secured Party regardless of the breach by Debtor of any warranty or representation made therein, shall not be subject to co-insurance, and shall provide that coverage may not be canceled or altered by the insurer except upon thirty (30) days prior written notice to Secured Party. Debtor appoints Secured Party as its attorney-in-fact to make proof of loss, claim for insurance and adjustments with insurers, and to receive payment of and execute or endorse all document-, checks or drafts in connection with insurance payments. Secured Party shall not act as Debtors attorney-in-fact unless Debtor is in default. Proceeds of insurance shall be applied, at the option of Secured Party, to repair or replace the Collateral or to reduce any of the Indebtedness.

5. REPORTS.

(a) Debtor shall promptly notify Secured Party of (i) any change in the name of Debtor, (ii) any relocation of its chief executive offices, (iii) any relocation of any of the Collateral, (iv) any of the Collateral being lost, stolen, missing, destroyed, materially damaged or worn out, or (v) any lien, claim or encumbrance other than Permitted Liens attaching to or being made against any of the Collateral.

(b) Debtor will deliver to Secured Party Debtors complete financial statements, certified by a recognized firm of certified public accountants, within ninety (90) days of the close of each fiscal year of Debtor. If Secured Party requests, Debtor will deliver to Secured Party copies of Debtors quarterly financial reports certified by Debtors chief financial officer, within ninety (90) days after the close of each of Debtors fiscal quarter. Debtor will deliver to Secured Party copies of all Forms lO.K and lO-Q, if any, within 30 days after the dates on which they are filed with the Securities and Exchange Commission.

6. FURTHER ASSURANCES.

(a) Debtor shall, upon request of Secured Party, furnish to Secured Party such further information, execute and deliver to Secured Party such documents and instruments (including, without limitation, Uniform Commercial Code financing statements) and shall do such other acts and things as Secured Party may at any time reasonably request relating to the perfection or protection of the security interest created by this Agreement or for the purpose of carrying out the intent of this Agreement. Without limiting the foregoing, Debtor shall cooperate and do all acts deemed necessary or advisable by Secured Party to continue in Secured Party a perfected first security interest in the Collateral, and shall obtain and furnish to Secured Party any subordinations, releases, landlord, lessor, or mortgagee waivers, and similar documents as may be from time to time requested by, and in form and substance satisfactory to, Secured Party.

(b) Debtor irrevocably grants to Secured Party the power to sign Debtor's name and generally to act on behalf of Debtor to execute and file applications for title, transfers of title, financing statements, notices of lien and other documents pertaining to any or all of the Collateral; this power is coupled with Secured Party's interest in the Collateral. Debtor shall, if any certificate of title be required or permitted by law for any of the Collateral, obtain and promptly deliver to Secured Party such certificate showing the lien of this Agreement with respect to the Collateral.

(c) Debtor shall indemnify and defend the Secured Party, its successors and assigns, and their respective directors, officers and employees, from and against all claims, actions and suits (including, without limitation, related attorneys' fees) of any kind whatsoever arising, directly or indirectly, in connection with any of the Collateral.

7. DEFAULT AND REMEDIES.

(a) Debtor shall be in default under this Agreement and each of the other Debt Documents if:

(i) Debtor breaches its obligation to pay when due any installment or other amount due or coming due under any of the Debt Documents;

(ii) Debtor, without the prior written consent of Secured Party, attempts to or does sell, rent, lease, mortgage, grant a security interest in, or otherwise transfer or encumber (except for Permitted Liens) any of the Collateral;

(iii) Debtor breaches any of its insurance obligations under Section 4;

(iv) Debtor breaches any of its other obligations under any of the Debt Documents and fails to cure that breach within thirty (30) days after written notice from Secured Party;

(v) Any warranty, representation or statement made by Debtor in any of the Debt Documents or otherwise in connection with any of the Indebtedness shall be false or misleading in any material respect;

(vi) Any of the Collateral is subjected to attachment, execution, levy, seizure or confiscation in any legal proceeding or otherwise, or if any legal or administrative proceeding is commenced against Debtor or any of the Collateral, which in the good faith judgment of Secured Party subjects any of the Collateral to a material risk of attachment, execution, levy, seizure or confiscation and no bond is posted or protective order obtained to negate such risk;

(viii) Debtor or any guarantor or other obligor for any of the Indebtedness (collectively "GUARANTOR") dissolves, terminates its existence, becomes insolvent or ceases to do business as a going concern;

(ix) If Debtor or any Guarantor is a natural person, Debtor or any such Guarantor dies or becomes incompetent;

(x) A receiver is appointed for all or of any part of the property of Debtor or any Guarantor, or Debtor or any Guarantor makes any assignment for the benefit of creditors; or

(xi) Debtor or any Guarantor files a petition under any bankruptcy, insolvency or similar law, or any such petition is filed against Debtor or any Guarantor and is not dismissed within forty-five (45) days.

(b) If Debtor is in default, the Secured Party, at its option, may declare any or all of the Indebtedness to be immediately due and payable, without demand or notice to Debtor or any Guarantor. The accelerated obligations and liabilities shall bear interest (both before and after any judgment) until paid in full at the lower of eighteen percent (18%) per annum or the maximum rate not prohibited by applicable law.

(c) After default, Secured Party shall have all of the rights and remedies of a Secured Party under the Uniform Commercial Code, and under any other applicable law. Without limiting the foregoing, Secured Party shall have the right to (i) notify any account debtor of Debtor or any obligor on any instrument which constitutes part of the Collateral to make payment to the Secured Party, (ii) with or without legal process, enter any premises where the Collateral may be and take possession of and remove the Collateral from the premises or store it on the premises, (iii) sell the Collateral at public or private sale, in whole or in part, and have the right to bid and purchase at said sale, or (iv) lease or otherwise dispose of all or part of the Collateral, applying proceeds from such disposition to the obligations then in default. If requested by Secured Party, Debtor shall promptly assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties. Secured Party may also render any or all of the Collateral unusable at the Debtor's premises and may dispose of such Collateral on such premises without liability for rent or costs. Any notice that Secured Party is required to give to Debtor under the Uniform Commercial Code of the time and place of any public sale or the time after which any private sale or other intended disposition of the Collateral is to be made shall be deemed to constitute reasonable notice if such notice is given to the last known address of Debtor at least five (5) days prior to such action.

(d) Proceeds from any sale or lease or other disposition shall be applied: first, to all costs of repossession, storage, and disposition including without limitation attorneys', appraisers', and auctioneers' fees; second, to discharge the obligations then in default; third, to discharge any other Indebtedness of Debtor to Secured Party, whether as obligor, endorser, guarantor, surety or indemnitor; fourth, to expenses incurred in paying or settling liens and claims against the Collateral; and lastly, to Debtor, if there exists any surplus. Debtor shall remain fully liable for any deficiency.

(e) Debtor agrees to pay all reasonable attorneys' fees and other costs incurred by Secured Party in connection with the enforcement, assertion, defense or preservation of Secured Party's rights and remedies under this Agreement, or if prohibited by law, such lesser sum as may be permitted. Debtor further agrees that such fees and costs shall constitute Indebtedness.

(f) Secured Party's rights and remedies under this Agreement or otherwise arising are cumulative and may be exercised singularly or concurrently. Neither the failure nor any delay on the part of the Secured Party to exercise any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise of that or any other right, power or privilege. SECURED PARTY SHALL NOT BE DEEMED TO HAVE WAIVED ANY OF ITS RIGHTS UNDER THIS AGREEMENT OR UNDER ANY OTHER AGREEMENT, INSTRUMENT OR PAPER SIGNED BY DEBTOR UNLESS SUCH WAIVER IS EXPRESSED IN WRITING AND SIGNED BY SECURED PARTY. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion.

(g) DEBTOR AND SECURED PARTY UNCONDITIONALLY WAIVE THEIR RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OF THE OTHER DEBT DOCUMENTS, ANY OF THE INDEBTEDNESS SECURED HEREBY, ANY DEALINGS BETWEEN DEBTOR AND SECURED PARTY RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN DEBTOR AND SECURED PARTY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. THIS WAIVER IS IRREVOCABLE. THIS WAIVER MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING. THE WAIVER ALSO SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY OTHER DEBT DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR ANY RELATED TRANSACTION. THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

8. MISCELLANEOUS.

(a) This Agreement, any Note and/or any of the other Debt Documents may be assigned, in whole or in part, by Secured Party without notice to Debtor, and Debtor agrees not to assert against any such assignee, or assignee's assigns, any defense, set-off, recoupment claim or counterclaim which Debtor has or may at any time have against Secured Party for any reason whatsoever. Debtor agrees that if Debtor receives written notice of an assignment from Secured Party, Debtor will pay all amounts payable under any assigned Debt Documents to such assignee or as instructed by Secured Party. Debtor also agrees to confirm in writing receipt of the notice of assignment as may be reasonably requested by assignee.

(b) All notices to be given in connection with this Agreement shall be in writing, shall be addressed to the parties at their respective addresses set forth in this Agreement (unless and until a different address may be specified in a written notice to the other party), and shall be deemed given (I) on the date of receipt if delivered in hand or by facsimile transmission, (ii) on the next business day after being sent by express mail, and (iii) on the fourth business day after being sent by regular, registered or certified mail. As used herein, the term "business day" shall mean and include any day other than Saturdays, Sundays, or other days on which commercial banks in New York, New York are required or authorized to be closed.

(c) Secured Party may correct patent errors and fill in all blanks in this Agreement or in any Collateral Schedule consistent with the agreement of the parties.

(d) Time is of the essence of this Agreement. This Agreement shall be binding, jointly and severally, upon all parties described as the "Debtor" and their respective heirs, executors, representatives, successors and assigns, and shall inure to the benefit of Secured Party, its successors and assigns.

(e) This Agreement and its Collateral Schedules constitute the entire agreement between the parties with respect to the subject matter of this Agreement and supersede all prior understandings (whether written, verbal or implied) with respect to such subject matter. THIS AGREEMENT AND ITS COLLATERAL SCHEDULES SHALL NOT BE CHANGED OR TERMINATED ORALLY OR BY COURSE OF CONDUCT, BUT ONLY BY A WRITING SIGNED BY BOTH PARTIES. Section headings contained in this Agreement have been included for convenience only, and shall not affect the construction or interpretation of this Agreement.

(f) This Agreement shall continue in full force and effect until all of the Indebtedness has been indefeasibly paid in full to Secured Party. The surrender, upon payment or otherwise, of any Note or any of the other documents evidencing any of the Indebtedness shall not affect the right of Secured Party to retain the Collateral for such other Indebtedness as may then exist or as it may be reasonably contemplated will exist in the future. This Agreement shall automatically be reinstated if Secured Party is ever required to return or restore the payment of all or any portion of the Indebtedness (all as though such payment had never been made).

(g) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CONNECTICUT (WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES OF SUCH STATE), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, REGARDLESS OF THE LOCATION OF THE EQUIPMENT.

IN WITNESS WHEREOF, Debtor and Secured Party, intending to be legally bound hereby, have duly executed this Agreement in one or more counterparts, each of which shall be deemed to be an original, as of the day and year first aforesaid.

SECURED PARTY:	DEBTOR:
GENERAL ELECTRIC CAPITAL CORPORATION	XCYTE THERAPIES, INC.
By: ----------	By: ----------
Name: ----------	Name: ----------
Title: ----------	Title: ----------

EXHIBIT 10.13

LEASE AGREEMENT

THIS LEASE AGREEMENT is made this 21st day of June, 1999, between ALEXANDRIA REAL ESTATE EQUITIES, INC., a Maryland corporation ("LANDLORD"), and XCYTE THERAPIES, INC., a Delaware corporation ("TENANT").

ADDRESS: 1124 Columbia Street, Seattle, Washington

PREMISES: That portion of the Project, containing approximately 20,659 rentable square feet, as determined by Landlord, as shown on Exhibit A.

PROJECT: The real property on which the building in which the Premises are located (the "BUILDING"), together with all improvements thereon and appurtenances thereto as described on EXHIBIT B.

BASE RENT: $39,840.79 per month RENTABLE AREA OF PREMISES: 20,659 sq. ft.

SECURITY DEPOSIT: $119,522.38 TARGET COMMENCEMENT DATE: September 1, 1999

RENT ADJUSTMENT PERCENTAGE: 3.0% TENANT'S SHARE OF NET OPERATING EXPENSES: 8.61%

TERM: 84 months from the first day of the month following the month in which the Commencement Date occurs

PERMITTED USE: Research and development laboratory, general office and other related uses

ADDRESS FOR RENT PAYMENT:
135 N. Los Robles Avenue, Suite 250
Pasadena, CA 91101
Attention: Accounts Receivable

LANDLORD'S NOTICE ADDRESS:
135 N. Los Robles Avenue, Suite 250
Pasadena, CA 91101
Attention: General Counsel

TENANT'S NOTICE ADDRESS:
2203 Airport Way South, Suite 300
Seattle, Washington 98134

The following Exhibits and Addenda are attached hereto and incorporated herein by this reference:

[ ] EXHIBIT A - DESCRIPTION OF PREMISES [ ]EXHIBIT B - DESCRIPTION OF PROJECT
[ ] EXHIBIT C - WORK LEUER [ ]EXHIBIT D - COMMENCEMENT DATE
[ ] EXHIBIT E - RULES AND REGULATIONS [ ]EXHIBIT F - TENANTS PERSONAL PROPERTY
[ ] EXHIBIT G - ESTOPPEL CERTIFICATE [ ]EXHIBIT H - NONDISTURBANCE AGREEMENT
[ ] EXHIBIT I - PARKING LOCATION

1. LEASE OF PREMISES. Upon and subject to all of the terms and conditions hereof, Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord. The portions of the Project which are for the non-exclusive use of tenants of the Project are collectively referred to herein as the "COMMON AREAS." Landlord reserves the right to modify Common Areas, provided that such modifications do not materially adversely affect Tenant's use of the Premises for the Permitted Use. Tenant shall have the right to use the loading area in the annex level of the Project leased by Corixa Corporation, a Delaware corporation ("Corixa") under that certain Columbia Building Lease dated October 28, 1994, and as amended (the "Corixa Lease") and the portion of the bio-hazards waste cage facility assigned to Tenant and located on the basement level of the Building.

2. DELIVERY; ACCEPTANCE OF PREMISES; COMMENCEMENT DATE. Landlord shall deliver the Premises to Tenant for Tenant's Work under the Work Letter within 5 days of full execution of this Lease

and Tenant's delivery of evidence of the insurance required hereby and by the Work Letter ("DELIVERY" or "DELIVER"). If Landlord fails to timely Deliver the Premises, Landlord shall not be liable to Tenant for any loss or damage resulting therefrom, and this Lease shall not be void or voidable except as provided herein. If Landlord does not Deliver the Premises within 15 days after full execution of this Lease and the delivery of Tenant's insurance certificates to Landlord for any reason, this Lease shall be voidable by Tenant by written notice to Landlord. If Landlord is unable despite the exercise of reasonable efforts to Deliver the Premises within 60 days after full execution of this Lease and the delivery of Tenant's insurance certificates to Landlord, this Lease shall be voidable by Landlord by written notice to Tenant. If this Lease is so voided by either: (a) so long as Tenant is not in default hereunder, the Security Deposit shall be returned to Tenant, and (b) neither Landlord nor Tenant shall have any further rights, duties or obligations under this Lease, except with respect to provisions which expressly survive termination of this Lease. If neither Landlord nor Tenant voids this Lease as described above, this Lease shall remain in full force and effect. If neither party elects to void this Lease within 5 business days of the lapse of the applicable time period, such right to void this Lease shall be waived.

The "COMMENCEMENT DATE" shall be earlier of: (i) September 1, 1999; and (ii) the date Tenant conducts any business in the Premises or any part thereof. Upon request of Landlord, Tenant shall execute and deliver a written acknowledgment of the Term Commencement Date and the expiration date of the Term when such are established and shall attach the acknowledgment to this Lease as part of EXHIBIT D; provided, however, Tenant's failure to execute and deliver such acknowledgment shall not affect Landlord's rights hereunder.

Except as set forth in the Work Letter, if applicable: (i) Tenant shall accept the Premises in their condition as of the Commencement Date, subject to all applicable laws, ordinances, regulations, covenants and restrictions; (ii) Landlord shall have no obligation for any defects in the Premises; and (ii) Tenant's taking possession of the Premises shall be conclusive evidence that Tenant accepts the Premises and that the Premises were in good condition at the time possession was taken. Any occupancy of the Premises by Tenant before the Commencement Date other than for the construction of Tenant's Work pursuant to the Work Letter shall be subject to all of the terms and conditions of this Lease, including the obligation to pay Rent.

Tenant agrees and acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the condition of any or all of the Premises (other than Landlord's Work, if any) or the Project, and/or the suitability of the Premises or the Project for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises or the Project are suitable for Tenant's intended purposes. This Lease constitutes the complete agreement of Landlord and Tenant with respect to the subject matter hereof and supersedes any and all prior representations, inducements, promises, agreements, understandings and negotiations which are not contained herein. Landlord in executing this Lease does so in reliance upon Tenant's representations, warranties, acknowledgments and agreements contained herein.

3. RENT.

(a) BASE RENT. The initial Base Rent for the first floor Premises (comprising 8,029 rentable square feet of the Premises) shall be $15.50 per rentable square foot and the initial Base Rent for the seventh floor Premises (the balance of the Premises) shall be $28.00 per rentable square foot. The first month's Base Rent and the Security Deposit shall be due and payable on delivery of an executed copy of this Lease to Landlord. Tenant shall pay to Landlord in advance, without demand, abatement, deduction or set-off, monthly installments of Base Rent on or before the first day of each calendar month during the Term hereof, in lawful money of the United States of America, at the office of Landlord for payment of Rent set forth above, or to such other person or at such other place as Landlord may from time designate in writing. Payments of Base Rent for any fractional calendar month shall be prorated and paid on the basis of a thirty (30) day month. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall have no right

at any time to abate, reduce, or set-off any Rent due hereunder except for any abatement as may be expressly provided in this Lease.

(b) ADDITIONAL RENT. In addition to Base Rent, Tenant agrees to pay to Landlord as additional rent ("ADDITIONAL RENT"): (i) Tenant's Share of Net Building Expenses, as defined below, (ii) Tenant's First Floor Operating Expenses, as defined below, (iii) the rent and expenses for the parking described in Section 10 hereof, and (iv) any and all other amounts Tenant assumes or agrees to pay under the provisions of this Lease, including, without limitation, any and all other sums that may become due by reason of any default of Tenant or failure to comply with the agreements, terms, covenants and conditions of this Lease to be performed by Tenant, after any applicable notice and cure period.

4. BASE RENT ADJUSTMENTS. Base Rent shall be increased on each annual anniversary of the first day of the first full month during the Term of this Lease by multiplying the Base Rent payable immediately before such adjustment by the Rent Adjustment Percentage and adding the resulting amount to the Base Rent payable immediately before such adjustment. Base Rent, as so adjusted, shall thereafter be due as provided herein. Base Rent adjustments for any fractional calendar month shall be prorated.

5. OPERATING EXPENSE PAYMENTS. Landlord shall deliver to Tenant a written estimate of Net Building Expenses for each calendar year during the Term (the "ANNUAL ESTIMATE"), which may be revised by Landlord from time to time during such calendar year. During each month of the Term, on the same date that Base Rent is due, Tenant shall pay Landlord an amount equal to 1/12 of the annual cost, as reasonably estimated by Landlord from time to time, of Tenant's Share of Net Building Expenses together with 1/12 of Tenant's First Floor Operating Expenses, as defined below. Payments for any fractional calendar month shall be prorated.

"NET BUILDING EXPENSES" for any period shall mean the Operating Expenses for the Project for such period less the First Floor Operating Expenses for such period. "FIRST FLOOR OPERATING EXPENSES" means an amount equal to the First Floor Operating Expense Rate, as defined below, multiplied by 16,894, the total rentable square feet on the first floor of the Project. "FIRST FLOOR OPERATING EXPENSE RATE" shall mean an initial rate of $8.00 per rentable square foot per year, which shall be increased by 3% each calendar year commencing on January 1, 2000, including, without limitation, throughout the Extension Term(s). "TENANT'S FIRST FLOOR OPERATING EXPENSES" shall equal 8,029 rentable square feet multiplied by the First Floor Operating Expense Rate.

The term "OPERATING EXPENSES" means all costs and expenses of any kind or description whatsoever incurred or accrued by Landlord with respect to the Project (including the cost of capital repairs and improvements, amortized over the lesser of 7 years or the useful life of such capital item, the costs of Landlord's or a third party's management services not to exceed 5.0% of Base Rent), excluding only:

(a) the original construction costs of the Project and renovation prior to the date of the Lease, the costs of correcting defects in such original construction or renovation, costs of any structural repairs to the Building and costs of correcting any releases of Hazardous Materials in the Building or migrating to the Project from adjoining property;

(b) completing, fixturing, improving, renovating, painting, redecorating or other work, which Landlord pays for or performs for specific tenants within their premises and costs of correcting defects in such work;

(c) capital expenditures for expansion of the Project;

(d) interest, financing costs and amortization of funds borrowed by Landlord, whether secured or unsecured;

(e) depreciation of the Project (except for the amortization of capital improvements which are includable in Operating Expenses);

(f) advertising, legal and space planning expenses, leasing commissions and other costs and expenses incurred in procuring tenants for the Project, including any leasing office maintained in the Project;

(g) salaries, wages, benefits and other compensation paid to officers and employees of Landlord who are not assigned in whole or in part to the operation, management, maintenance or repair of the Project;

(h) costs of utilities outside normal business hours sold to tenants of the Project;

(i) any expenses otherwise includable within Operating Expenses to the extent actually reimbursed by persons other than tenants of the Project under leases for space in the Project;

(j) legal and other expenses incurred in the negotiation or enforcement of leases;

(k) costs relating to maintaining Landlord's existence, either as a corporation, partnership, or other entity;

(l) costs (including attorneys' fees and costs of settlement, judgments and payments in lieu thereof) arising from claims, disputes or potential disputes pertaining to Landlord and/or the Project or from Landlord's failure to make any payment required to be made by Landlord hereunder before delinquency;

(m) costs incurred by Landlord due to the violation by Landlord, its employees, agent or contractors or any tenant of the terms and conditions of any lease of space in the Project or any Legal Requirement;

(n) tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payment and/or to file any tax or informational returns when due;

(o) overhead and profit increment paid to the Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in or to the Project to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis;

(p) costs arising from Landlord's charitable or political contributions or fine art maintained at the Project;

(q) costs to be reimbursed by Other tenants of the Project, whether or not actually paid;

(r) costs in connection with services (including electricity), items or other benefits of a type which are not standard for the Project and which are not available to Tenant without specific charges therefor, but which are provided to another tenant or occupant of the Project, whether or not such other tenant or occupant is specifically charged therefor by Landlord;

(s) costs to maintain the parking lots, which shall be allocated to tenants who park in such lots based on the number of cars such tenant may park in such lot over the total number of parking stalls located in said lot ("Allocated Parking Expenses");

(t) costs incurred in the sale or refinancing of the Project;

(u) net income, franchise, capital stock, estate or inheritance taxes; and

(v) insurance deductibles and other costs of casualty to the extent Tenant's Share thereof exceeds (I) with respect to earthquake insurance, $30,000, and (II) with respect to all other insurance, $15,000.

Within 90 days after the end of each calendar year (or such longer period as may be reasonably required), Landlord shall furnish to Tenant a statement (an "ANNUAL STATEMENT") showing in reasonable detail: (a) the total and Tenant's Share of actual Operating Expenses for the previous calendar year, and (b) the total of Tenant's payments in respect of Operating Expenses for such year. If Tenant's Share of actual Operating Expenses for such year exceeds Tenant's payments of Operating Expenses for such year, the excess shall be due and payable by Tenant as Rent within 30 days after demand therefor. If Tenant's payments of Operating Expenses for such year exceed Tenant's Share of actual Operating Expenses for such year Landlord shall pay the excess to Tenant within 30 days after delivery of such Annual Statement, except that after expiration of, or termination of the Term, Landlord shall pay the excess to Tenant after deducting all other amounts due Landlord.

The Annual Statement shall be final and binding upon Tenant unless Tenant, within 30 days after Tenant's receipt thereof, shall contest any item therein by giving written notice to Landlord, specifying each item contested and the reason therefor. If, during such 60 day period, Tenant reasonably and in good faith questions or contests the correctness of Landlord's statement of Tenant's Share of Operating Expenses, Landlord will provide Tenant with access to Landlord's books and records and such information as Landlord reasonably determines to be responsive to Tenant's questions. If after Tenant's review of such information, Landlord and Tenant cannot agree upon the amount of Tenant's Share of Operating Expenses, then Tenant shall have the right to have an independent public accounting firm selected from among the 6 largest in the United States, hired by Tenant (at Tenant's sole cost and expense) and approved by Landlord (which approval shall not be unreasonably withheld or delayed), audit and/or review such Landlord's books and records for the year in question (the "INDEPENDENT REVIEW"). The results of any such Independent Review shall be binding on Landlord and Tenant. If the Independent Review shows that Tenant's pro rata share of the Operating Expenses actually paid by Tenant for the calendar year in question exceeded Tenant's obligations for such calendar year, Landlord shall at Landlord's option either (i) credit the excess amount to the next succeeding installments of estimated Operating Expenses or (ii) pay the excess to Tenant within 30 days after delivery of such statement, except that after expiration of, or termination of the Term, Landlord shall pay the excess to Tenant after deducting all other amounts due Landlord. If the Independent Review shows that Tenant's payments of Tenant's Share of Operating Expenses for such calendar year were less than Tenant's obligation for the calendar year, Tenant shall pay the deficiency to the Landlord within 30 days after delivery of such statement. If the Independent Review shows that Tenant has overpaid Tenant's pro rata share of Operating Expenses by more than 5% then Landlord shall reimburse Tenant for all costs incurred by Tenant for the Independent Review. Operating Expenses for the calendar years in which Tenant's obligation to share therein begins and ends shall be prorated. Notwithstanding anything set forth herein to the contrary, if the Project is not at least 95% occupied on average during any year of the Term, Tenant's Share of Operating Expenses for such year shall be computed as though the Project had been 95% occupied on average during such year.

"TENANT'S SHARE" shall be the percentage set forth on the first page of this Lease as Tenant's Share as reasonably adjusted by Landlord for changes in the physical size of the Premises or the Project occurring thereafter. Landlord may equitably increase Tenant's Share for any item of expense or cost reimbursable by Tenant that relates to a repair, replacement, or service that benefits only the Premises or only a portion of the Project that includes the Premises or that varies with occupancy or use. Base Rent, Tenant's Share of Operating Expenses and all other amounts payable by Tenant to Landlord hereunder are collectively referred to herein as "RENT."

6. SECURITY DEPOSIT. The Security Deposit shall be held by Landlord as security for the performance of Tenant's obligations under this Lease. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's Default. Upon each occurrence of a Default, Landlord may use all or part of the Security Deposit to pay delinquent payments due under this Lease, and the cost of any damage, injury, expense or liability caused by such Default, without prejudice to any other remedy provided herein or provided by law. Upon any. such use of all or any portion of the Security Deposit, Tenant shall pay Landlord on demand the amount that will restore the Security Deposit to its original amount. Upon bankruptcy or other debtor-creditor proceedings against Tenant, the Security Deposit shall be deemed to be applied first to the payment of Rent and other charges due Landlord for periods prior to the filing of such proceedings. Landlord's obligation respecting the Security Deposit is that of a debtor, not a trustee; no interest shall accrue thereon. The Security Deposit shall be the property of Landlord, but shall be paid to Tenant when Tenant's obligations under this Lease have been completely fulfilled. Landlord shall be released from any obligation with respect to the Security Deposit upon transfer of this Lease and the Premises to a person or entity assuming Landlord's obligations under this Section 6. Tenant hereby waives the provisions of any law, now or hereafter in force, which provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of Rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other loss or damage, foreseeable or unforeseeable, caused by the act or omission of Tenant or any officer, employee, agent or invitee of Tenant. If Tenant shall fully perform every provision of this Lease to be performed by Tenant, the Security Deposit, or any balance thereof, shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within 90 days after the expiration or earlier termination of this Lease.

7. USE. The Premises shall be used solely for the Permitted Use set forth in the Basic Lease Provisions and for lawful purposes incidental thereto, all in compliance with all laws, orders, judgments, ordinances, regulations, codes, directives, permits, licenses, covenants and restrictions now or hereafter applicable to the Premises, and the use and occupancy thereof (collectively, "LEGAL REQUIREMENTS"). Tenant shall, upon 5 days' written notice from Landlord, discontinue any use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of any Legal Requirement. Tenant will not use or permit the Premises to be used for any purpose or in any manner that would void Tenant's or Landlord's insurance, increase the insurance risk, or cause the disallowance of any sprinkler or other credits. Tenant shall reimburse Landlord promptly upon demand for any additional premium charged for any such insurance policy by reason of Tenant's failure to comply with the provisions of this Section or otherwise caused by Tenant's use and/or occupancy of the Premises. Tenant will use the Premises in a careful, safe and proper manner and will not commit waste, overload the floor or structure of the Premises, subject the Premises to use that would damage the Premises or obstruct or interfere with the rights of Landlord or other tenants or occupants of the Project, including conducting or giving notice of any auction, liquidation, or going out of business sale on the Premises, or using or allowing the Premises to be used for any unlawful purpose. Tenant shall cause any equipment or machinery to be installed in the Premises so as to reasonably prevent sounds or vibrations therefrom from extending into Common Areas, or other space in the Project. Tenant shall not place any machinery or equipment weighing 500 pounds or more in or upon the Premises or transport or move such items through the Common Areas of the Project or in the Project elevators without the prior written consent of Landlord. Except as may be provided under the Work Letter, Tenant shall not, without the prior written consent of Landlord, use the Premises in any manner which will require ventilation, air exchange, heating, gas, steam, electricity or water beyond the existing capacity of the Project as proportionately allocated to the Premises based upon Tenant's Share as usually furnished for the Permitted Use.

Landlord shall be responsible for all the compliance of the common areas of the Project with the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq. (together with regulations promulgated pursuant thereto, "ADA") as of the Commencement Date. Tenant, at its sole expense, shall make any alterations or modifications, to the interior or the exterior of the Premises or the Project, that are required by Legal Requirements (including, without limitation, compliance of the Premises with the ADA) related to

Tenant's use or occupancy of the Premises; provided, however, if any such alterations or modifications are required as a result of any Legal Requirement of general applicability, requiring alterations or modifications throughout the Building, Landlord shall construct any such required alteration or modification and charge the cost thereof back to Tenant, either as an Operating Expense or by direct charge to Tenant of Tenant's proportional share of such costs, provided further that to the extent any portions of such required alterations or modifications are properly treated as a capital items, the costs applicable to such capital items shall be amortized over the lesser of 7 years or the useful life of such capital items. Notwithstanding any other provision herein to the contrary, Tenant shall be responsible for any and all demands, claims, liabilities, losses, costs, expenses, actions, causes of action, damages or judgments, and all reasonable expenses incurred in investigating or resisting the same (including, without limitation, reasonable attorneys' fees, charges and disbursements and costs of suit) (collectively, "Claims") arising out of or in connection with Legal Requirements and Tenant shall indemnify, defend, hold and save Landlord harmless from and against any and all Claims arising out of or in connection with any failure of the Premises to comply with any Legal Requirement.

8. HOLDING OVER. If, with Landlord's express written consent, Tenant retains possession of the Premises after the termination of the Term, unless otherwise agreed in writing, such possession shall be subject to immediate termination by Landlord at any time, and all of the other terms and provisions of this Lease (including, without limitation, the adjustment of Base Rent pursuant to Section 4 hereof) shall remain in full force and effect (excluding any expansion or renewal option or other similar right or option) during such holdover period, and in such case Tenant shall continue to pay Base Rent in the amount payable upon the date of the expiration or earlier termination of this Lease or such other amount as Landlord may indicate, in Landlord's sole and absolute discretion, in such written consent. All other payments shall continue under the terms of this Lease. If Tenant remains in possession of the Premises after the expiration or earlier termination of the Term without the express written consent of Landlord, Tenant shall become a tenant at sufferance upon the terms of this Lease except that the monthly rental shall be equal to 150% of the Rent in effect during the last 30 days of the Term. In addition, Tenant shall be responsible for all damages suffered by Landlord resulting from or occasioned by Tenant's holding over. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Section 8 shall not be construed as consent for Tenant to retain possession of the Premises. Acceptance by Landlord of Rent after the Term Expiration Date or earlier termination of this Lease shall not result in a renewal or reinstatement of this Lease.

9. TAXES. Landlord shall pay, as part of Operating Expenses, all taxes, levies, assessments and governmental charges of any kind (collectively referred to as "TAXES") imposed by any federal, state, regional, municipal, local or other governmental authority or agency, including, without limitation, quasi-public agencies (collectively, "GOVERNMENTAL AUTHORITY") during the Term, including, without limitation all Taxes: (i) imposed on or measured by or based, in whole or in part, on rent payable to Landlord under this Lease and/or from the rental by Landlord of the Project or any portion thereof, or (ii) based on the square footage, assessed value or other measure or evaluation of any kind of the Premises or the Project, or (iii) assessed or imposed by or on the operation or maintenance of any portion of the Premises or the Project, including parking, or (iv) assessed or imposed by, or at the direction of, or resulting from statutes or regulations, or interpretations thereof, promulgated by, any Governmental Authority, or (v) imposed as a license or other fee on Landlord's business of leasing space in the Project. Landlord may contest by appropriate legal proceedings the amount, validity, or application of any Taxes or liens securing Taxes. Taxes shall not include any net income taxes imposed on Landlord unless such net income taxes are in substitution for any Taxes payable hereunder. If any such Tax is levied or assessed directly against Tenant, then Tenant shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Tenant shall pay, prior to delinquency, any and all Taxes levied or assessed against any personal property or trade fixtures placed by Tenant in the Premises, whether levied or assessed against Landlord or Tenant. If any Taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property, or if the assessed valuation of the Project is increased by a value attributable to improvements in or alterations to the Premises, whether owned by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, higher

than the base valuation on which Landlord from time-to-time allocates Taxes to all tenants in the Project, Landlord shall have the right, but not the obligation, to pay such Taxes. Landlord's determination of any excess assessed valuation shall be binding and conclusive, absent manifest error. The amount of any such payment by Landlord shall constitute Additional Rent due from Tenant to Landlord immediately upon demand.

10. PARKING.

(a) Tenant shall have the non-exclusive right, in common with others, to use the Building Common Areas, subject to the rules and regulations attached hereto as Exhibit E together with such other reasonable and nondiscriminatory rules and regulations as are hereafter promulgated by Landlord in its discretion.

(b) Tenant shall be assigned 20 parking stalls to be designated by Landlord and reserved for Tenant's use, which parking stalls shall be located as set forth on EXHIBIT I. Landlord reserves the right from time-to-time to provide other parking for Tenant, which shall be no farther from the Building than the farther of Landlord's two present lots, except for an interim period not exceeding 18 months in connection with a redevelopment of either such lot, in which case such replacement parking shall be no more than 5 blocks from the Building. Tenant shall pay as triple net Additional Rent the sum of $70.00 per month, per stall, which sum may be increased Landlord annually, but which increase shall in no event exceed 3% per annum. In addition, Tenant shall pay its Allocated Parking Expenses on a monthly basis with Base Rent Allocated Parking Expenses shall be subject to the operating expense exclusions set forth in Article 5. Landlord shall not oversubscribe parking.

(c) Tenant agrees not to overburden the guest parking facilities and agrees to cooperate with Landlord and other tenants in the use of such guest parking. Landlord reserves the right to determine that guest parking is becoming overcrowded and to limit Tenant's use thereof. Upon such determination, Landlord may reasonably allocate guest parking spaces among Tenant and other tenants. If, after such allocation, Landlord determines that Tenant's customers, clients, or invitees are using more than the number of guest parking spaces that would otherwise be attributable to a reasonable number of guest parking spaces for Tenant's use, Landlord may require Tenant to obtain guest parking outside of the Building and the parking lot to the extent of such unreasonable excess uses. However, nothing in this Section 10(c) is intended to create an affirmative duty on Landlord to monitor parking.

11. UTILITIES, SERVICES.

Landlord shall provide, subject to the terms of this Section 11, potable water (within 60 days after full execution of this Lease), electricity, heat, ventilation, air conditioning, light, power, telephone, sewer, and other utilities (including gas and fire sprinklers to the extent the Project is plumbed for such services), refuse and trash collection and janitorial services (collectively, "UTILITIES"). Any use by Tenant of Utilities shall be allocated to and paid by Tenant on such basis as Landlord shall determine for the Project. Tenant shall be entitled to use its pro rata share of Utilities. Landlord shall pay, as Operating Expenses or subject to Tenant's reimbursement obligation, for all Utilities used on the Premises, all maintenance charges for Utilities, and any storm sewer charges or other similar charges for Utilities imposed by any governmental entity or Utility provider, and any taxes, penalties, surcharges or similar charges thereon. Landlord may cause, at Tenant's expense, any Utilities to be separately metered or charged directly to Tenant by the provider. Tenant shall pay directly to the Utility provider, prior to delinquency, any separately metered Utilities and services which may be furnished to Tenant or the Premises during the Term. Tenant shall pay, as part of Operating Expenses, its share of all charges for jointly metered Utilities based upon consumption, as reasonably determined by Landlord and shall pay the cost of any after hours Utilities allocated to it by Landlord. No interruption or failure of Utilities, from any cause whatsoever other than Landlord's willful misconduct, shall result in eviction or constructive eviction of Tenant, termination of this Lease or the abatement of Rent. Tenant agrees to limit use of water and sewer with respect to Common Areas to normal restroom use. If there is any interruption, failure, stoppage or interference of the utilities,

services or access to the Premises or the Premises cannot be used due to the presence of any Hazardous Materials on or about the Building or the Project (except to the extent released or emitted in violation of Section 30 hereof), and such interruption continues for seven (7) consecutive calendar days, then Tenant shall be entitled to an equitable abatement of Rent to the extent of the interference with Tenant' s use of the Premises occasioned thereby. Landlord's sole obligation for either providing emergency generators or providing emergency backup power to Tenant shall be: (i) to provide emergency generators with not less than the capacity of the emergency generators located in the Building as of the Commencement Date, and (ii) to contract with a third party to maintain the emergency generators as per the manufacturer's standard maintenance guidelines. Landlord shall have no obligation to provide Tenant with operational emergency generators or back-up power or to supervise, oversee or confirm that the third party maintaining the emergency generators is maintaining the generators as per the manufacturer's standard guidelines or otherwise. During any period of replacement, repair or maintenance of the emergency generators when the emergency generators are not operational, including any delays thereto due to the inability to obtain parts or replacement equipment, Landlord shall have no obligation to provide Tenant with an alternative back-up generator or generators or alternative sources of back-up power.

12. ALTERATIONS AND TENANT'S PROPERTY. Any alterations, additions, or improvements made to the Premises by or on behalf of Tenant, including additional locks or bolts of any kind or nature upon any doors or windows in the Premises, but excluding installation, removal or realignment of furniture systems (other than removal of furniture systems owned or paid for by Landlord) not involving any modifications to the structure or connections (other then by ordinary plugs or jacks) to building systems (as hereinafter defined) ("ALTERATIONS") shall be subject to Landlord's prior written consent, which shall not be unreasonably withheld. Tenant may construct nonstructural Alterations in the Premises without Landlord's prior approval if the aggregate cost of all such work in any 12 month period does not exceed $20,000. If Landlord approves any Alterations, Landlord may impose such conditions on Tenant in connection with the commencement, performance and completion of such Alterations as Landlord may deem appropriate in Landlord's sole and absolute discretion. Any request for approval shall be in writing, delivered not less than 15 business days in advance of any proposed construction, and accompanied by plans, specifications, bid proposals, work contracts and such other information concerning the nature and cost of the alterations as may be reasonably requested by Landlord, including the identities and mailing addresses of all persons performing work or supplying materials. Landlord's right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to see that such plans and specifications or construction comply with applicable Legal Requirements. Tenant shall cause, at its expense, all Alterations to comply with insurance requirements and with Legal Requirements and shall implement at its sole cost and expense any alteration or modification required by Legal Requirements as a result of any Alterations. Tenant shall pay to Landlord, as Additional Rent, on demand an amount equal to 2.5% of all charges incurred by Tenant or its contractors or agents in connection with any Alteration to cover Landlord's overhead and expenses for plan review, coordination, scheduling and supervision. Before beginning any Alteration, Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall reimburse Landlord for, and indemnify and hold Landlord harmless from, any extra expense incurred by Landlord by reason of faulty work done by Tenant or its contractors, delays caused by such work, or inadequate cleanup.

If any such Alteration project, or series of related Alteration projects, costs more than $100,000 and Tenant cannot make a showing of financial capacity to pay for such Alterations reasonably acceptable to Landlord, Tenant shall furnish security or make other arrangements satisfactory to Landlord to assure payment for the completion of all work free and clear of liens, and shall provide certificates of insurance for worker's compensation and other coverage in amounts and from an insurance company reasonably satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. Upon completion of any Alterations, Tenant shall deliver to Landlord: (i) sworn statements setting forth the names of all contractors and subcontractors who did the work and final lien waivers from all such contractors and subcontractors; and (ii) as built plans for any such Alteration.

Other than (i) the items, if any, listed on EXHIBIT F attached hereto, (ii) any items agreed by Landlord in writing to be included on EXHIBIT F in the future, and (iii) any trade fixtures, machinery, equipment and other personal property (A) not paid for out of the TI Fund, as defined in the Work Letter, or (B) financed by third parties, which may in either case be removed without material damage to the Premises, which damage to remove the same shall be repaired (including capping or terminating utility hookups behind walls) by Tenant during the Term (collectively, "TENANT'S PROPERTY"), all property of any kind paid for with the TI FUND, all Alterations, real property fixtures, built-in machinery and equipment, built-in casework and cabinets and other similar additions and improvements built into the Premises so as to become an integral part of the Premises, such as fume hoods which penetrate the roof or plenum area, built-in cold rooms, built-in warm rooms, walk-in cold rooms, walk-in warm rooms, deionized water system, glass washing equipment, autoclaves, chillers, built-in plumbing, electrical and mechanical equipment and systems, and any power generator and transfer switch (collectively, "INSTALLATIONS") shall be and shall remain the property of Landlord during the Term and following the expiration or earlier termination of the Term, shall not be removed by Tenant at any time during the Term and shall remain upon and be surrendered with the Premises as a part thereof following the expiration or earlier termination of this Lease; provided, however, that Landlord shall, at the time its approval of such Installation is requested notify Tenant if it has elected to cause Tenant to remove such Installation upon the expiration or earlier termination of this Lease. If Landlord so elects, Tenant shall remove such Installation upon the expiration or earlier termination of this Lease and restore any darnage caused by or occasioned as a result of such removal. During any such restoration period, Tenant shall pay Rent to Landlord as provided herein as if said space were otherwise occupied by Tenant. In no event, however, shall Tenant be required to remove Tenant's Work, as defined in the Work Letter.

13. LANDLORD'S REPAIRS. Landlord, as an Operating Expense, shall maintain all of the structural (including, without limitation, the roof), exterior, parking and other Common Areas of the Project, including HVAC, plumbing, fire sprinklers, elevators, deionized water, C02, gas, vacuum, and all other building systems serving the Premises and other portions of the Project ("BUILDING SYSTEMS"), in good repair, reasonable wear and tear and uninsured damage or destruction caused by Tenant, its agents, servants, employees, invitees and contractors excluded. Damage and destruction caused by Tenant, its - -agents, servants, employees, invitees and contractors shall be repaired by Landlord, to the extent not covered by insurance, at Tenant's sole cost and expense. Landlord reserves the right to stop Building System services when necessary (i) by reason of accident or emergency, or (ii) for planned repairs, alterations or improvements, which are, in the reasonable judgment of Landlord, desirable or necessary to be made, until said repairs, alterations or improvements shall have been completed. Landlord shall have no responsibility or liability for failure to supply Building System services during any such period of interruption; provided, however, that Landlord shall give Tenant 48 hours advance notice of any planned stoppage of Building System services for routine maintenance, repairs, alterations or improvements. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Section, after which Landlord shall have a reasonable opportunity to effect such repair. Landlord shall not be liable for any failure to make any repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after Tenant's written notice of the need for such repairs or maintenance. Tenant waives it rights under any state or local law to terminate this Lease or to make such repairs at Landlord's expense and agrees that the parties' respective rights with respect to such matters shall be solely as set forth herein. Repairs required as the result of fire, earthquake, flood, vandalism, war, or similar cause of damage or destruction shall be controlled by Section 18.

14. TENANT'S REPAIRS. Subject to Section 13 hereof, Tenant, at its expense, shall repair, replace and maintain in good condition, reasonable wear and tear and casualty which Tenant is not obligated to restore excepted, all portions of the Premises, including, without limitation, entries, doors, ceilings, interior windows, interior walls, and the interior side of demising walls. Such repair and replacements may include capital expenditures and repairs whose benefit may extend beyond the Term. Should Tenant fail to make any such repair or replacement or fail to maintain the Premises beyond any applicable notice and cure period, Landlord may perform such work and shall be reimbursed by Tenant within 10 days after demand therefor. Subject to Sections 17 and 18, Tenant shall bear the full uninsured

cost of any repair or replacement to any part of the Project that results from damage caused by Tenant, its agents, contractors, or invitees and any repair that benefits only the Premises.

15. MECHANIC'S LIENS. Tenant shall discharge, by bond or otherwise, any mechanic's lien filed against the Premises or against the Project for work claimed to have been done for, or materials claimed to have been furnished to, Tenant within 10 days after the filing thereof, at Tenant's sole cost and shall otherwise keep the Premises and the Project free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant. Should Tenant fail to discharge any lien described herein, Landlord shall have the right, but not the obligation, to pay such claim or post a bond or otherwise provide security to eliminate the lien as a claim against title to the Project and the cost thereof shall be immediately due from Tenant as Additional Rent. If Tenant shall lease or finance the acquisition of office equipment, furnishings, or other personal property of a removable nature utilized by Tenant in the operation of Tenant's business, Tenant warrants that any Uniform Commercial Code Financing Statement executed by Tenant will upon its face or by exhibit thereto indicate that such Financing Statement is applicable only to removable personal property of Tenant located within the Premises. In no event shall the address of the Project be furnished on the statement without qualifying language as to applicability of the lien only to removable personal property, located in an identified suite held by Tenant. Landlord hereby waives any statutory lien rights Landlord may have in and to Tenant's Property, and agrees to execute any confirmation of such waiver required by any lender secured by a lien on, or any lessor of, any personal property included within Tenant's Property, provided (i) such waiver is reasonably acceptable in form and substance to Landlord and (ii) nothing in this Section 15 shall in any way affect or limit Landlord's rights pursuant to Section 12 hereof.

16. INDEMNIFICATION. Tenant hereby indemnifies and agrees to defend, save and hold Landlord harmless from and against any and all Claims for injury or death to persons or damage to property occurring within or about the Premises, arising directly or indirectly out of use or occupancy of the Premises or a breach or default by Tenant in the performance of any of its obligations hereunder, except to the extent caused by the willful misconduct or gross negligence of Landlord or Landlord's Related Parties. Landlord shall not be liable to Tenant for, and Tenant assumes all risk of damage to, personal property (including, without limitation, loss of records kept within the Premises). Tenant further waives any and all Claims for injury to Tenants business or loss of income relating to any such damage or destruction of personal property (including, without limitation, any loss of records). Landlord shall not be liable for any damages arising from any act, omission or neglect of any tenant in the Project or of any other third party. Subject to the limitations set forth in Section 36 hereof, Landlord shall indemnify Tenant for any Claims to the extent the same arise as a result of the gross negligence or willful misconduct of Landlord and its Related Parties.

17. INSURANCE. Landlord, shall maintain all insurance against any peril generally included within the classification "Fire and Extended Coverage," sprinkler damage (if applicable), vandalism and malicious mischief covering the full replacement cost of the Project. Landlord shall further carry commercial general liability insurance with a single loss limit of not less than $2,000,000 for death or bodily injury, or property damage with respect to the Project. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including, but not limited to, flood, environmental hazard and earthquake, loss or failure of building equipment, errors and omissions, rental loss during the period of repair or rebuilding, workmen's compensation insurance and fidelity bonds for employees employed to perform services and insurance for any improvements installed by Tenant or which are in addition to the standard improvements customarily furnished by Landlord without regard to whether or not such are made a part of the Project. All such insurance shall be included as part of the Operating Expenses. The Project may be included in a blanket policy (in-which case the cost of such insurance allocable to the Project will be determined by Landlord based upon the insurer's cost calculations).

Tenant, at its expense, shall maintain during the Term: all risk property insurance covering the full replacement cost of all property and improvements installed or placed in the Premises by Tenant at

Tenant's expense; worker's compensation insurance with no less than the minimum limits required by law; employer's liability insurance with such limits as required by law; and commercial general liability insurance, with a minimum limit of not less than $2,000,000 per occurrence for death or bodily injury and not less than $1,000,000 for property damage with respect to the Premises. Tenant may aggregate the coverages under any insurance policies maintained solely for the Premises with coverages under umbrella insurance policies carried by Tenant, provided that any and all such policies shall comply with the following sentence. The commercial general liability insurance policies (whether maintained solely for the Premises or an umbrella policy) shall name Landlord, its officers, directors, employees, managers, agents, invitees and contractors (collectively, "RELATED PARTIES"), as additional insureds; insure on an occurrence and not a claims-made basis; be issued by insurance companies which have a rating of not less than policyholder rating of A and financial category rating of at least Class XII in "Best's Insurance Guide"; shall not be cancelable unless 30 days prior written notice shall have been given to Landlord from the insuror; contain a hostile fire endorsement and a contractual liability endorsement; and provide primary coverage to Landlord (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). Such policies or certificates thereof shall be delivered to Landlord by Tenant upon commencement of the Term and upon each renewal of said insurance. Tenant's policy may be a "blanket policy" which specifically provides that the amount of insurance shall not be prejudiced by other losses covered by the policy. Tenant shall, at least 20 days prior to the expiration of such policies, furnish Landlord with renewals or binders. Tenant agrees that if Tenant does not take out and maintain such insurance, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and at its cost to be paid as Additional Rent.

In each instance where insurance is to name Landlord as additional insured, Tenant shall upon written request of Landlord also designate and furnish certificates so evidencing Landlord as additional insured to: (i) any lender of Landlord holding a security interest in the Project or any portion thereof, (ii) the landlord under any lease wherein Landlord is tenant of the real property on which the Project is located, if the interest of Landlord is or shall become that of a tenant under a ground lease rather than that of a fee owner, and/or (iii) any management company retained by Landlord to manage the Project.

The property insurance obtained by Landlord and Tenant shall include a waiver of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord or Tenant, and their respective Related Parties, in connection with any loss or damage thereby insured against. Notwithstanding anything to the contrary herein, neither party nor its respective Related Parties shall be liable to the other for loss or damage caused by any risk insured against under property insurance required to be maintained hereunder, and each party waives any claims against the other party, and its respective Related Parties for such loss or damage. The failure of a party to insure its property shall not void this waiver. Landlord and its respective Related Parties shall not be liable for, and Tenant hereby waives all claims against such parties for, business interruption, loss of profits and losses occasioned thereby sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises or the Project from any cause whatsoever, including without limitation, damage caused in whole or in part, directly or indirectly, by the negligence of Landlord or its respective Related Parties. If the foregoing waivers shall contravene any law with respect to exculpatory agreements, the liability of Landlord or Tenant shall be deemed not released but shall be secondary to the other's insurer.

Landlord may require insurance policy limits to be raised to conform with requirements of Landlord's lender and/or to bring coverage limits to commercially reasonable levels then being generally required of new tenants within the Project.

18. RESTORATION. If at any time during the Term the Project or the Premises are damaged by a fire or other insured casualty, Landlord shall notify Tenant within 60 days after discovery of such damage as to the amount of time Landlord reasonably estimates it will take to restore the Project or the Premises, as applicable. If the restoration time is estimated to exceed 9 months, Landlord may, in such notice, or Tenant may, by written notice to Landlord within 15 days of Tenant's receipt of Landlord's

notice, elect to terminate this Lease as of the date that is 75 days after the date of discovery of such damage or destruction. Unless Landlord or Tenant elects to terminate this Lease, Landlord shall, subject to receipt of sufficient insurance proceeds (with any deductible to be treated as a current Operating Expense), promptly restore the Premises (excluding the improvements installed by Tenant or by Landlord and paid for by Tenant), subject to delays arising from the collection of insurance proceeds, from Force Majeure events or as needed to obtain any license, clearance or other authorization of any kind required to enter into and restore the Premises issued by any governmental or quasi-governmental agency having jurisdiction over the use, storage, release or removal of Hazardous Materials brought into the Premises or the Building by Tenant or any of Tenant's Related Parties (collectively referred to herein as "HAZARDOUS MATERIALS CLEARANCES"); provided, however, that if repair or restoration of the Premises is not Substantially Complete as of the end of 12 months from the date of damage or destruction, Landlord or Tenant may, in its sole and absolute discretion, elect not to proceed with such repair and restoration, in which event Landlord shall be relieved of its obligation to make such repairs or restoration and this Lease shall terminate as of the date that is 75 days after the later of: (i) discovery of such damage or destruction, or (ii) the date all required Hazardous Materials Clearances are obtained. Notwithstanding the foregoing, if insurance proceeds are not available for restoration of the Premises or the Building solely by reason of Landlord's failure to maintain the insurance required to be maintained by Landlord under Section 17 hereof, Landlord shall be responsible for the costs of restoration to the extent of the insurance proceeds that would have been available had Landlord performed its obligations pursuant to Section 17 hereof.

Subject to receipt of sufficient insurance proceeds and delays arising from the collection of such insurance proceeds, from Force Majeure events or to obtain Hazardous Material Clearances, Tenant, at its expense, shall promptly perform all repairs or restoration not required to be done by Landlord required for Tenant's use of the Premises, in Tenant's reasonable judgment, and shall promptly re-enter the Premises and commence doing business in accordance with this Lease. Notwithstanding the foregoing, if insurance proceeds are not available for Tenant's restoration solely by reason of Tenant's failure to maintain the insurance required to be maintained by Tenant under Section 17 hereof, Tenant shall be responsible for the costs of restoration to the extent of the insurance proceeds that would have been available had Tenant performed its obligations pursuant to Section 17 hereof.

Notwithstanding anything set forth above, Landlord may terminate this Lease if (i) the Premises are damaged during the last year of the Term, Landlord reasonably estimates that it will take more than 2 months to repair such damage, and Tenant does not exercise an Extension Right, if any then remain hereunder, or (ii) subject to the last sentence in the first paragraph of this Section 18, insurance proceeds are not available for such restoration. Rent shall be abated from the date all required Hazardous Material Clearances are obtained until the Premises are repaired and restored, in the proportion which the area of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises. Such abatement shall be the sole remedy of Tenant, and except as provided herein, Tenant waives any right to terminate the Lease by reason of damage or casualty loss.

The provisions of this Lease, including this Section 18, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, or any other portion of the Project, and any statute or regulation which is now or may hereafter be in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises or any other portion of the Project, the parties hereto expressly agreeing this Section 18 sets forth their entire understanding and agreement with respect to such matters.

19. CONDEMNATION. If any part of the Premises or the Project is taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "TAKING" or "TAKEN"), and the Taking would in Landlord's judgment either prevent or materially interfere with Tenant's use of the Premises or materially interfere with or impair Landlord's ownership or operation of the Project, then upon written notice by Landlord this Lease shall terminate and Rent shall be apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, Landlord shall promptly restore the Premises and the Project

as nearly as is commercially reasonable under the circumstances to their condition prior to such partial taking and the Rent payable hereunder during the unexpired Term shall be reduced to such extent as may be fair and reasonable under the circumstances. Upon any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. Tenant shall have the right, to the extent that same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for moving expenses and damage to Tenant's Trade Fixtures, if a separate award for such items is made to Tenant. Tenant hereby waives any and all rights it might otherwise have pursuant to any provision of state law to terminate this Lease upon a partial Taking of the Premises or the Project.

20. EVENTS OF DEFAULT. Each of the following events shall be a default ("DEFAULT") by Tenant under this Lease:

(a) PAYMENT DEFAULTS. Tenant shall fail to pay any installment of Rent or any other payment hereunder when due; provided, however, that Landlord, not more than twice in any 12 month period, will give Tenant notice of such default in the payment of Rent and Tenant shall have 5 days in which to make such payment after which period Tenant shall be in Default hereunder. Tenant agrees that such notice shall be in lieu of and not in addition to any notice required by law.

(b) INSURANCE. Any insurance required to be maintained by Tenant pursuant to this Lease shall be canceled or terminated or shall expire or shall be reduced or materially changed, or Landlord shall receive a notice of nonrenewal of any such insurance and Tenant shall fail to obtain replacement insurance at least 20 days before the expiration of the current coverage.

(c) ABANDONMENT. Tenant shall abandon the Premises.

(d) IMPROPER TRANSFER. Tenant shall assign, sublease or otherwise transfer or attempt to transfer all or any portion of Tenant's interest in this Lease or the Premises except as expressly permitted herein, or Tenant's interest in this Lease shall be attached, executed upon, or otherwise judicially seized and such action is not released within 90 days of the action.

(e) LIENS. Tenant shall fail to discharge or otherwise obtain the release of any lien placed upon the Premises in violation of this Lease within 10 days after any such lien is filed against the Premises.

(f) INSOLVENCY EVENTS. Tenant or any guarantor or surety of Tenant's obligations hereunder shall: (A) make a general assignment for the benefit of creditors; (B) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "PROCEEDING FOR RELIEF"); (C) become the subject of any Proceeding for Relief which is not dismissed within 90 days of its filing or entry; or (D) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity).

(g) ESTOPPEL CERTIFICATE OR SUBORDINATION AGREEMENT. Tenant fails to execute any document required from Tenant under Sections 23 or 27 within 5 days after a written notice of Tenant's failure to provide the documents described in Sections 23 and/or 27 hereof within the time periods set forth therein.

(h) OTHER DEFAULTS. Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Section 20, and except as otherwise expressly provided herein, such failure shall continue for a period of 30 days after written notice thereof from Landlord to Tenant.

Any notice given under Section 20(h) hereof, shall: (i) specify the alleged default, (ii) demand that Tenant cure such default, (iii) be in lieu of, and not in addition to, or shall be deemed to be any notice required under any provision of applicable law, and (iv) not be deemed a forfeiture or a termination of this Lease unless Landlord elects otherwise in such notice; provided that if the nature of Tenant's default pursuant to Section 20(h) is such that it cannot be cured by the payment of money and reasonably requires more than 30 days to cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said 30 day period and thereafter diligently prosecutes the same to completion; provided, however, that such cure shall be completed no later than 90 days from the date of Landlord's notice.

21. LANDLORD'S REMEDIES.

(a) PAYMENT BY LANDLORD; INTEREST. Upon a Default by Tenant hereunder, Landlord may, without waiving or releasing any obligation of Tenant hereunder, make such payment or perform such act. All sums so paid or incurred by Landlord, together with interest thereon, from the date such sums were paid or incurred, at the annual rate equal to 12% per annum or the highest rate permitted by law (the "DEFAULT RATE"), whichever is less, shall be payable to Landlord on demand as Additional Rent. Nothing herein shall be construed to create or impose a duty on Landlord to mitigate any damages resulting from Tenant's Default hereunder.

(b) LATE PAYMENT RENT. Late payment by Tenant to Landlord of Rent and other sums due will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impracticable to `ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord under any Mortgage covering the Premises. Therefore, if any installment of Rent due from Tenant is not received by Landlord within 5 days after the date such payment is due, Tenant shall pay to Landlord an additional sum of 6% of the overdue Rent as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. In addition to the late charge, Rent not paid when due shall bear interest at the Default Rate from the 5th day after the date due until paid. Notwithstanding the foregoing, no late charge nor interest shall be due on the second such failure to pay Rent in any 12 month period until 5 days after Landlord has given Tenant notice and an opportunity to cure any such failure to pay Rent and Tenant has failed so to pay Rent. Any such notice shall be in lieu of and not in addition to any notice required by law;

(c) REMEDIES. Upon the occurrence of a Default, Landlord, at its option, without further notice or demand to Tenant, shall have in addition to all other rights and remedies provided in this Lease, at law or in equity, the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

(i) Terminate this Lease, or at Landlord's option, Tenant's right to possession only, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor;

(ii) Upon any termination of this Lease, whether pursuant to the foregoing Section 21 (c)(i) or otherwise, Landlord may recover from Tenant the following:

(A) The worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

(B) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(C) The worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(D) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; and

(E) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "RENT" as used in this Section 21 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 21(c)(ii)(A) and (B), above, the "WORTH AT THE TIME OF AWARD" shall be computed by allowing interest at the Default Rate. As used in Section 21(c)(ii)(C) above, the "WORTH AT THE TIME OF AWARD" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

(iii) Landlord may continue this Lease in effect after Tenant's Default and recover rent as it becomes due. Accordingly, if Landlord does not elect to terminate this Lease following a Default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies hereunder, including the right to recover all Rent as it becomes due.

(iv) If Landlord elects to terminate this Lease following a Default by Tenant, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. Upon Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

(d) EFFECT OF EXERCISE. Exercise by Landlord of any remedies hereunder or otherwise available shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord, it being understood that such surrender and/or termination can be effected only by the express written agreement of Landlord and Tenant. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance with same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions, and covenants of this Lease or as having modified the same and shall not be deemed a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent default. A receipt by Landlord of Rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. To the greatest extent permitted by law, Tenant waives the service of notice of Landlord's intention to re-enter, re-take or otherwise obtain possession of the Premises as provided in any

statute, or to institute legal proceedings to that end, and also waives all right of redemption in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge. Any reletting of the Premises or any portion thereof shall be on such terms and conditions as Landlord in its sole discretion may determine. Landlord shall not be liable, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or collect rent due in respect of such reletting or otherwise to mitigate any damages arising by reason of Tenant's Default.

22. ASSIGNMENT AND SUBLETTING.

(a) GENERAL PROHIBITION. Without Landlord's prior written consent subject to and on the conditions described in this Section 22, Tenant shall not, directly or indirectly, voluntarily or by operation of law, assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises and any attempt to do any of the foregoing shall be void and of no effect. For purposes of this Section, a transfer of ownership interests controlling Tenant shall be deemed an assignment of this Lease unless such ownership interests are publicly traded or unless such ownership interest are issued by Tenant in an equity financing.

(b) PERMITTED TRANSFERS. If Tenant desires to assign, sublease, hypothecate or otherwise transfer this Lease or sublet the Premises other than pursuant to a Permitted Assignment (as defined below), then at least 15 business days, but not more than 45 business days, before the date Tenant desires the assignment or sublease to be effective (the "ASSIGNMENT DATE"), Tenant shall give Landlord a notice (the "ASSIGNMENT NOTICE") containing such information about the proposed assignee or sublessee, including the proposed use of the Premises and any Hazardous Materials proposed to be used or stored in the Premises, the Assignment Date, any relationship between Tenant and the proposed assignee or sublessee, and all material terms and conditions of the proposed assignment or sublease, including a copy of any proposed sublease in its final form, and such other information as Landlord may deem reasonably necessary or appropriate to its consideration whether to grant its consent. Landlord may, by giving written notice to Tenant within 15 business days after receipt of the Assignment Notice: (i) grant or refuse such consent, in its sole discretion with respect to a proposed assignment, hypothecation or other transfer (other than a subletting), or grant or refuse such consent, in its reasonable discretion with respect to a proposed subletting (provided that Landlord shall further have the right to review and approve or disapprove the proposed form of sublease prior to the effective date of any such subletting), or (ii) terminate this Lease with respect to the space described in the Assignment Notice, as of the Assignment Date (an "ASSIGNMENT TERMINATION"). If Landlord elects an Assignment Termination, Tenant shall have the right to withdraw such Assignment Notice by written notice to Landlord of such election within 5 days after Landlord's notice electing to exercise the Assignment Termination. If Tenant withdraws such Assignment Notice, this Lease shall continue in full force and effect. If Tenant does not withdraw such Assignment Notice, this Lease, and the term and estate herein granted, shall terminate as of the Assignment Date with respect to the space described in such Assignment Notice. No failure of Landlord to exercise any such option to terminate this Lease shall be deemed to be Landlord's consent to the proposed assignment, sublease or other transfer. Tenant shall reimburse Landlord for all of Landlord's reasonable out-of-pocket expenses in connection with its consideration of any Assignment Notice, not to exceed $2,000 for each Assignment Notice. Notwithstanding the foregoing, Landlord's consent to an assignment of this Lease or a subletting of any portion of the Premises to any entity controlling, controlled by or under common control with Tenant, or acquiring substantially all of the issued and outstanding capital stock of Tenant or succeeding to all or substantially all of Tenant's assets (a "PERMITTED ASSIGNMENT") shall not be required, provided that Landlord shall have the right to approve the form of any such sublease or assignment.

(c) ADDITIONAL CONDITIONS. As a condition to any such assignment or subletting, whether or not Landlord's consent is required, Landlord may require:

(i) that any assignee or subtenant agree, in writing at the time of such assignment or subletting, that if Landlord gives such party notice Tenant is in default under this Lease, such party shall thereafter make all payments otherwise due Tenant directly to Landlord, which payments will be received by Landlord without any liability except to credit such payment against those due under the Lease, and any such third party shall agree to attorn to Landlord or its successors and assigns should this Lease be terminated for any reason; provided, however, in no event shall Landlord or its successors or assigns be obligated to accept such attornment; and

(ii) A list of Hazardous Materials, certified by the proposed assignee or sublessee to be true and correct, which the proposed assignee or sublessee intends to use or store in the Premises together with copies of all documents relating to the handling, storage, disposal and emission of Hazardous Materials by the proposed assignee or subtenant in the Premises or on the Project, prior to the proposed assignment or subletting, including, without limitation: permits; approvals; reports and correspondence; storage and management plans; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said installation of tanks shall only be permitted after Landlord has given its written consent to do so, which consent may be withheld in Landlord's sole and absolute discretion); and all closure plans or any other documents required by any and all federal, state and local governmental agencies and authorities for any storage tanks installed in, on or under the Project for the closure of any such tanks. Neither Tenant nor any such proposed assignee or subtenant is required, however, to provide Landlord with any portion(s) of the such documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities.

(d) NO RELEASE OF TENANT. Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant's obligations under this Lease shall at all times remain fully and primarily responsible and liable for the payment of Rent and for compliance with all of Tenant's other obligations under this Lease, If the Rent due and payable by a sublessee or assignee (or a combination of the rental payable under such sublease or assignment plus any bonus or other consideration therefor or incident thereto), exceeds the rental payable under this Lease (excluding however, any Rent payable under this Section together with actual and reasonable brokerage fees, legal costs and any design or construction fees directly related to and required pursuant to the terms of any such sublease), then Tenant shall be bound and obligated to pay Landlord as Additional Rent hereunder 50% of such excess rental and other excess consideration within 10 days following receipt thereof by Tenant. If Tenant shall sublet the Premises or any part thereof, Tenant hereby immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under this Lease, all rent from any such subletting and Landlord as assignee and as attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; except that, until the occurrence of a Default, Tenant shall have the right to collect such rent

(e) NO WAIVER. The consent by Landlord to an assignment or subletting shall not relieve Tenant or any assignees of this Lease or any sublessees of the Premises from obtaining the consent of Landlord to any further assignment or subletting nor shall it release Tenant or any assignee or sublessee of Tenant from full and primary liability under the Lease. The acceptance of Rent hereunder, or the acceptance of performance of any other term, covenant, or condition thereof, from any other person or entity shall not be deemed to be a waiver of any of the provisions of this Lease or a consent to any subletting, assignment or other transfer of the Premises.

(f) USE OF HAZARDOUS MATERIALS. Notwithstanding any other provision of this Section 22, if either (i) the proposed assignee or sublessee of Tenant has been required by any prior landlord, lender or governmental authority to take remedial action in connection with Hazardous Materials contaminating a property if the contamination resulted from such party's action or use of the property in question, or (ii) the proposed assignee or sublessee is subject to an enforcement order issued by any governmental authority

in connection with the use, disposal or storage of a Hazardous Materials, Landlord shall have the absolute right to refuse to consent to any assignment or subletting to any such party.

23. ESTOPPEL CERTIFICATE. Tenant shall within 10 business days of written notice from Landlord, execute, acknowledge and deliver a statement in writing substantially in the form attached to this Lease as EXHIBIT G with the blanks filled in, and on any other form reasonably requested by a proposed lender or purchaser, (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect) and the dates to which the rental and other charges are paid in advance, if any, (ii) acknowledging that there are not any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed, and (iii) setting forth such further information with respect to the status of this Lease or the Premises as may be requested thereon. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part. Tenant's failure to deliver such statement within such time shall be conclusive upon Tenant that the Lease is in full force and effect and without modification except as may be represented by Landlord in any certificate prepared by Landlord and delivered to Tenant for execution.

24. QUIET ENJOYMENT. If Tenant shall perform all of the covenants and agreements herein required to be performed by Tenant, Tenant shall, subject to the terms of this Lease, at all times during the Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord.

25. PRORATIONS. All prorations required or permitted to be made hereunder shall be made on the basis of a 360 day year and 30 day months.

26. RULES AND REGULATIONS. Tenant shall, at all times during the Term and any extension thereof, comply with all reasonable rules and regulations at any time or from time to time established by Landlord covering use of the Premises and the Project. The current rules and regulations are attached hereto as Exhibit E. If there is any conflict between said rules and regulations and other provisions of this Lease, the terms and provisions of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Project.

27. SUBORDINATION. This Lease and Tenant's interest and rights hereunder are and shall be subject and subordinate at all times to the lien of any Mortgage, now existing or hereafter created on or against the Project or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant; provided, however that so long as there is no Default hereunder, Tenant's right to possession of the Premises shall not be disturbed by the Holder of any such Mortgage. Tenant agrees, at the election of the Holder of any such Mortgage, to attorn to any such Holder. Tenant agrees upon demand to execute, acknowledge and deliver a Subordination, Non-disturbance and Attornment Agreement in the form attached hereto as Exhibit H, or such other instruments, confirming such subordination and such instruments of attornment as shall be reasonably requested by any such Holder, provided any such instruments contain appropriate non-disturbance provisions assuring Tenant's quiet enjoyment of the Premises as set forth in Section 24 hereof. Notwithstanding the foregoing, any such Holder may at any time subordinate its Mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such Mortgage without regard to their respective dates of execution, delivery or recording and in that event such Holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such Mortgage and had been assigned to such Holder. The term "MORTGAGE" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "HOLDER" of a mortgage shall be deemed to include the beneficiary under a deed of trust. Landlord shall obtain a Subordination, Non-disturbance and Attornment Agreement, substantially in the form of EXHIBIT H, from Landlord's existing lender within 90 days of the Commencement Date.

28. SURRENDER. Upon expiration of the Term or earlier termination of Tenant's right of possession, Tenant may, subject to the exercise of any remedies by Landlord (to the extent not waived with respect to any of Tenant's personal property which is leased or financed), remove Tenant's Property and shall surrender the Premises to Landlord in the same condition as received, broom clean, ordinary wear and tear and casualty loss and condemnation covered by Sections 18 and 19 excepted and shall return to Landlord all keys to offices and restrooms furnished to, or otherwise procured by, Tenant. If any, such key is lost, Tenant shall pay to Landlord, at Landlord's election, either the cost of replacing such lost key or the cost of changing the lock or locks opened by such lost key. Any Tenant Property, Alterations and property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and/or disposition of such property. All obligations of Tenant hereunder not fully performed as of the termination of the Term shall survive the termination of the Term, including without limitation, indemnity obligations, payment obligations with respect to Rent and obligations concerning the condition and repair of the Premises, including the obligation to obtain all required Hazardous Materials Clearances.

29. WAIVER OF JURY TRIAL. TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO.

30. ENVIRONMENTAL REQUIREMENTS.

(a) PROHIBITION/COMPLIANCE/INDEMNITY. Tenant shall not cause or permit any Hazardous Materials (as hereinafter defined) to be brought upon, kept or used in or about the Premises or the Project in violation of applicable law by Tenant, its agents, employees, contractors or invitees. If Tenant breaches the obligation stated in the preceding sentence, or if contamination of the Premises, the Project or any adjacent property by Hazardous Materials brought into the Premises or released by anyone other than Landlord and Landlord's employees, agents and contractors otherwise occurs, in either case during the term of this Lease or any extension or renewal hereof or holding over hereunder, except contamination from Hazardous Materials which Tenant can prove migrated into the Premises from adjacent space in the Building, Tenant hereby indemnifies and shall defend and hold Landlord, its officers, directors, employees, agents and contractors harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses (including, without limitation, diminution in value of the Premises or any portion of the Project, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises or the Project, damages arising from any adverse impact on marketing of space in the Premises or the Project, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Lease term as a result of such breach. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state or local governmental agency or political subdivision because of such breach present in the air, soil or ground water above, on, or under the Premises. Without limiting the foregoing, if the presence of any Hazardous Materials on the Premises, the Project or any adjacent property, caused or permitted by Tenant results in any contamination of the Premises, the Project or any adjacent property, Tenant shall promptly take all actions at its sole expense and in accordance with applicable law as are necessary to return the Premises, the Project or any adjacent property, to the condition existing prior to the time of such contamination, provided that Landlord's approval of such action shall first be obtained, which approval shall not unreasonably be withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises or the Project.

(b) BUSINESS. Landlord acknowledges that it is not the intent of this Article 30 to prohibit Tenant from using the Premises for the Permitted Use. Tenant may operate its business according to the custom of the industry so long as the use or presence of Hazardous Materials is strictly and properly

monitored according to all applicable governmental requirements. As a material inducement to Landlord to allow Tenant to use Hazardous Materials in connection with its business, Tenant agrees to deliver to Landlord prior to the Term Commencement Date a list identifying each type of Hazardous Materials to be present on the Premises and setting forth any and all governmental approvals or permits required in connection with the presence of such Hazardous Materials on the Premises ("HAZARDOUS MATERIALS LIST"). Tenant shall deliver to Landlord an updated Hazardous Materials List at least once a year and shall also deliver an updated list before any new Hazardous Material(s) is brought onto the Premises. Tenant shall deliver to Landlord true and correct copies of the following documents (the "HAZ MAT DOCUMENTS") relating to the handling, use, storage, disposal and emission of Hazardous Materials prior to the Term Commencement Date, or if unavailable at that time, concurrent with the receipt from or submission to a governmental agency: permits; approvals; reports and correspondence; storage and management plans, notice of violations of any laws; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said installation of tanks shall only be permitted after Landlord has given Tenant its written consent to do so, which consent may be withheld in Landlord's sole and absolute discretion); and all closure plans or any other documents required by any and all federal, state and local governmental agencies and authorities for any storage tanks installed in, on or under the Project for the closure of any such tanks. Tenant is not required, however, to provide Landlord with any portion(s) of the Haz Mat Documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities. It is not the intent of this Section to provide Landlord with information which could be detrimental to Tenant's business should such information become possessed by Tenant's competitors.

(c) TENANT REPRESENTATION AND WARRANTY. Tenant hereby represents and warrants to Landlord that (i) neither Tenant nor any of its legal predecessors has been required by any prior landlord, lender or governmental authority at any time to take remedial action in connection with Hazardous Materials contaminating a property which contamination resulted from Tenant's or such predecessor's action or use of the property in question, and (ii) Tenant is not subject to any enforcement order issued by any governmental authority in connection with the use, disposal or storage of a Hazardous Materials. If Landlord determines that this representation and warranty was not true as of the date of this lease, Landlord shall have the right to terminate this Lease in Landlord's sole and absolute discretion.

(d) TESTING. Landlord shall have the right to conduct annual tests of the Premises to determine whether any contamination has occurred as a result of Tenant's use. Tenant shall be required to pay the cost of such annual test of the Premises, not to exceed $2,500 per year; provided, however, that if Tenant conducts its own tests of the Premises using third party contractors and test procedures reasonably acceptable to Landlord which tests are certified to Landlord, Landlord shall accept such tests in lieu of the annual tests to be paid for by Tenant. In addition, at any time, and from time to time, prior to the expiration or earlier termination of the Term, Landlord shall have the right to conduct appropriate tests of the Premises and the Project to determine if contamination has occurred as a result of Tenant's use of the Premises. If contamination has occurred for which Tenant is liable under this Section 30, Tenant shall pay all costs to conduct such tests. If no such contamination is found, Landlord shall pay the costs of such tests (which shall not constitute an Operating Expense). Landlord shall provide Tenant with a copy of all third party, non-confidential reports and tests of the Premises made by or on behalf of Landlord. Tenant shall be solely responsible for and shall defend, indemnify and hold Landlord, its agents and contractors harmless from and against any and all claims, costs and liabilities including actual attorneys' fees, charges and disbursements, arising out of or in connection with any removal, clean up, restoration and materials required hereunder to return the Premises and any other property of whatever nature to their condition existing prior to the time of any such contamination. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights that Landlord holds against Tenant.

(e) UNDERGROUND TANKS. If underground or other storage tanks storing Hazardous Materials are hereafter placed on the Premises by Tenant, Tenant shall monitor the storage tanks, maintain appropriate records, implement reporting procedures, properly close any underground storage tanks, and

take or cause to be taken all other actions necessary or required under applicable state and federal law, as such now exists or may hereafter be adopted or amended.

(f) TENANT'S OBLIGATIONS. Tenant's obligations under this Article 30 shall survive the expiration or earlier termination of the Lease. During any period of time after the expiration or earlier termination of this Lease required by Tenant or Landlord to obtain all required Hazardous Materials Clearances, Tenant shall continue to pay the full Rent in accordance with this Lease, which Rent shall be prorated daily.

(g) DEFINITION OF "HAZARDOUS MATERIALS." As used herein, the term "HAZARDOUS MATERIALS" means and includes any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, or regulated by reason of its impact or potential impact on humans, animals and/or the environment under any Environmental Requirements, asbestos and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). As defined in Environmental Requirements, Tenant is and shall be deemed to be the "operator" of Tenant's "facility" and the "owner" of all Hazardous Materials brought on the Premises by Tenant, its agents, employees, contractors or invitees, and the wastes, by-products, or residues generated, resulting, or produced therefrom.

31. TENANT'S REMEDIES/LIMITATION OF LIABILITY. Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within 30 days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). Upon any default by Landlord, Tenant shall give notice by registered or certified mail to any beneficiary of a deed of trust or Mortgagee of a Mortgage covering the Premises and to any landlord of any lease of property in or on which the Premises are located and Tenant shall offer such beneficiary, Mortgagee and/or landlord a reasonable opportunity to cure the default, including time to obtain possession or control of the Project by a receivership if such should prove necessary to effect a cure; provided Landlord shall have furnished to Tenant in writing the names and addresses of all such persons who are to receive such notices. All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's obligations hereunder.

Notwithstanding the foregoing, if any claimed Landlord default hereunder will immediately, materially and adversely affect Tenant's ability to conduct its business in the Premises (a "MATERIAL LANDLORD DEFAULT"), Tenant shall, as soon as reasonably possible, but in any event within 2 business days of obtaining knowledge of such claimed Material Landlord Default, give Landlord written notice of such claim and telephonic notice to Tenant's principal contact with Landlord. Landlord shall then have 2 business days to commence cure of such claimed Material Landlord Default and shall diligently prosecute such cure to completion. If such claimed Material Landlord Default is not a default by Landlord hereunder, or if Tenant failed to give Landlord the notice required hereunder within 2 business days of learning of the conditions giving rise the claimed Material Landlord Default, Landlord shall be entitled to recover from Tenant, as Additional Rent, any costs incurred by Landlord in connection with such cure in excess of the costs, if any, that Landlord' would otherwise have been liable to pay hereunder. If Landlord fails to commence, cure of any claimed Material Landlord Default as provided above, Tenant may commence and prosecute such cure to completion, and shall be entitled to recover the costs of such cure (but not any consequential of other damages) from Landlord, to the extent of Landlord's obligation to cure such claimed Material Landlord Default hereunder, subject to the limitations set forth in the immediately preceding sentence of this paragraph and the other provisions of this Lease.

All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "LANDLORD" in this Lease shall mean only the owner, for the time being of the Premises, and upon the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all obligations of Landlord

thereafter accruing, but such obligations shall be binding during the Term upon each new owner for the duration of such owner's ownership.

32. INSPECTION AND ACCESS. Landlord and its agents, representatives, and contractors may enter the Premises at any reasonable time to inspect the Premises and to make such repairs as may be required or permitted pursuant to this Lease and for any other business purpose. Landlord and Landlord's representatives may enter the Premises during business hours on not less than 48 hours advance written notice (except in the case of emergencies in which case no such notice shall be required and such entry may be at any time) for the purpose of effecting any such repairs, inspecting the Premises, showing the Premises to prospective purchasers and, during the last six months of the Term, to prospective tenants or for any other business purpose. Landlord may erect during the last six months of the Term a suitable sign on the Premises stating the Premises are available to let or that the Project is available for sale. Landlord may grant easements, make public dedications, designate common areas and create restrictions on or about the Premises, provided that no such easement, dedication, designation or restriction materially, adversely affects Tenant's use or occupancy of the Premises for the Permitted use. At Landlord's request, Tenant shall execute such instruments as may be necessary for such easements, dedications or restrictions. Tenant shall at all times, except in the case of emergencies, have the right to escort Landlord or its agents, representatives, contractors or guests while the same are in the Premises, provided such escort does not materially and adversely affect Landlord's access rights hereunder.

33. SECURITY. Tenant acknowledges and agrees that security devices and services, if any, while intended to deter crime may not in given instances prevent theft or other criminal acts and that Landlord is not providing any security services with respect to the Premises. Tenant agrees that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises. Tenant shall be solely responsible for the personal safety of Tenant's officers, employees, agents, contractors, guests and invitees while any such person is in, on or about the Premises and/or the Project. Tenant shall at Tenant's cost obtain insurance coverage to the extent Tenant desires protection against such criminal acts.

34. FORCE MAJEURE. Landlord shall not be held responsible for delays in the performance of its obligations hereunder when caused by strikes, lockouts, labor disputes, weather, natural disasters, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, delay in issuance of permits, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of Landlord ("FORCE MAJEURE").

35. BROKERS, ENTIRE AGREEMENT, AMENDMENT. Landlord and Tenant each represent and warrant that it has not dealt with any broker, agent or other person (collectively "BROKER") in connection with this transaction and that no Broker brought about this transaction, other than Kidder, Matthews & Segner Inc. and Alexander Commercial Real Estate. Landlord and Tenant each hereby agree to indemnify and hold the other harmless from and against any claims by any other Broker claiming a commission or other form of compensation by virtue of having dealt with Tenant or Landlord, as applicable, with regard to this leasing transaction. This Lease may not be amended except by an instrument in writing signed by both parties hereto.

36. LIMITATION ON LANDLORD'S LIABILITY. NOTWITHSTANDING ANYTHING SET FORTH HEREIN OR IN ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT TO THE CONTRARY: (A) LANDLORD SHALL NOT BE LIABLE TO, TENANT OR ANY OTHER PERSON FOR (AND TENANT AND EACH SUCH OTHER PERSON ASSUME ALL RISK OF) LOSS, DAMAGE OR INJURY, WHETHER ACTUAL OR CONSEQUENTIAL TO: TENANT'S PERSONAL PROPERTY OF EVERY KIND AND DESCRIPTION, INCLUDING, WITHOUT LIMITATION TRADE FIXTURES, EQUIPMENT, INVENTORY, SCIENTIFIC RESEARCH, SCIENTIFIC EXPERIMENTS, LABORATORY ANIMALS, PRODUCT, SPECIMENS, SAMPLES, AND/OR SCIENTIFIC, BUSINESS, ACCOUNTING

AND OTHER RECORDS OF EVERY KIND AND DESCRIPTION KEPT AT THE PREMISES AND ANY AND ALL INCOME DERIVED OR DERIVABLE THEREFROM; (B) THERE SHALL BE NO PERSONAL RECOURSE TO LANDLORD FOR ANY ACT OR OCCURRENCE IN, ON OR ABOUT THE PREMISES OR ARISING IN ANY WAY UNDER THIS LEASE OR ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT WITH RESPECT TO THE SUBJECT MATTER HEREOF AND ANY LIABILITY OF LANDLORD HEREUNDER SHALL BE STRICTLY LIMITED SOLELY TO LANDLORD'S INTEREST IN THE PROJECT, AND IN NO EVENT SHALL ANY PERSONAL LIABILITY BE ASSERTED AGAINST LANDLORD IN CONNECTION WITH THIS LEASE NOR SHALL ANY RECOURSE BE HAD TO ANY OTHER PROPERTY OR ASSETS OF LANDLORD OR ANY OF LANDLORD'S OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS. UNDER NO CIRCUMSTANCES SHALL LANDLORD OR ANY OF LANDLORD'S OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS BE LIABLE FOR INJURY TO TENANT'S BUSINESS OR FOR ANY LOSS OF INCOME OR PROFIT THEREFROM.

37. SEVERABILITY. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby. It is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

38. SIGNS; EXTERIOR APPEARANCE. Tenant shall not, without the prior written consent of Landlord, which may be granted or withheld in Landlord's sole discretion: (i) attach any awnings, exterior lights, decorations, balloons, flags, pennants, banners, painting or other projection to any outside wall of the Project, (ii) use any curtains, blinds, shades or screens other than Landlord's standard window coverings, (iii) coat or otherwise sunscreen the interior or exterior of any windows, (iv) place any bottles, parcels, or other articles on the window sills, (v) place any equipment, furniture or other items of personal property on any exterior balcony, (vi) paint, affix or exhibit on any part of the Premises or the Project any signs, notices, window or door lettering, placards, decorations, or advertising media of any type which can be viewed from the exterior of the Premises. Interior signs on doors and the directory tablet shall be inscribed, painted or affixed for Tenant by Landlord at the sole cost and expense of Tenant, and shall be of a size, color and type acceptable to Landlord. Nothing may be placed on the exterior of corridor walls or corridor doors other than Landlord's standard lettering. The directory tablet shall be provided exclusively for the display of the name and location of tenants.

39. RIGHT TO EXPAND

(a) EXPANSION IN THE PROJECT. Tenant shall have the right, but not the obligation, to expand the Premises (the "EXPANSION RIGHT") to include any space available in the Project (the "EXPANSION SPACE") upon the terms and conditions in this Section. In the event a vacancy occurs, Landlord shall deliver to Tenant (and to each other tenant in the Project having an expansion right) written notice (the "EXPANSION NOTICE") of the availability of such portion of the Expansion Space, together with the terms and conditions on which Landlord is prepared to lease to Tenant such portion of the Expansion Space. All other terms and conditions shall be as set forth in this Lease. Tenant shall have 10 business days following delivery of the Expansion Notice to deliver to Landlord written notification of Tenant's exercise of the Expansion Right. Provided that no prior right to expand is exercised by any of Fred Hutchinson Cancer Research Center, Corixa or The Hope Heart Institute, Tenant shall be entitled to lease such Expansion Space upon the terms and conditions set forth in the Expansion Notice. In the event Tenant fails to timely deliver such notice, or if Landlord and Tenant are unable to agree upon any of the terms of the lease agreement for such portion of the Expansion Space after negotiating in good faith for a period of 60 days from the date Tenant gives notice, Tenant shall be deemed to have waived any right to lease such portion of the Expansion Space, unless and until such portion of the Expansion Space again becomes vacant following a tenancy.

(b) AMENDED LEASE. If: (i) Tenant fails to timely deliver notice accepting the terms of a Expansion Notice, or (ii) after the expiration of the 60 day period described in Section 39.1 no lease agreement for the Expansion Space has been executed, and Landlord tenders to Tenant an amendment to this Lease setting forth the terms for the rental of the Expansion Space consistent with those set forth in the Expansion Notice and otherwise consistent with the terms of this Lease and Tenant fails to execute such Lease amendment within ten business days following such tender, Tenant shall be deemed to have waived its right to lease such Expansion Space.

(c) EXCEPTIONS. Notwithstanding the above, the Expansion Right shall not be in effect and may not be exercised by Tenant:

(i) during any period of time that Tenant is in Default under any provision of the Lease; or

(ii) if Tenant has been in Default under any provision of the Lease 3 or more times, whether or not the Defaults are cured, during the 12 month period prior to the date on which Tenant seeks to exercise the Expansion Right

(d) SUBORDINATE. Tenant's rights in connection with the Expansion Right are and shall be subject to and subordinate to any expansion or extension rights granted in the Project to Corixa, Fred Hutchinson Cancer Research Center and The Hope Heart Institute.

(e) TERMINATION. The Expansion Right shall terminate and be of no further force or effect even after Tenant's due and timely exercise of the Expansion Right, if, after such exercise, but prior to the commencement date of the Expansion Space, (i) Tenant fails to timely cure any Default by Tenant under the Lease; or (ii) Tenant has Defaulted 3 or more times during the period. from the date of the exercise of the Expansion Right to the date of the commencement of the Expansion Space, whether or not such Defaults are cured.

(f) RIGHTS PERSONAL. Expansion Rights are personal to Tenant and are not assignable except to a Permitted Assignee without Landlord's consent, which may be granted or withheld in Landlord's sole discretion.

(g) NO EXTENSIONS. The period of time within which any Expansion Rights may be exercised shall not be extended or enlarged by reason of the Tenant's inability to exercise the Expansion Rights.

40. RIGHT TO EXTEND TERM. Tenant shall have the right to extend the Term of the Lease upon the following terms and conditions:

(a) EXTENSION RIGHTS. Tenant shall have 2 consecutive rights (each, an "EXTENSION RIGHT") to extend the Term of this Lease for 5 years each (each, an "EXTENSION TERM") on the same terms and conditions as this Lease by giving Landlord written notice of its election to exercise each Extension Right at least 6 months prior to the expiration of the initial Term of the Lease or the expiration of any prior Extension Term.

During any Extension Term, Base Rent shall be payable at the Market Rate (as defined below). Base Rent shall be adjusted on each annual anniversary of the commencement of such Extension Term by the rent Adjustment Percentage. As used herein, "Market Rate" shall mean the then market rental rate as determined by Landlord and agreed to by Tenant, which shall in no event be less than 103% of the Base Rent payable as of the date immediately preceding the commencement of such Extension Term.

If, on or before the date which is 120 days prior to the expiration of the initial Term of this Lease, or the expiration of any Extension Term, Tenant has not agreed with Landlord's determination of the Market Rate after negotiating in good faith, Tenant may by written notice to Landlord elect arbitration as

described in Section 41(b) below. If Tenant does not elect such arbitration, Tenant shall be deemed to have waived any right to extend, or further extend, the Term of the Lease and all of the remaining Extension Rights shall terminate.

(b) ARBITRATION.

(i) Within 10 days of Tenant's notice to Landlord of its election to arbitrate Market Rate and escalations, each party shall deliver to the other a proposal containing the Market Rate and escalations that the submitting party believes to be correct ("EXTENSION PROPOSAL"). If either party fails to timely submit an Extension Proposal, the other party's submitted proposal shall determine the Base Rent for the Extension Term. If both parties submit Extension Proposals, then Landlord and Tenant shall meet within 7 days after delivery of the last Extension Proposal and make a good faith attempt to mutually appoint a single Arbitrator to determine the Market Rate and escalations. If Landlord and Tenant are unable to agree upon a single Arbitrator, then each shall, by written notice delivered to the other within 10 days after the meeting, select an Arbitrator. If either party fails to timely giver notice of its selection for an Arbitrator, the other party's submitted proposal shall determine the Base Rent for the Extension Term. The 2 Arbitrators so appointed shall, within 5 business days after their appointment, appoint a third Arbitrator. If the 2 Arbitrators so selected cannot agree on the selection of the third Arbitrator within the time above specified, then either party, on behalf of both parties may request such appointment of such third Arbitrator by application to any state court of general jurisdiction in the jurisdiction in which the Premises are located, upon 10 days prior written notice to the other party of such intent.

(ii) The decision of the Arbitrator(s) shall be made within 30 days after the appointment of a single Arbitrator or the third Arbitrator, as applicable. The decision of the single Arbitrator or majority of the 3 Arbitrators shall be final and binding upon the parties. Each party shall pay the fees and expenses of the Arbitrator appointed by or on behalf of such party and the fees and expenses of the third Arbitrator shall be borne equally by both parties. If the Market Rate and escalations are not determined by the first day of the Renewal Term, then Tenant shall pay Landlord Base Rent in an amount equal to the Base Rent in effect immediately prior to the Renewal Term until such determination is made. After the determination of the Market Rate and escalations, the parties shall make any necessary adjustments to such payments made by Tenant. Landlord and Tenant shall then execute an amendment recognizing the Market Rate and escalations for the Renewal Term.

(iii) An "ARBITRATOR" shall be any person appointed by or on behalf of either party or appointed pursuant to the provisions hereof and: (i) shall be (A) a member of the American Institute of Real Estate Appraisers with not less than 10 years of experience in the appraisal of improved office and high tech industrial real estate in the greater Seattle metropolitan area, or (B) a licensed commercial real estate broker with not less than 15 years experience representing landlords and/or tenants in the leasing of high tech or life sciences space in the greater Seattle metropolitan area, (ii) devoting substantially all of their time to professional appraisal or brokerage work, as applicable, at the time of appointment and (iii) be in all respects impartial and disinterested.

(c) RIGHTS PERSONAL. Extension Rights are personal to Tenant and are not assignable except to a Permitted Assignee without Landlord's consent, which may be granted or withheld in Landlord's sole discretion.

(d) EXCEPTIONS. Notwithstanding anything set forth above to the contrary, Extension Rights shall not be in effect and Tenant may not exercise any of the Extension Rights:

(i) during any period of time that Tenant is in Default under any provision of this Lease; or

(ii) if Tenant has been in Default under any provision of this Lease 3 or more times, whether or not the Defaults are cured during the 12 month period immediately prior to the date that Tenant intends to exercise an Extension Right, whether or not the Defaults are cured.

(e) NO EXTENSIONS. The period of time within which any Extension Rights may be exercised shall not be extended or enlarged by reason of the Tenant's inability to exercise the Extension Rights.

(f) TERMINATION. The Extension Rights shall terminate and be of no further force or effect even after Tenant's due and timely exercise of an Extension Right, if, after such exercise, but prior to the commencement date of an Extension Term, (i) Tenant fails to timely cure any Default by Tenant under this Lease; or (ii) Tenant has Defaulted 3 or more times during the period from the date of the exercise of an Extension Right to the date of the commencement of the Extension Term, whether or not such Defaults are cured.

41. MISCELLANEOUS.

(a) NOTICES. All notices or other communications between the parties shall be in writing and shall be deemed duly given upon receipt or refusal to accept delivery by the addressee thereof if delivered in person, or one business day after being deposited for delivery to the party to whom notice is to be given with a reputable overnight guaranty courier, addressed and sent to the parties at their addresses set forth above. Landlord and Tenant may from time to time by written notice to the other designate another address for receipt of future notices.

(b) JOINT AND SEVERAL LIABILITY. If and when included within the term "TENANT," as used in this instrument, there is more than one person or entity, each shall be jointly and severally liable for the obligations of Tenant.

(c) FINANCIAL INFORMATION. Tenant shall furnish Landlord with true and complete copies of (i) Tenant's most recent audited annual financial statements within 30 days of the end of each of Tenant's fiscal years during the Term, (ii) at Landlord's request from time to time, updated business plans, including cash flow projections, and/or pro forma balance sheets and income statements, all of which shall be treated by Landlord as confidential information belonging to Tenant, (iii) corporate brochures and/or profiles prepared by Tenant for prospective investors, and (iv) any other financial information or summaries that Tenant typically provides to its lenders or shareholders.

(d) RECORDATION. Neither this Lease nor a memorandum of lease shall be filed by or on behalf of Tenant in any public record. Landlord may prepare and file, and upon request by Landlord Tenant will execute, a memorandum of lease.

(e) INTERPRETATION. The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any exhibits or amendments hereto. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(f) NOT BINDING UNTIL EXECUTED. The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

(g) LIMITATIONS ON INTEREST. It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any

interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is Landlord's and Tenant's express intent that all excess amounts theretofore collected by Landlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Tenant), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

(h) CHOICE OF LAW. Construction and interpretation of this Lease shall be governed by the internal laws of the state in which the Premises are located, excluding any principles of conflicts of laws.

(i) TIME. Time is of the essence as to the performance of Tenant's obligations under this Lease.

(j) INCORPORATION BY REFERENCE. All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. If there is any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.

[SIGNATURES BEGIN ON THE NEXT PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

TENANT:

XCYTE THERAPIES, INC.,
a Delaware corporation

By: /s/ Ronald Jay Berenson

Its: President & CEO

LANDLORD:

ALEXANDRIA REAL ESTATE EQUITIES, INC., a Maryland corporation

By: /s/ Lynn Anne Shapiro

Its: General Counsel

[Notary seal]

[Signature of Notary]

EXHIBIT 10.14

LEASE

BETWEEN

HIBBS/WOODINVILLE ASSOCIATES, L.L.C.

LANDLORD,

AND

XCYTE THERAPIES INC.

TENANT

FOR PREMISES

AT

BOTHELL, WASHINGTON

DATED AS OF December 7, 2000

INDEX

EXHIBITS

LEASE

THIS lease (the "Lease") is entered into this as of December 7, 2000 between HIBBS/WOODINVILLE ASSOCIATES, LLC, a Washington limited liability company (the "Landlord"), and XCYTE THERAPIES, INC., a Delaware corporation (the "Tenant").

W I T N E S S E T H:

WHEREAS, Landlord is the owner of that certain land located in Bothell, Washington and the improvements and buildings thereon (the "Property"), more particularly described in Exhibit A attached hereto and made a part hereof, and

WHEREAS, various buildings located on the land are known as the Administrative Building consisting of approximately 91,290 square feet, the Production Building consisting of approximately 171,816 square feet, the North Barn consisting of approximately 13,576 square feet and the South Barn consisting of approximately 6,763 square feet (the Administrative Building, the Production Building, the North Barn and the South Barn are sometimes collectively referred to as the "Buildings");

WHEREAS, there is also located on the Property a paved and striped parking area consisting of approximately 774 parking spaces (hereinafter referred to as the "Parking Lot"), and

WHEREAS, the Property, Buildings and the Parking Lot are depicted on Exhibit A attached hereto.

WHEREAS, Tenant is desirous of leasing space on the third floor of the Production Building consisting of approximately 40,500 rentable square feet more particularly described and outlined on the plan designated as Exhibit B attached hereto ("Demised Premises") and Landlord is desirous of leasing the Demised Premises to Tenant on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged by each of the parties hereto, Landlord and Tenant agree as follows:

1. DEMISE AND TERM OF DEMISE

1.1 (a) The commencement date of the Lease shall be earlier of a date 30 days following notice to Tenant by Landlord that the Demised Premises are available for occupancy or December 1, 2000 (the "Commencement Date").

(b) This Lease shall be and become effective as of the Commencement Date. As of the Commencement Date, the terms and provisions of this Lease shall govern and control the respective rights and obligations of Landlord and Tenant with respect to the Demised Premises and the Property.

1.2 (a) Landlord demises and leases unto Tenant, and Tenant hires and takes from Landlord, in consideration of the rents to be paid and the covenants, agreements and conditions to be performed, observed and fulfilled by Tenant, the Demised Premises described on Exhibit B attached hereto and made a part hereof (as same may be modified from time to time in accordance with this Lease).

(b) Within sixty (60) days of the Commencement Date, Landlord shall cause its architect or engineer to measure the rentable area of the Demised Premises, such rentable area measurement to be performed and calculated in accordance with the most recent standards for floor measurement of office buildings adopted by the Building Owners and Managers Association (BOMA). Landlord shall give written notice to Tenant of the rentable area of the Demised Premises which measurement shall be deemed to be the exact rentable area of the Demised Premises for purposes of this Lease. Until the rentable area is measured as aforesaid, rent for the Demised Premises shall be paid by Tenant based on the approximate square footage of the Demised Premises (40,500 square feet) and upon submission by Landlord to Tenant of the actual measured area, the parties agree the rent shall be paid based on the actual measured square footage of rentable area of the Demised Premises.

1.3 The common area of the Property (the "Common Area") shall mean those interior and exterior portions of the Property designated on Exhibit A, including the improvements and facilities used for parking areas, access and perimeter roads, landscaped areas, exterior walks, and washrooms and common hallways located in the Administrative Building, the access areas to the Cafeteria, and the Parking Lot as of the date hereof as shown on Exhibit A. Tenant shall have the non-exclusive right, during the term of this Lease, to use the Common Area, in a reasonable manner, for itself, its employees, invitees, guests, contractors and licensees for parking, ingress, egress and similar uses and Tenant acknowledges that all other tenants or occupants of all or any portion of the Property for themselves, and their employees, invitees, guests, contractors, subtenants (if any) and licensees shall also have similar rights to use the Common Area. Landlord shall have the right, at any time and from time to time (a) to grant to any tenant or tenants which hereafter leases or lease all or any of the Property the same rights which inure to Tenant and other tenants as herein described, and/or (b) to (i) limit Tenant to the use of seventy (70) parking spaces in the Parking Lot and to designate the location thereof and (ii) alter, modify, increase or reduce the Common Area, provided that access to and from the Demised Premises shall not be materially or adversely affected thereby. All Common Areas shall be subject to the exclusive control and management of

Landlord, subject to the rights of Tenant and any other tenants of the Property to use and have access to the Common Area, and subject to such rights as Landlord shall have pursuant to this Lease or otherwise. The freight elevator located on the northside of the Building and specifically noted on Exhibit B shall be considered Common Area to which Tenant has unlimited access. Landlord will provide Tenant with access to the Leased Premises through the loading dock doors on the north side of the Building and adjacent Common Areas for delivery of materials during reasonable business hours; provided, however, that Tenant shall make every effort to insure that the doors are securely closed when not in use.

1.4 The term of the Lease (the "Term") shall commence on the Commencement Date and shall terminate and expire midnight on December 1, 2010 (the "Expiration Date"). Tenant shall, within ten (10) days after request by Landlord, execute, acknowledge and deliver to Landlord an instrument in form and substance reasonably acceptable to Landlord confirming (i) the Commencement Date and the Expiration Date, but no such instrument shall be required to make the provisions of this Section 1.4 effective.

1.5 Tenant shall have the option to renew this Lease for two renewal term of Five (5) years each (herein referred to as the "Renewal Term(s)") which shall commence on the day following the expiration of the initial ten (10) year Term, or the first renewal term, as the case may be, and end on the fifth anniversary of the commencement date of the Renewal Term unless the Renewal Term shall sooner terminate pursuant to the terms of this Lease or otherwise. The Renewal Term shall commence only if (i) Tenant shall have notified Landlord of Tenant's exercise of such renewal option in writing at least nine (9) months prior to the expiration of Term or the first renewal term as the case may be, and (ii) immediately prior to the expiration of the initial ten (10) year Term, or the first renewal term, as the case may be, this Lease shall be in full force and effect and no Event of Default shall have occurred and be continuing. Time is of the essence with respect to the giving of the notice of Tenant's exercise of a renewal option. The Renewal Term shall be upon all of the terms, covenants and conditions hereof binding upon Tenant and Landlord, except that (a) the basic annual rent (as defined in Section 2.1) shall be as provided in Exhibit C and (b) there shall be no further renewal right after the expiration of the Second Renewal Term. Upon the commencement of the Renewal Term, (x) any reference to "this Lease", to the "Term", the "term of this Lease" or any similar expression shall be deemed to include the then current Renewal Term, and (y) the Expiration Date shall become the expiration of the then current Renewal Term.

2. RENT, TAXES, ASSESSMENTS AND OTHER CHARGES

2.1 Commencing as of the Commencement Date, Tenant shall pay to Landlord basic annual rent as Shown on Exhibit C based on the rentable area of the

Demised Premises, as adjusted from time to time in accordance with the terms and conditions of this Lease (the "Basic Annual Rent").

2.2 Such Basic Annual Rent shall be paid by Tenant to Landlord in equal monthly installments, in advance, on the first day of each calendar month during the Term without notice, demand, abatement, deduction, counterclaim or set off of any kind. Tenant shall pay the rent in lawful money of the United States. Any obligation of Tenant for payment of rent which shall have accrued during the Term shall survive the expiration or termination of this Lease.

2.3 The installments of Basic Annual Rent payable under Section 2.1 for the partial calendar months at the beginning and end of the Term shall be pro-rated in the proportion of the number of days in the partial calendar month to the number of days in the year.

2.4 Whenever under the terms of this Lease any sum of money is required to be paid by Tenant in addition to the Basic Annual Rent, and said additional amount so to be paid shall be designated as "Additional Rent," and collectible as such with any installment of rental thereafter falling due hereunder, or, if no such installment thereunder shall fall due, on demand. Rent or rental for purposes of this Lease shall mean Basic Annual Rent plus all Additional Rent, including, but not limited to, Tenant's Proportionate Share of Taxes and Operating Expenses.

2.5 "Tenant's Taxes" shall mean all taxes, assessments, license fees and other governmental charges or impositions levied or assessed against or with respect to Tenant's personal property, furnishings, equipment, movable partitions, business machines and other trade fixtures installed, located or attached to the Property. Tenant shall pay all Tenant's Taxes before delinquency and, at Landlord's request, shall furnish Landlord satisfactory evidence thereof. If any lien shall at any time be filed against the Property or any part thereof with respect to Tenant's Taxes not paid by Tenant when due, or any judgment, attachment or levy is filed or recorded against the Property or any part thereof with respect thereto, Tenant, within thirty (30) days after the attachment thereof, shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. If Tenant shall fail to cause such lien, judgment, attachment or levy to be discharged within the period aforesaid, then, in addition to any other right or remedy, Landlord may, but shall not be obligated to, discharge the same by bonding proceedings, if permitted by law (and if not so permitted, by deposit in court). Any amount so incurred by Landlord, including all costs and expenses paid by Landlord in connection therewith, together with interest thereon at the rate of 15% per annum (or, if lower, the maximum rate permitted by law) from the respective dates of Landlord's so incurring any such amount, cost or expenses, shall constitute additional rent payable by Tenant under this Lease and shall be paid by Tenant to Landlord on demand.

2.6 For purposes of this Lease, the following terms shall be defined as follows:

(a) "Tenant's Proportionate Share" shall mean the ratio, expressed as a percentage, of the number of rentable square feet comprising the Demised Premises from time to time (approximately 40,500 square feet as of the Commencement Date) (which shall hereafter be adjusted upon any increase or reduction based on the measurement of the Demised Premises under Section 1.2(c) or otherwise in accordance with this Lease) to the agreed total number of rentable square feet in the Buildings (283,445), that is to say 14.3% as of the Commencement Date, subject to later adjustment in accordance herewith.

(b) "Fiscal Year" shall mean each fiscal year of Landlord or part thereof during the Term, as such fiscal year may be changed at any time and from time to time in the sole discretion of Landlord. The fiscal year of Landlord as of the date hereof is January 1 through December 31.

(c) "Lease Year" shall mean a period of one (1) year commencing on the Commencement Date and thereafter commencing upon each anniversary thereof.

(d) "Operating Expenses" shall mean and include all amounts, expenses and costs of whatever nature that Landlord incurs because of or in connection with the operation, insuring, maintenance, equipping, securing, policing, protection, repair, or management (the "Operating Expenses"), Operating Expenses shall be determined on an accrual basis in accordance with sound management accounting principles consistently applied and shall include, but shall not be limited to, the following:

(1) Costs and expenses of maintenance, equipping, securing, policing, garbage disposal, and repair of the Property, including Common Areas.

(2) Costs of maintenance and replacement of landscaping.

(3) Costs of providing utilities and services to the Common Area.

(4) Premiums for property (including coverage for earthquake and flood if carried by Landlord), liability, worker's compensation, plate glass, rental income and other insurance and commercially reasonable deductible amounts under such insurance paid in connection with repair or restoration of the Property after any damage or destruction.

(5) Fees and charges for licenses, permits and inspections reasonably necessary for the operation of the Property.

(6) Costs of capital improvements required to meet changed governmental regulations or which are, reasonably and in good faith, intended to reduce Operating Expenses, such costs, together with interest on the unamortized balance at the rate paid by Landlord on funds borrowed for the purpose of constructing such capital improvements (or, if Landlord funds such costs itself in lieu of borrowing such amount, deemed interest equivalent to the interest at a commercially reasonable rate that would have been incurred had such amount been borrowed by Landlord), to be amortized over such reasonable periods as Landlord shall determine, consistent with generally accepted accounting principles.

(7) Costs associated with the construction, repair or maintenance of any on-site Property management offices or related facilities.

(8) Property management fees.

(9) Costs for accounting, legal and other professional services incurred in connection with the management and operation of the Property and the calculation of Operating Expenses and Taxes (as defined below).

(10) A reasonable allowance for depreciation on machinery and equipment used to maintain the Property and on other personal property used by Landlord on the Property in connection with the management and operation of the Property consistent with generally accepted accounting principles.

(11) The reasonable cost of contesting the validity or applicability of any governmental enactments that may affect the Property.

(12) Wages, salaries, fees, related taxes, insurance costs, benefits (including amounts payable under medical, pension and welfare plans and any amounts payable under collective bargaining agreements) and reimbursement of expenses of and relating to all personnel principally engaged in operating, repairing, managing, replacing and maintaining the Property.

(13) All supplies, tools, equipment and materials used in operating, equipping, repairing and maintaining the Property.

(14) Cost of security and security personnel, devices and systems (including, without limitation, any security office on the Property).

Notwithstanding any contrary provision of this Lease, Operating Expenses shall not include: (i) capital improvements other than those specifically enumerated above in clause (6) of the definition of Operating Expenses; (ii) costs of special or additional services rendered to individual tenants (including Tenant) for which a special charge is made; (iii) interest and principal payments on loans or indebtedness secured by the Property or ground rent payments (if any); (iv) costs of improvements for other tenants of the Property; (v) costs of services or other benefits of a type which are not available to Tenant but which are available to other tenants or occupants, and costs for which Landlord is reimbursed by other tenants of the Property other than through payment of tenants' shares of Operating Expenses and Taxes, (vi) leasing commissions, attorneys' fees and other expenses incurred in connection with negotiations of disputes with other tenants, prospective tenants or occupants of the Property, or in connection with the enforcement or violation by Landlord or such tenant or occupant of any lease; (vii) depreciation or amortization, other than as specifically enumerated above in the definition of Operating Expenses, (viii) costs, fines or penalties incurred due to Landlord's violation of any law or governmental regulation, (ix) the excess of the cost of supplies and services provided by subsidiaries and affiliates of Landlord, or Landlord itself, over competitive costs by independent suppliers and contractors of comparable buildings in the vicinity of the Property; and (x) Taxes.

If Landlord does not furnish during any Fiscal Year any particular work or service (the cost of which, if performed by Landlord, would constitute an Operating Expense) to a tenant which has undertaken to perform such work or service in lieu of the performance thereof by Landlord, then Operating Expenses shall be deemed to be increased by an amount equal to the additional expense which would reasonably have been incurred during such Fiscal Year by Landlord if it had, at its cost, furnished such work or service to such tenant; provided, however, Landlord shall not be entitled to be reimbursed for an amount in excess of the actual Operating, Expenses. If during any Fiscal Year less than 95% of the leasable square feet of the Property is leased and occupied by tenants, then the Operating Expenses for such Lease Year shall be increased proportionately to reflect the amount of the Operating Expenses which, in Landlord's reasonable judgment, would have been incurred during such Lease Year if 95% of the leasable square feet of the Property was leased and occupied by tenants.

(e) "Taxes" shall mean and include all real property taxes and general, special or district assessments or other governmental impositions, of whatever kind, nature or origin, imposed on or by reason of the ownership or use of the Property; governmental charges, fees or assessments for transit (including without limitation, area wide traffic improvement assessments and transportation system management fees), housing, police, fire or other governmental service or purported benefits to the Property; personal property taxes assessed on the personal property of Landlord used in or related to the operation of the Property service payments in lieu of taxes and taxes and

assessments of every kind and nature whatsoever levied or assessed in addition to, in lieu of or in substitution for existing or additional real or personal property taxes on the Property or the personal property described above, taxes and assessments on the gross or net rental receipts of Landlord derived from the Property (excluding, however, state and federal personal or corporate income taxes measured by the net income of Landlord from all sources and inheritance, franchise or estate taxes), and the reasonable cost of contesting by appropriate proceedings the amount or validity of any taxes, assessments or charges described above. Taxes shall also include any personal property taxes imposed upon the furniture, fixtures, machinery, equipment, apparatus, systems and appurtenances of Landlord used in connection with the Property for the operation thereof. Taxes shall also include the amount of all fees, costs and expenses (including, without limitation, attorneys' fees and court costs), if any, paid or incurred by Landlord each Fiscal Year in seeking or obtaining any refund or reduction of Taxes or for contesting or protesting any imposition of taxes, whether or not successful and whether or not attributable to Taxes assessed, paid or incurred in such Fiscal Year.

2.7 (a) In addition to the Basic Annual Rent, Tenant shall pay, with respect to each Fiscal Year, Tenant's Proportionate Share of all Operating Expenses and Taxes. Tenant's Proportionate Share of Operating Expenses shall be paid in monthly installments in advance on the first day of each calendar month during such Fiscal Year in the Term in amounts sufficient to satisfy payment of the Operating Expenses for such Fiscal Year as reasonably estimated by Landlord from time to time prior to, or during, any Fiscal Year and communicated to Tenant by written notice (the "Estimated Operating Expense Adjustment"). If Landlord does not deliver such a notice (an "Estimate") prior to the commencement of any Fiscal Year, Tenant shall continue to pay Estimated Operating Expense Adjustment as provided in the most recently received Estimate (or Updated Estimate, as defined below) until the Estimate for such Fiscal Year is delivered to Tenant. If, from time to time during any Fiscal Year, Landlord reasonably determines that Operating Expenses for such Fiscal Year have increased or will increase, Landlord may deliver to Tenant an updated Estimate ("Updated Estimate") for such Fiscal Year, Monthly payments of Estimated Operating Expense Adjustment paid subsequent to Tenant's receipt of the Estimate or Updated Estimate for any Fiscal Year shall be in the amounts provided in such Estimate or Updated Estimate, as the case may be. In addition, Tenant shall pay to Landlord within thirty (30) days after receipt of such Estimate or Updated Estimate, the amount, if any, by which the aggregate of the Estimated Operating Expense Adjustment provided in such Estimate or Updated Estimate, as the case may be, with respect to prior months in such Fiscal Year exceeds the aggregate of the Estimated Operating Expense Adjustment paid by Tenant with respect to such prior months.

After the end of each Fiscal Year, Landlord shall send to Tenant a statement (the "Final Operating Expense Adjustment Statement") showing (i) the calculation of the Operating Expense Adjustment for such Fiscal Year, (ii) the aggregate amount of the Estimated Operating Expense Adjustment previously paid by Tenant for such Fiscal

Year, and (iii) the amount, if any, by which the aggregate amount of the installments of Estimated Operating Expense Adjustment paid by Tenant with respect to such Fiscal Year exceeds or is less than the Expense Adjustment for such Fiscal Year. Tenant shall pay the amount of any deficiency to Landlord within thirty (30) days of the sending of such statement. At Landlord's option, any excess shall either be credited against payments past or next due hereunder or refunded by Landlord, provided Tenant is not then in default hereunder.

On reasonable advance written notice given by Tenant within thirty (30) days following the receipt by Tenant of the Final Operating Expense Adjustment Statement, Landlord shall make available to Tenant Landlord's books and records maintained with respect to the Operating Expenses for such Fiscal Year. If Tenant wishes to contest any item within any Final Operating Expense Adjustment Statement, Tenant shall do so in a written notice (a "Contest Notice") received by Landlord within thirty (30) days following Tenant's inspection of Landlord's books and records, but in any event not later than sixty (60) days after Landlord shall have made its books and records available to Tenant for inspection. The Contest Notice shall specify in detail the item or items being contested and the specific grounds therefor. However, the giving of such Contest Notice shall not relieve Tenant from the obligation to pay any deficiency in such statement or the Landlord from the obligation to pay (by refund or credit) any excess in such statement in accordance with this Section. Notwithstanding anything else in this Section to the contrary, if Tenant fails to give such Contest Notice within said thirty (30) day period or fails to pay any deficiency in such statement in accordance with this Section, whether or not contested, Tenant shall have no further right to contest any item or items in such statement and Tenant shall be deemed to accept such statement.

For thirty (30) days after receipt of Tenant's Contest Notice, Landlord and Tenant shall attempt to resolve such dispute. If such dispute shall not be resolved within such thirty (30) day period (the resolution to be evidenced by a writing signed by Landlord and Tenant), the dispute shall be resolved by arbitration as follows: The party desiring arbitration (the "First Party") shall give notice to that effect to the other party, and shall in such notice appoint a person as arbitrator on its behalf. Within fifteen (15) days after its receipt of such notice, the other party by notice to the First Party shall appoint an arbitrator on its behalf, if the second arbitrator shall not be so appointed within such fifteen (15) days, the First Party may give a second notice to the other party demanding that the other party appoint an arbitrator within ten (10) days of its receipt of such second notice and if the other party shall not do so within such ten (10) day period, then the arbitrator appointed by the First Party shall appoint the second arbitrator. The two arbitrators appointed pursuant to the above shall try to appoint the third arbitrator. If, within twenty (20) days after the appointment of the second arbitrator, they shall not have agreed upon the appointment of the third arbitrator, either of the parties upon notice to the other party may request such appointment by the Office of the American Arbitration Association (the "AAA") closest to the Property, or in its absence, refusal, failure or

inability to act, may apply to the presiding judge of the court of the State of Washington with Jurisdiction over the matters covered by this Lease (the "Court") for the appointment of such third arbitrator and the other party shall not raise any question as to the Court's power and jurisdiction to entertain the application and make the appointment. Each arbitrator shall be a qualified person who shall have at least ten (10) years experience in a calling connected with the matter of the dispute. The arbitration shall be conducted in accordance with the then prevailing, rules of the AAA, under the auspices of the office of the AAA closest to the Property, The arbitrators shall render their decision and award in writing upon concurrence of at least two (2) of their members, within thirty (30) days after the appointment of the third arbitrator. Such decision and award shall be binding and conclusive on the parties, shall constitute an "award" of the arbitrators within the meaning of the AAA rules and applicable law, and counterpart copies thereof shall be delivered to each of the parties. In rendering such decision and award, the arbitrators shall not add to, subtract from, or otherwise modify the provisions of this Lease and shall apply applicable federal and/or state law. Judgment may be had under the decision and award of the arbitrators so rendered 'in any court of competent jurisdiction'. Each party shall pay the fees and expenses of the arbitrator appointed by or for it. The fees and expenses of the third arbitrator, and all other expenses of the arbitration (other than the fees and disbursements of attorneys or witnesses for each party), shall be borne by the parties equally.

(b) Tenant's Proportionate Share of Taxes with respect to each Fiscal Year shall be paid in monthly installments in advance on the first day of each calendar month during such Fiscal Year in the Term in amounts sufficient to satisfy payment of Tenant's Proportionate Share of Taxes For such Fiscal Year as reasonably estimated by Landlord from time to time prior to or during any Fiscal Year and communicated to Tenant by written notice (the "Estimated Tax Payment," and the actual, final amount due from Tenant on account of Taxes, the "Tax Payment")). If Landlord does not deliver such a notice (an "Estimate") prior to the commencement of any Fiscal Year, Tenant shall continue to pay Estimated Tax Payment as provided in the most recently received Estimate (or Updated Estimate, as defined below) until the Estimate for such Fiscal Year is delivered to Tenant. If, from time to time during any Fiscal Year, Landlord reasonably determines that Taxes for such Fiscal Year have increased or will increase, Landlord may deliver to Tenant an updated Estimate ("Updated Estimate") for such Fiscal Year. Monthly payments of Estimated Tax Payment paid subsequent to Tenant's receipt of the Estimate or Updated Estimate for any Fiscal Year shall be in the amounts provided in such Estimate or Updated Estimate, as the case may be. In addition, Tenant shall pay to Landlord within thirty (30) days after receipt of such Estimate or Updated Estimate, the amount, if any, by which the aggregate of the Estimated Tax Payment provided in such Estimate or Updated Estimate, as the case may be, with respect to prior months in such Fiscal Year exceeds the aggregate of the Estimated Tax Payment paid by Tenant with respect to such prior months.

(c) Within sixty (60) days after a final real estate tax bill with respect to the Property is received by Landlord or any other determination of Taxes with respect to a Fiscal Year occurs (whether due to the receipt of a bill, the filing of a return, the settlement or adjudication of disputed Taxes, or otherwise), or as soon thereafter as practicable, Landlord shall send to Tenant a statement (the "Tax Adjustment Statement") showing (i) the calculation (or recalculation) of the Tax Payment for such Fiscal Year, (ii) the aggregate amount of the Estimated Tax Payment previously paid by Tenant for such Fiscal Year, and (iii) the amount, if any, by which the aggregate amount of the installments of Estimated Tax Payment paid by Tenant with respect to such Fiscal Year exceeds or is less than the Tax Payment for such Fiscal Year. Tenant shall pay the amount of any deficiency to Landlord within thirty (30) days after the sending of such statement. At Landlord's option, any excess shall either be credited against payments past or next due hereunder or refunded by Landlord, provided Tenant is not then in default hereunder.

2.8 Tenant shall (i) pay (at the rates charged by the utility providers to Landlord) 100% of all charges for electric current (including, without limitation, for lighting the Demised Premises and supplying HVAC to the Demised Premises), water, gas (if any), telephone, and other utilities consumed relative to the Demised Premises, and (ii) be responsible (at Tenant's expense) of providing, installing, repairing, maintaining and operating all conduits, risers, cables, pipes and other electrical, mechanical and other facilities and installations which are required in connection with the consumption of such utilities at the Demised Premises. Landlord shall be responsible for providing, installing, repairing, maintaining and operating all conduits, risers, cables, pipes and other electrical and mechanical facilities which are required to deliver of such utilities from the property line to the Demised Premises at a capacity of 707.5 kva, except that Tenant shall be solely responsible for any costs associated with increasing the levels of such utilities beyond current capacity of 707.5 kva.

2.9 Landlord shall provide the following services for the Property: (i) city water from regular building outlets for drinking, lavatory and toilet purposes, (ii) janitorial and maintenance service for Common Areas (it being understood that Tenant at its expense shall provide janitorial service to the Demised Premises using contractors reasonably acceptable to Landlord which shall provide insurance coverage reasonably acceptable to Landlord), (iii) all utilities for the Common Area, and (iv) periodic inspections of the drain valves, hydrants and fire pumps on the Property. The cost of the services to be provided by Landlord described in this Section 2.9 shall constitute Operating Expenses.

2.10 If Tenant shall fail to pay, within ten (10) days of the date when the same is due and payable, any rent or other charge pursuant to this Lease (including, without limitation, basic annual rent, or additional rent), Tenant shall upon demand pay Landlord a late charge of five (5%) percent of the amount past due, or, if such late charge

shall exceed the maximum late charge permitted by law, the Tenant shall pay the maximum late charge permitted by law. Additionally, such amounts not paid shall accrue interest at the rate of one and one-half percent (1.5%) (or the highest rate allowable by law if lower) per month until paid. Such interest shall be cumulative.

2.11 If requested by Landlord, Tenant promptly, shall install, at Tenant's expense, such electrical meters and other installations and equipment as shall be required so that the electrical current consumed in the Demised Premises may be separately metered and paid by Tenant. In the event Landlord separately meters the Common Areas, the cost of such current separately metered and consumed in connection with the Common Areas shall be included in the Operating Expenses. In the event the Demised Premises is separately metered, Tenant shall not be obligated to pay any portion of the utilities consumed in any portion of the Buildings which is leased or available for lease (other than the Demised Premises and the Common Areas), but Tenant will in such event pay its proportionate share of utilities consumed in connection with the Common Areas.

3. USE OF PREMISES: COMPLIANCE WITH LAWS

3.1 Subject to Section 3.2, the Demised Premises may be used only for office purposes and pharmaceutical development and related manufacturing, subject to and in accordance with all Legal Requirements (hereafter defined) and for no other purpose. Landlord shall not be deemed to have made any representation, warranty or agreement that any such use by Tenant or all or any of the Property shall be or remain lawful or otherwise permitted under any Legal Requirements.

3.2 Tenant shall not use or occupy or permit anything to be done in or on the Demised Premises or the Property, in whole or in part, in a manner which would in any way violate any certificate of occupancy affecting the Demised Premises or the Property, make void or voidable any insurance then in force with respect thereto, or which may make it more costly or impossible to obtain fire or other insurance thereon, cause or be apt to cause structural or other material injury to the Buildings or any part thereof, constitute a public or private nuisance, or which may violate any present or future, ordinary or extraordinary, foreseen or unforeseen Legal Requirements or Insurance Requirements, (hereinafter defined). In addition, Tenant shall not allow any animals to be kept on the Premises or use or allow the Demised Premises to be used for residential or dwelling purposes.

3.2.1 Landlord acknowledges that Tenant requires a clean environment to operate its business. Accordingly, Landlord agrees to amend the Rules and Regulations for the Property to prohibit all tenants from bringing live animals, dead animals, animal parts or animal refuse and waste into any part of the Production Building, including the Common Areas and leased areas in the Production Building; provided, however, that such prohibition shall not include any food or clothing items whatsoever.

In the event Landlord discovers or learns that any Tenant, or guest of any Tenant, has violated this provision, Landlord shall immediately notify Tenant and take all reasonable steps to eliminate the violation; provided, however, that in no event shall Landlord be liable for any damage caused by any tenant's failure to comply with such Rules and Regulations and in no event shall Landlord be obligated by this Section 3.2.1 to evict any other tenant.

3.3 Tenant shall, at its expense, promptly comply or cause compliance with, and not jeopardize or make more costly Landlord's compliance with (but it being agreed that except as may otherwise be expressly set forth to the contrary in this Lease, compliance with the following shall be the obligation of Tenant at Tenant's expense):

3.3.1 the requirements of every statute, law, ordinance, regulation, rule, requirement, order or directive, including but not limited to the Americans with Disabilities Act of 1990, now or hereafter made by any federal, state, city or county government or any department, political subdivision, bureau, agency, office or officer thereof, or of any other governmental authority having jurisdiction with respect to and applicable to (i) the Demised Premises, (ii) the condition, equipment, maintenance, use or occupation of the Demised Premises, including, without limitation, such of the foregoing applicable to the making of any alteration or addition in or to any structure appurtenant thereto and to pollution and environmental control, and (iii) subtenants of Tenant (all of the foregoing being herein referred to as "Legal Requirements"), and

3.3.2 the rules, regulations, orders and other requirements of the National and any local Board of Fire Underwriters, or other body having the same or similar functions and having jurisdiction of and which are applicable to, the Demised Premises and of any liability, fire or other insurance policy which Tenant or Landlord is required hereunder to maintain (herein referred to as "Insurance Requirements"), whether or not such compliance involves changes in the use of the Demised Premises or any part thereof, or be required on account of any particular use to which the Demised Premises, or any part thereof may be put, and whether or not any such Legal Requirements or Insurance Requirements be of a kind not now within the contemplation of the parties hereto.

4. REPRESENTATIONS BY TENANT AND LANDLORD

4.1 Tenant covenants and agrees that it will accept the Demised Premises in its existing "as is" state or condition as of the Commencement Date and without any representation or warranty, express or implied, in fact or by law, by Landlord or its agents and without recourse to Landlord or its agents, as to the nature, condition, or usability thereof, or the use or occupancy which may be made thereof, except as may be otherwise specifically provided in this Lease.

4.2 Landlord agrees that it will not establish any new air vents within twenty (20) feet of Tenant's air intakes on the roof without prior notice to Tenant.

4.3 Nothing, in this Lease shall limit or restrict the right of the Landlord, from time to time, and in the Landlord's sole discretion, to execute, enter into, amend, modify, terminate and/or cancel any leases or occupancy agreements respecting the Property (or any parts thereof), other than this Lease, nor shall any such acts or actions by Landlord give rise to any right or remedy in favor of Tenant.

5. INSURANCE

5.1 During the Term, Tenant, at Tenant's sole cost and expense, shall carry and maintain:

5.1.1 Commercial general public liability insurance, including property damage liability coverage, protecting and indemnifying Tenant, Landlord (and naming Landlord, its managing agent and the holder of any mortgage encumbering the Property as additional insured thereon) and any designee of Landlord against any and all claims for damages to person or property, or for loss of life or of property occurring in or about the Demised Premises or arising out of the ownership, maintenance, use or occupancy thereof or from any of the matters indicated in Section 12 or elsewhere in this Lease against which Tenant is required to indemnify Landlord. The coverage limits of the policy shall be those amounts reasonably requested by Landlord but at least $1,000,000 Combined Single Limit.

5.1.2 All policies of insurance carried by Tenant pursuant to this Lease shall name as insureds Landlord, and if required, any fee mortgagee or other designee of Landlord, as their respective interests may appear; provided, however, that rent insurance, if any, shall be carried solely in favor of Landlord. To the extent Landlord receives and applies proceeds of rent insurance, if any, Tenant shall receive a credit against fixed rental payable hereunder. Subject to the rights of any fee mortgagee, all losses made under the policy or policies shall be adjusted by Landlord and the proceeds thereof shall be payable to the Landlord. The originals or duplicate originals of such policies or certificates shall be delivered to Landlord except when such originals or duplicate originals are required to be held by any fee mortgagee, in which case certificates of insurance shall be delivered to Landlord. Policies or certificates with respect to renewal policies shall be delivered to Landlord by Tenant (i) initially not later than the Commencement Date and (ii) thereafter not less than 30 days prior to the expiration of the original policies, or succeeding renewals, as the case may be, in each case together with receipts or other evidence that the premiums thereon have been paid for at least six months. In the event the Tenant is not able to deliver the insurance policies or certificates prior to the renewal date as aforesaid, the Tenant may deliver binders in lieu of such policies or certificates to the Landlord; provided, however, that the insurance

policies or certificates shall be delivered within sixty (60) days after the expiration of the original policies or succeeding renewals but in no event later than fifteen (15) days prior to the expiration date of the binder. Premiums on policies shall not be financed in any manner whereby the lender, on default or otherwise, shall have the right or privilege of surrendering or canceling the policies, provided, however, that Tenant may pay premiums in quarter or semi-annual installments so long as such method of payment does not constitute a default under any fee Mortgage. Each policy of insurance required under this program shall have attached thereto an endorsement that such policy shall not be canceled or modified without at least thirty (30) days prior written notice to the Landlord, and, if required, to any fee mortgagee. Each such policy shall contain a provision that no act or omission of Tenant shall affect or limit the obligation of the insurance company to pay the amount of any loss sustained and a provision waiving any right of the insured against the Landlord. All insurance required to be carried by Tenant under this Lease shall be effected under valid and enforceable policies issued by insurers which are licensed to do business in the State of Washington and have been approved in writing by Landlord (which approval Landlord agrees not to unreasonably withhold).

5.1.3 Fire and extended coverage insurance covering Tenant's personal property, improvements and alterations, against loss or damage by fire and other risks now or hereafter embraced by "all risk" coverage, with vandalism and malicious mischief endorsements, to the extent of at least 90% of then full replacement values. The proceeds from any such policy shall be used by Tenant for the replacement of personal property or the restoration of Tenant's improvements or alterations.

5.1.4 Worker's compensation insurance as required by Legal Requirements.

5.2 Landlord and Tenant hereby release each other and each other's officers, directors, shareholders, principals, employees and agents, from liability or responsibility for any loss or damage to property covered by valid and collectible fire insurance with standard extended coverage endorsement, whether such insurance is carried by Tenant or any other tenant or occupant of the Property, or any part thereof. This release shall apply not only to liability and responsibility of the parties to each other, but shall also extend to liability and responsibility for anyone claiming through or under the parties by way of subrogation or otherwise. This release shall apply even if the fire or other casualty shall have been caused by the fault or negligence of a party or anyone for whom a party may be responsible. However, this release shall apply only with respect to loss or damage actually recovered from an insurance company. This release shall not apply to loss or damage of property of a party unless the loss or damage or personal injury occurs during the times the fire or extended coverage insurance policies of a party contain a clause or endorsement to the effect that any release shall not adversely affect or impair the policies or prejudice the right of the party to recover thereunder. Landlord and Tenant each agree that any fire and extended coverage insurance policies covering the

Property or contents shall include this clause or endorsement as long as the same shall be obtainable without extra cost, or if extra cost shall be charged therefor, so long as the other party pays the extra cost. If extra cost shall be chargeable, the party whose policy is subject to the extra cost shall advise the other thereof, and of the amount of the extra cost. Tenant shall also obtain the agreement of its worker's compensation insurance carrier to waive all right of subrogation against Landlord.

5.3 No policy furnished by Tenant pursuant to Section 5.1 shall have a deductible or self-insured retainage amount in excess of $10,000, except that public liability insurance may have a deductible of up to $50,000, fire and extended coverage may have a deductible of up to $50,000, and earthquake coverage may have a deductible of up to $ 100,000.

6. DAMAGE OR DESTRUCTION

6.1 Tenant shall immediately give notice to Landlord of every case of fire, explosion, destruction or damage by the elements or other casualty.

6.2 If at any time during the Term, the Demised Premises shall be damaged in whole or in material part, or wholly or partially destroyed, by fire or other casualty (including any casualty for which insurance coverage was not obtained) of any kind or nature, regardless of whether said damage or destruction resulted from an act of God, the fault of the Tenant, the Landlord, or from any cause whatsoever, then, in that event neither party shall be required to replace, repair or rebuild the damaged or destroyed improvements (except that Tenant shall be required to turn over to Landlord the insurance proceeds payable in connection with such damage or destruction); provided, however, that if the damage or destruction results from the sole or partial fault of Tenant and is not fully covered by insurance or the insurance proceeds received by the Landlord are insufficient therefor, the Tenant shall be required to replace, repair or rebuild the damaged or destroyed improvements to substantially their condition prior to the casualty event.

6.3 Upon thirty (30) days written notice of the casualty event, the Landlord shall have the option, to (i) replace, repair and rebuild any and all damaged or destroyed improvements, or (ii) to terminate this Lease as of a specified date, in which latter event all rent shall be apportioned as of the date of such damage or destruction, and this Lease shall terminate as of the specified date, but all insurance proceeds shall be paid to Landlord as aforesaid, and Tenant shall remain obligated under Section 6.2 in the event the insurance proceeds are insufficient to fully replace, repair or rebuild. In the event Landlord proceeds to replace, repair and rebuild, this Lease shall not terminate, Landlord shall cause the Demised Premises and the Common Areas to be repaired or restored to the extent insurance proceeds are available to the Landlord as speedily as its good faith efforts will allow, and there shall be a proportional abatement of the basic and additional

rent reserved under this Lease during such period as the Demised Premises remain untenantable based on the extent to which the Demised Premises are untenantable. Tenant shall also have the option to terminate this Lease effective as of the date of the damage or destruction, in the event: (a) a portion of the Demised Premises which is material to Tenant's operations have been damaged or destroyed and are untenantable, and Landlord shall not provide to Tenant within 120 days after the date of damage or destruction substitute space of reasonably equivalent size and functionality (either on a temporary or permanent basis), and (b) (x) the damaged or destroyed portion of the Demised Premises cannot reasonably be repaired within 120 days of such date as set forth in an opinion to that effect of an architect or engineer retained by Tenant (at its expense) and reasonably acceptable to Landlord, (y) Landlord shall not give written notice of Landlord's election under clause (i) above within the specified thirty (30) day period, or (z) Landlord, after having elected to repair, shall not restore the Demised Premises substantially to its condition prior to the event causing the damage or destruction. Tenant's options to terminate shall be exercised by written notice to Landlord within 45 days of the casualty event, with respect to clauses (x) and (y) and within 135 days after the date of such damage or destruction with respect to clause (z).

6.4 Tenant agrees that the foregoing provisions are in lieu of any other rights or remedies that Tenant may have against Landlord pursuant to the laws of the State of Washington in the event of any damage or destruction to all or any part of the Demised Premises or any other portion of the Property.

7. CONDEMNATION

7.1 If the whole of the Demised Premises shall be taken under the power of eminent domain by any public or private authority or in the event of sale to such authority in lieu of formal proceedings of eminent domain, then this Lease shall cease and terminate as of the date of such taking or sale, which date is defined, for all purposes of this Section 7, as the date the public or private authority has the right to possession of the property being taken or sold.

7.2 In the event of any taking or sale of all or any part of the Demised Premises, the entire proceeds of the award or sale shall be paid to Landlord, and Tenant shall have no right to any part thereof except to the extent of any tenant improvements which are owned by Tenant and for which Tenant makes a timely claim to the condemning authority, installed in accordance with Section 10.2 as depreciated over the term of the Lease, provided, however, that nothing contained herein shall be construed to prevent Tenant from recovering any allowance for its personal property or for moving expenses which the law permits to be made to tenants, so long as such allowance does not diminish the award paid to Landlord.

7.3 If any public or private authority shall, under the power of eminent domain, make a taking, or should a sale in lieu thereof occur of less than the whole of the Demised Premises, then Landlord may, at its election, terminate this Lease by giving Tenant written notice of the exercise of its election within twenty (20) days after the nature and extent of the taking or sale have been finally determined. In the event of termination by Landlord under the provisions of this Section 7.3, this Lease shall cease and terminate as of the date of such taking or sale. If Landlord does not so terminate this Lease, subject to Section 7.5, this Lease shall continue in full force and effect.

7.4 In the event of a partial taking or sale not resulting in a termination of this Lease pursuant to Section 7.3, Landlord shall, if Landlord's fee mortgagee consents thereto, effectuate all such repairs and restoration as are necessary to restore the Demised Premises for the operation of Tenant's business, to the extent net proceeds of the award or sale are available, but nothing contained herein shall be construed so as to require Landlord to pay any cost of repair in excess of the net proceeds of the award or sale price received from the condemning authority and allocable to the Demised Premises. In such case, as of the date of the taking, the basic and additional rent reserved hereunder shall be reduced, but only until such time as Landlord completes its repair or restoration in accordance herewith, by an amount that is in the same ratio to the rental then in effect as the value of the portion of the Demised Premises taken or sold bears to the total value of the Demised Premises immediately before the date of taking or sale. If the net proceeds of the award or sale are not sufficient to repair or restore the Demised Premises, Tenant may, at its own expense, complete such repairs or restoration, in accordance with the terms of this Lease.

7.5 Tenant shall have the option, to be exercised by written notice to Landlord within fifteen (15) days after such taking or sale, to terminate this Lease in the event (i) more than 20% of the square footage of the Demised Premises is taken in condemnation, or (ii) the Lease continues notwithstanding a partial condemnation of more than 20% of the square footage of the Demised Premises and within 120 days after the condemnation, Landlord does not restore the Demised Premises substantially to their condition prior to the condemnation.

7.6 The taking of the Demised Premises or any part thereof by military or other public authority shall constitute a taking of the Demised Premises under the power of eminent domain only when the use and occupancy by the taking authority has continued for longer than 90 consecutive days. During the 90-day period all the provisions of this Lease shall remain in full force and effect, except that rental reserved (but not the additional rent) shall be abated during such period of taking based on the extent to which the taking interferes with Tenant's use of the Demised Premises. Landlord shall be entitled to whatever award may be paid for the use and occupation of the Demised Premises for the period involved.

8. SUBORDINATION, ATTORNMENT, ESTOPPEL CERTIFICATE

8.1 This Lease is and shall be subject and subordinate in all respects to all bona fide mortgages which may now or hereafter affect the Property, to each and every advance made or hereafter to be made under such mortgages, and to all renewals, modifications, consolidations, replacements, and extensions of such mortgages irrespective of the date of the execution and/or recording thereof (provided, however, that Landlord shall use its good faith efforts to obtain from such mortgagee a non-disturbance agreement as described in the last sentence of this Section 8.1). This Section 8.1 shall be self-operative and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant agrees, without payment to Tenant of any consideration therefor, to execute and deliver any instrument that Landlord or the holder of any such mortgage or any of their respective successors in interest may request to evidence such subordination within ten (10) days of request. Tenant hereby irrevocably appoints Landlord its attorney in fact to execute such instrument on behalf of Tenant, should Tenant refuse or fail to do so promptly after request. The mortgages to which this Lease is, at the time referred to, subject and subordinate shall sometimes be collectively called "superior mortgage." Landlord shall, upon the request of Tenant, use its good faith efforts to obtain a non-disturbance agreement from the holder of any superior mortgage, to the effect that in the event of the foreclosure of the superior mortgage Tenant's possession of the Demised Premises shall not be disturbed provided that Tenant shall not be in default under this Lease, provided, however, (1) Landlord (i) shall not be required to incur any costs or liabilities in connection therewith, and (ii) shall not have any liability to Tenant if Landlord shall fail to procure such agreement, and (2) this Lease and the obligations of Tenant shall not be affected should Landlord fail to procure such agreement despite such good faith efforts.

8.2 In the event of any act or omission of Landlord which would give Tenant the right, immediately or after lapse of a period of time, to cancel or terminate this Lease, or to claim a partial or total eviction, Tenant shall not exercise such right: (i) until it has given written notice of such act or omission to the holder of each superior mortgage whose name and address shall previously have been furnished to Tenant in writing, and (ii) unless such act or omission shall be one which is not capable of being remedied by Landlord or such mortgage holder within thirty (30) days, until a thirty (30) day period for remedying such act or omission shall have elapsed following the giving of such notice, provided such holder shall with due diligence give Tenant written notice of intention to, and commence and continue to, remedy such act or omission.

8.3 If the holder of a superior mortgage shall succeed to the rights of Landlord, then at the request of such party so succeeding to Landlord's rights ("Successor Landlord") and upon such Successor Landlord's written agreement to accept Tenant's attornment, Tenant shall attorn to and recognize Successor Landlord as Tenant's landlord under this Lease and shall promptly, without payment to Tenant of any consideration

therefor, execute and deliver any instrument that such Successor Landlord may request to evidence such attornment. Tenant hereby irrevocably appoints Landlord or Successor Landlord the attorney-in-fact of Tenant to execute and deliver such instrument on behalf of Tenant, should Tenant refuse or fail to do so promptly after request. Upon such attornment, this Lease shall continue in full force and effect as, or as if it were, a direct lease between Successor Landlord and Tenant upon all of the terms, conditions, and covenants as are set forth in this Lease and shall be applicable after such attornment, except that Successor Landlord shall not: (i) be obligated to repair, restore, replace, or rebuild the Property, in case of total or substantially total damage or destruction, beyond such repair, restoration or rebuilding as can reasonably be accomplished with the net proceeds of insurance actually received by, or made available to, Successor Landlord; (ii) be liable for any previous act or omission of Landlord; (iii) be subject to any prior defenses or offsets; (iv) be bound by any modification of this Lease not expressly provided for in this Lease or by any previous prepayment of more than one month's rent, unless such modification or prepayment shall have been expressly approved in writing by the holder of the superior mortgage through or by reason of which Successor Landlord shall have succeeded to the rights of Landlord; or (v) be liable for the performance of Landlord's covenants and agreements contained in this Lease to any extent other than to Successor Landlord's ownership in the Property, and no other property of Successor Landlord shall be subject to levy, attachment, execution or other enforcement procedure for the satisfaction of Tenant's remedies.

8.4 In the event that a bona fide institutional lender shall request reasonable modifications to this Lease, then Tenant shall not unreasonably withhold, condition or delay its written consent to such modifications provided that the same do not, in Tenant's reasonable judgment (and Tenant shall not demand the payment to Tenant of any consideration for consent thereto), increase the obligations of Tenant hereunder or materially adversely affect Tenant's operations or leasehold interest hereby.

8.5 Tenant agrees, at any time, (and without payment to Tenant of any consideration therefor), upon not less than ten (10) days' prior notice by Landlord, to execute, acknowledge and deliver to Landlord, (i) a current certified income statement and balance sheet of Tenant and (ii) a statement in writing addressed to Landlord (and/or Landlord's designee) certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), stating the dates to which the rent has been paid, stating such other information concerning this Lease and Tenant's tenancy as Landlord reasonably shall request, and stating whether or not there exists any default in the performance by Landlord of any term, covenant or condition contained in this Lease and, if so, specifying each such default, it being intended that any financial reports and such statement delivered pursuant to this Section 8.5 may be relied upon by Landlord and by any mortgagee or prospective mortgagee of any mortgage affecting the Property or any purchaser or prospective purchaser of the Property. When so requested by Landlord, such

statement shall be submitted in writing under oath by a person or persons having knowledge of the statements made therein.

9. REPAIRS, MAINTENANCE, ALTERATIONS, ETC.

9.1.1 Except as otherwise expressly provided in this Lease, Tenant at its cost shall maintain, repair and replace or improve as needed, all portions of the Demised Premises (while Tenant is occupying same as permitted hereunder), and the Landlord shall not be required to furnish any services or facilities or to maintain or make any repairs, replacements, improvements or alterations in or to the Demised Premises. Tenant shall be responsible for and shall pay all costs for adding any additional power supply requirements to the Property in excess of 707.5 kva, the current power supply available to the Property.

9.1.2 Landlord shall (subject to reimbursement by Tenant of Operating Expenses) be responsible for maintenance, repairs or replacement of the roof, HVAC systems (except any HVAC equipment installed by or exclusively for Tenant), and elevator systems, unless the same is occasioned by the acts or omissions of Tenant, its agents, employees, guests, licensee, invitees, guests, subtenants (if any), subtenants, assignees, successors or independent contractors, in which event Tenant shall be responsible for such repairs, maintenance or replacement.

9.2 Landlord shall not be liable for any failure of water supply, gas or electric current or of any utility or for any injury or damage to person or property caused by or resulting from gasoline, oil, steam, gas, electricity, or hurricane, tornado, flood, wind or similar storms or disturbances, or water, rain or snow which may leak or flow from the street, sewers, gas mains or any sub-surface area or from any part of the Property, or leakage of gasoline or oil from pipes, appliances, sewer or plumbing works therein, or from any other place, or for interference with light or other incorporeal hereditaments by anyone, or caused by operations by or of any public or quasi-public work.

9.3 Tenant shall have the right to make, at its sole cost and expense, additions, alterations and changes (collectively, "Alterations") in or to the Demised Premises, provided Tenant shall not then be in default in the performance of any of the covenants in this Lease, subject to the following conditions:

9.3.1 No Alterations shall be commenced except after fifteen (15) days' prior written notice to Landlord, which shall include reasonably detailed final plans and specifications and working drawings of the proposed Alterations and the name of the contractor.

9.3.2 No Alterations costing in excess of $25,000 (and no Alterations which, when aggregated with all other Alterations, proposed or performed during the Term shall exceed $50,000) and no structural or Building system or exterior Alterations, or Alterations affecting any Common Area, regardless of cost, shall be made without the prior written consent of Landlord, which shall not be unreasonably withheld as to interior, non-structural, non-Building system Alterations.

9.3.3 No Alterations shall be undertaken until Tenant shall have procured and paid for, so far as the same may be required from time to time, all permits and authorizations of all governmental authorities having jurisdiction, and shall have provided to Landlord evidence substantiating to Landlord's reasonable satisfaction that such permits and authorizations have issued.

9.3.4 All Alterations shall be made promptly (unavoidable delays excepted), in a good and workmanlike manner and in compliance with all applicable permits, authorizations and all Legal Requirements and all Insurance Requirements.

9.3.5 Anything in this Lease to the contrary notwithstanding, no Alterations shall be made by Tenant if they reduce the value or serviceability of the Property, increase the risk of casualty or the cost of insurance or increase the risk of environmental pollution.

9.3.6 Before commencing the Alterations and at all times during construction, Tenant's contractor shall maintain builder's risk insurance coverage satisfactory to Landlord.

9.3.7 During the initial build-out, any contract between Tenant and a general contractor for such project shall include a provision that Landlord may enforce the completion guaranties against the contractor if Tenant fails to do so.

9.3.8 If the estimated cost of the Alterations exceeds $100,000, Tenant at its cost shall furnish to Landlord a performance and completion bond issued by an insurance company qualified to do business in Washington and reasonably acceptable to Landlord, in a sum equal to the cost of the Alterations (as determined by the construction contract between Tenant and its contractor) guaranteeing the completion of the Alterations free and clear of all liens and other charges, and in accordance with the plans and specifications. Landlord will waive the requirement of a performance and completion bond upon receipt of performance guarantees satisfactory to lender in its reasonable discretion. Landlord shall waive the requirement of a bond if the Tenant places cash or its equivalent equal to twenty percent (20%) of the estimated costs of the Alterations in escrow. Upon proof of lien releases, the escrowed funds shall be returned to Tenant with interest upon either (a) substantial completion of the Alterations or (b) restoration of the Leased Premises to the condition they were in prior to commencement

of such alterations. The requirements of this Section 9.3.8 shall not apply to the initial build-out described in Section 9.3.7.

9.4 All Alterations, whether temporary or permanent in character, which may be made upon the Demised Premises either by Landlord or Tenant, except furniture, trade fixtures or equipment (other than HVAC equipment) installed at the expense of Tenant, shall be the property of Landlord and shall remain upon and be surrendered with the Demised Premises as a part thereof at the expiration or any termination of this Lease, without compensation to Tenant; provided, however, Landlord may elect within thirty (30) days before the expiration of the Term, or within five (5) days after termination of the Term, to require Tenant, at Tenant's cost, to remove all or any portion of nonbuilding standards or non-approved Alterations that Tenant has made to the Demised Premises at any time before or during the Term. If Landlord so elects, Tenant at its cost shall restore the Demised Premises to the condition designated by Landlord in its election, and repair any damage caused by the removal of Alterations, before the last day of the Term, or within thirty (30) days after notice of election is given, whichever is later. This Section shall survive the expiration or termination of this Lease.

9.5 Notwithstanding Section 9.4, all fixtures and personal property owned and installed by Tenant, except all HVAC equipment, casework (including lab benches and sinks), all walls and items inside the walls, all items above the grid, all plumbing conduit equipment, all electrical conduit equipment and all air handling equipment, shall be and remain the property of Tenant and may be removed by Tenant at the expiration of this Lease.

9.6 If Tenant is not then in default of any provisions of this Lease, Tenant shall have the right to remove from the Demised Premises immediately before the expiration of the Term, or within twenty (20) days after the sooner termination of the Term, any trade equipment and other equipment (not including any building equipment) and furniture, which has been affixed to the Demised Premises by Tenant, as long as Tenant at its cost promptly restores any damage caused by the removal.

10. IMPROVEMENTS/TENANT'S WORK

10.1 Landlord shall have no obligation to perform, or contribute to the payment for any construction, alterations or improvement, fitting or fixturing to the Demised Premises to prepare same for use or occupancy by Tenant or otherwise, except as expressly provided in Section 10.2 below.

10.2 If Tenant desires to do any work ("Tenant's Work") with respect to the Demised Premises, including any repairs, replacements or improvements or alterations, such work shall be undertaken by Tenant, at Tenant's sole cost and expense

and shall include structural reinforcement, enclosure and screening as required by Landlord.

10.3 Subject to review and approval by Landlord as set forth herein, Tenant may install the following:

(a) A security system in the Premises, including a restricted common access on both the passenger and freight elevators to the third floor (Tenant shall work reasonably with Landlord to utilize the existing security in the Buildings

(b) Three (3) 350 kva backup generators at a location adjacent to or on the roof of the Building, mutually agreeable to Landlord and Tenant.

(c) Additional air handling units on the roof above the Demised Premises.

11. ASSIGNMENT, SUBLETTING AND MORTGAGING

11.1 Neither Tenant, nor Tenant's successors or assigns, shall (unless expressly permitted to do so) assign, mortgage, pledge or encumber this Lease, in whole or in part, or sublet the Demised Premises, in whole or in part, or permit the same or any portion thereof to be used or occupied by others, or enter into a management contract or other arrangement whereby the Demised Premises shall be managed and operated by anyone other than the then owner of Tenant's leasehold estate, nor shall this Lease be assigned or transferred by operation of law, without the prior consent in writing of Landlord in each instance. If this Lease be so assigned or transferred, or if all or any part of the Demised Premises be sublet or occupied by anybody other than Tenant, Landlord may collect rent from the assignee, transferee, subtenant or occupant, and apply the net amount collected to the rent reserved herein, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any agreement, term, covenant or condition of this Lease, or the acceptance of the assignee, transferee, subtenant or occupant as tenant, or a release of Tenant from the performance or further performance by Tenant of the terms, covenants and conditions of this Lease, and Tenant shall continue to be liable under this Lease. The consent by Landlord to an assignment, mortgage, pledge, encumbrance, transfer, management contract or subletting shall not be construed to relieve Tenant from obtaining the express consent in writing of Landlord to any further assignment, mortgage, pledge, encumbrance, transfer, management contract or subletting. Landlord shall have the right to reasonably withhold its consent to an assignment or subletting (except as provided in Section 11.5), mortgage, pledge or other encumbrance. Notwithstanding anything to the contrary herein contained, an assignment of this Lease shall include, without limitation the following: (a) if Tenant shall be a corporation and fifty percent (50%) or more of its voting stock or all or substantially all its assets shall be sold, mortgaged, assigned, pledged, encumbered or otherwise transferred (other than as

collateral security for a bona fide loan to a bona fide lender or in a public stock offering) (and whether in one (1) single transaction or in more than one (1) successive transaction); or (b) if Tenant shall be a partnership, limited liability company, joint venture, syndicate or other group and all or any portion of the interest of any partner, member or other equity holder shall be sold or otherwise transferred (however this provision shall not, as to a corporation or other entity whose stock or other equity interests are publicly traded on a recognized stock exchange, be applicable to sales of stock or other equity interests on such stock exchange).

11.2 If Tenant shall desire to assign this Lease or sublet all or a portion of the Premises, Tenant shall submit to Landlord a written request for Landlord's consent to such assignment or subletting, which request shall include the following information: (a) the name and address of the proposed assignee or subtenant; (b) in the case of a proposed subletting, a description identifying the space to be sublet and the term of such subletting; (c) the nature and character of the business of the proposed assignee or subtenant; (d) in the case of a proposed assignment, a current financial statement of the proposed subtenant or assignee; and (e) the proposed assignment or sublease.

11.3 Tenant, within twenty (20) days of its receipt of Landlord's request therefor, shall reimburse Landlord for all reasonable out-of-pocket costs incurred by Landlord in considering whether or not to consent, including reasonable attorney's fees and disbursements and the reasonable costs of making investigations regarding the proposed subtenant or assignee. In the event Landlord grants its consent, but before the subtenant or assignee shall take possession, Tenant shall deliver to Landlord a fully-executed counterpart of the sublease or instrument of assignment.

11.4 If Tenant shall sublease any portion of the Premises or assign this Lease, Tenant shall pay to Landlord one hundred percent (100%) of any consideration received by Tenant (net of reasonable costs incurred by Tenant to effect any such assignment or sublet, such as advertising, brokerage, legal and construction expenses and the reasonable agreed then value of Tenant's Improvements to the space amortized over the remaining Term (both initial and renewal) of this Lease) from the subtenant or assignee, as the case may be, to the extent such consideration exceeds the Basic Annual Rent and Additional Rent payable hereunder.

11.5 Notwithstanding the provisions of Section 11.1 to the contrary:

(a) Tenant, with the prior consent of Landlord but subject to all terms and provisions of this Lease (including, without limitation, the permitted use of the Demised Premises under this Lease), may assign this Lease to an Affiliate of Tenant, as hereafter defined, provided such assignee remains an Affiliate of Tenant for the remainder of the term of this Lease, as same may be renewed or extended. The term "Affiliate" shall mean any corporation which controls, is controlled by, or is under

common control with Tenant ("control" means ownership of more than fifty percent (50%) of the beneficial interest thereof).

(b) Any assignment pursuant to the provisions of this Section 11.5 shall be conditioned upon: (i) not later than twenty (20) days prior to the effective date of the assignment the delivery by Tenant to Landlord, of (1) a notice to Landlord of such assignment, setting forth the name and address of such assignee, and the facts which, pursuant to this Section 11.5, allow Tenant to assign this Lease without the consent of Landlord, and (2) a fully executed counterpart of such assignment, which shall provide, among other things, that the assignee fully assumes all liabilities and obligations of Tenant in respect of the Lease from and after the effective date of such assignment (without thereby releasing or relieving Tenant of or from any such liabilities and obligations in any way), and which otherwise must be in form and substance reasonably acceptable to Landlord, and (ii) the delivery by Tenant to Landlord, not later than ten (10) days after request therefor by Landlord, and in any event prior to the effective date of the assignment, of such other documentation respecting the business and identity of the assignee as the Landlord reasonably may request.

(c) Any subletting pursuant to the provisions of this Section 11.5 shall be automatically subject to all of the terms and provisions of this Lease (including, without limitation, the permitted use of the Demised Premises under this Lease) and shall be conditioned upon, inter alia, (i) the delivery by Tenant to Landlord, not later than twenty (20) days prior to the effective date of the sublease, of a notice to Landlord requesting consent to such sublease, setting forth the name and address of the subtenant, and the nature of the business of the subtenant, and (ii) the delivery by Tenant to Landlord, not later than ten (10) days after request therefor by Landlord, and in any event prior to the effective date of the sublease, of such other documentation respecting the business and identity of the subtenant as the Landlord reasonably may request. No such subletting will in any way release or relieve Tenant from any obligations or liabilities under this Lease.

11.6 Notwithstanding any assignment of this Lease or subletting of all or any part of the Demised Premises, whether made with or without Landlord's consent, the Tenant originally named herein, and each successor Tenant, shall be and remain jointly and severally liable for all obligations of Tenant hereunder.

12. INDEMNITY

Notwithstanding that joint or concurrent liability may be imposed upon Landlord by statute, ordinance, rule, regulation, order, or court decision, Tenant shall, notwithstanding any insurance furnished pursuant hereto or otherwise, indemnify, protect, defend and hold harmless Landlord from and against any and all liability, fines, suits, claims, obligations, damages, losses, penalties, demands, actions and judgments,

and costs and reasonable expenses of any kind or nature (including reasonable attorneys' fees), by anyone whomsoever, arising after or relating to or accruing during the period after the date hereof and due to or arising out of:

12.1 any work or thing done in, on or about the Demised Premises or the Common Area or any part thereof by Tenant or anyone claiming through or under Tenant or the respective employees, agents, licensees, contractors, servants or subtenants of Tenant or any such person;

12.2 any use, possession, occupation, operation, maintenance or management of the Demised Premises or any part thereof, or the Common Area or any part thereof by Tenant, including, without limitation, any air, land, water or other pollution caused by Tenant;

12.3 any negligence or wrongful act or omission on the part of Tenant or any person claiming through or under Tenant or the respective employees, agents, licensees, Invitees, guests, subtenants (if any), contractors, servants or subtenants of Tenant or any such person;

12.4 any accident or injury to any person (including death) or damage to property (including loss of property) occurring in or on the Demised Premises or any part thereof or the Common Area or any part thereof and arising from actions or omissions of Tenant or the employees, agents, licensees, invitees, guests, subtenants (if any) contractors, servants or subtenants of Tenant;

12.5 any failure on the part of Tenant to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in this Lease; and

12.6 any failure on the part of Tenant to perform or comply with Legal Requirements or Insurance Requirements.

In case any claim, action or proceeding is raised or brought against Landlord (and/or any of the other indemnified parties above described) by reason of any of the foregoing, Landlord, shall promptly provide notice of such action or proceeding to Tenant. No delay by Landlord in giving such notice to Tenant shall in any way impair, waive or affect the obligations of Tenant to indemnify, defend, and hold harmless Landlord except to the extent of actual prejudice to Tenant arising solely and directly from such delay. Tenant, at Tenant's expense, thereupon shall assume and, through competent counsel, diligently conduct the defense of such claim, action or proceeding. Upon such assumption by Tenant, Landlord, at the expense of Tenant, shall cooperate with Tenant in all reasonable respects in the conduct of such defense. The duty of Landlord to cooperate shall (to the extent reasonable) include, but not be limited to, at the

expense of Tenant, making available then present employees of Landlord and/or its Affiliates to act as witnesses and consult with counsel, and assist in the location and production of documents. Landlord shall, to the extent reasonable, subject to such reasonable confidentiality requirements as Landlord may impose, and at the cost of Tenant (including without limitation reproduction costs), make available to Tenant the books and records of Landlord relevant to the proceedings. The obligations of Tenant shall include but not be limited to, taking all steps necessary or appropriate to the defense or settlement of such claim, action, proceeding or litigation. Provided that Tenant has performed and is performing its obligations pursuant to this Section 12, Landlord may participate, through counsel of Landlord's choice, at Landlord's expense, in the defense of any such claim, action, proceeding or litigation, but Tenant shall direct and control the defense thereof Tenant or its counsel shall keep Landlord apprised at all times of the status of the action or proceeding. The establishment of limits of coverage for the insurance required by Section 5 shall not serve in any way to limit Tenant's obligations pursuant to this Section 12. Anything herein to the contrary notwithstanding, (i) Tenant shall not enter into or consent or agree to the settlement of any claim, litigation, action, or suit respecting which for Tenant is obligated to indemnify, or defend Landlord pursuant hereto, without the express prior written consent of Landlord, in Landlord's sole discretion, unless, in each such case (as demonstrated to the reasonable satisfaction of Landlord): (1) Tenant has and does fully and completely indemnify and hold Landlord harmless from and against all liability, fines, suits, claims, obligations, damages, losses, penalties, demands, actions and judgments, and costs and reasonable expenses of any kind or nature (including reasonable attorneys' fees), by anyone whomsoever, resulting from or arising, out of such settlement: and (2) Landlord is fully released from all liability, fines, suits, claims, obligations, damages, losses, penalties, demands, actions and judgments, and costs and reasonable expenses of any kind or nature respecting such claim, litigation, action, or suit, and (3) such settlement shall not in any manner adversely affect the Property, or the use, development, maintenance, repair or occupancy thereof, and (ii) Tenant shall not issue, disseminate, distribute or publish, or agree to, consent to, or approve, any statement or press release in connection with such settlement, without the prior written consent of Landlord, which shall not be unreasonably withheld. The provisions of this Section 12 shall survive the expiration or termination of this Lease.

13. DEFAULT PROVISIONS, LANDLORD'S REMEDIES

13.1 Any of the following events ("Events of Default") shall constitute a default under this Lease:

13.1.1 Tenant's failure to pay any installment of Basic Annual Rent or any Additional Rent within five (5) days of the date on which the same was due and payable; or

13.1.2 Tenant's doing or permitting anything to be done, whether by action or inaction, contrary to any of Tenant's obligations pursuant to this Lease, or otherwise any breach of this Lease or failure by Tenant to perform any of its obligations under this Lease (except as to the payment of rent, additional rent and the matters set forth in Sections 13.1.3, 13.1.4 and 14), and such situation, breach or failure shall continue and shall not be remedied by Tenant within thirty (30) days after Landlord shall have given to Tenant notice specifying the same; or, if the default cannot with due diligence be cured within a period of thirty (30) days and the continuance of which will not subject Landlord (or any of its directors, officers, shareholders, partners, agents or employees) to the risk of criminal or civil liability or foreclosure of any superior mortgage or any other lien on the Property, Tenant shall not promptly and diligently prosecute to completion all steps necessary to remedy the same, or

13.1.3 The occurrence of any event whereby this Lease, any interest in it, the estate thereby granted or, any portion thereof, or the unexpired balance of the Term would by operation of law or otherwise pass to any entity other than Tenant, except as expressly permitted by Section 11; or

13.1.4 Tenant vacates the Demised Premises (defined as an absence for more than fifteen (15) consecutive days without prior notice to Landlord), or Tenant abandons the Demised Premises (defined as an absence of more than five (5) days or more while Tenant is in breach of some other term of this Lease). The fact that Tenant is not in occupancy from the Commencement Date to Tenant's actual occupancy of the Demised Premises following notice to Tenant by Landlord that the Demised Premises are available for occupancy (but in no event later than 30 days following such notice) shall not be considered vacation or abandonment pursuant to this Section 3.1.4. Tenant's vacation or abandonment of the Demised Premises shall not be subject to any notice or right to cure.

13.1.5 Tenant becomes insolvent, voluntarily or involuntarily bankrupt or a received, assignee or other liquidating officer is appointed for Tenant's business.

13.1.6 Tenant's interest in the Demised Premises, or any part thereof, is taken by execution or other process of law directed against Tenant, or is taken upon or subject to any attachment by any creditor of Tenant, if such attachment is not discharged within fifteen (15) days after being levied.

13.2 Upon the occurrence of any Event of Default, the Landlord may exercise any one or more of the following remedies, in addition to all other remedies provided in this Lease and by law or in equity:

13.2.1 Landlord may recover from Tenant: (i) the worth at the time of award of the unpaid Basic Annual Rent and additional rent which had been earned at the time of termination (including interest at a default rate of eighteen percent (18%) per annum); (ii) the worth at the time of award of the amount by which the unpaid Basic Annual Rent and additional rent which would have been earned after termination until the time of award exceeds the amount of such Basic Annual Rent and additional rent loss that Tenant proves could have been reasonably avoided (including interest at a default rate of eighteen percent (18%) per annum); (iii) the worth at the time of award of the amount by which the unpaid Basic Annual Rent and additional rent for the balance of the Term after the time of award exceeds the amount of such Basic Annual Rent and additional rent loss that Tenant proves could be reasonably avoided discounting such amount by the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent (1%), and (iv) any other amount necessary to compensate Landlord for all the detriment caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom.

For purposes of computing unpaid Basic Annual Rent and additional rent for the balance of the Term pursuant to clause (iii) above, unpaid Basic Annual Rent and additional rent shall consist of the sum of (A) the total Basic Annual Rent for the balance of the Term plus (B) Tenant's obligation to pay the Operating Expenses and Taxes and such other items of additional rent specified in this Lease to be paid in whole or in part by Tenant for the balance of the Term. For purposes of computing Tenant's obligation to pay the Operating Expenses and Taxes and such other items of additional rent for the Lease Year of the Event of Default and each future Lease Year in the Term such amounts shall be assumed to be equal to the amount of additional rent that was payable by Tenant in respect of Operating Expenses and Taxes and such other items of additional rent for the Lease Year prior to, the Lease Year in which the Event of Default occurs compounded at a rate equal to the mean average rate of inflation for the three (3) Lease Years preceding the Lease Year of the Event of Default, as determined by using the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index (All Urban Consumers, all items, 1982-84 equals 100) (the "CPI") for the metropolitan area or region of which the Property is a part. If such index is discontinued or revised during the Term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the index had not been discontinued or revised. if no replacement index exists then Landlord shall select as a replacement index that index which, in Landlord's opinion, is generally recognized as the successor index.

13.2.2 Landlord may sell at public or private sale all or any part of the goods, chattels, fixtures and other personal property belonging to Tenant which are or may be put into the Demised Premises during the Term, except for Tenant's business records whether exempt or not from sale under execution or attachment (it being agreed that said property shall at all times be bound with a lien in favor of Landlord and shall be

chargeable for all rent and for the fulfillment of the other covenants and agreements herein contained) and apply the proceeds of such sale, first, to the payment of costs and expenses of conducting the sale or caring for or storing said property (including all attorney's fees), second, toward the payment of any indebtedness, including (without limitation) indebtedness for rental, which may be or may become due from Tenant to Landlord, and third, to pay Tenant, on demand in writing, any surplus remaining after all indebtedness of Tenant to Landlord has been fully paid.

13.2.3 Landlord may perform, on behalf of Tenant, any obligation of Tenant under this Lease which Tenant has failed to perform, the cost of which performance by Landlord, together with interest thereon at the Default Rate from the date of such expenditure, shall be deemed additional rent and shall be payable by Tenant to Landlord upon demand.

13.2.4 The Landlord may give the Tenant a notice (the "Termination Notice") of its intention to terminate this Lease specifying a day not less than ten (10) days thereafter, and, upon the day specified in the Termination Notice, this Lease and the term and estate hereby granted shall expire and terminate and all rights of the Tenant under this Lease shall expire and terminate, but the Tenant shall remain liable for damages as hereinafter set forth. Notwithstanding the foregoing, the Landlord may institute dispossess proceedings for non-payment of rent, distraint or other proceedings to enforce the payment of rent without giving the Termination Notice. No act by Landlord other than the giving of a Termination Notice shall terminate this Lease.

13.2.5 The Landlord may exercise any and all other legal and/or equitable rights or remedies which it may have.

13.3 Upon any such termination or expiration of this Lease, or other termination of Tenant's possession under this Lease, the Tenant shall peaceably quit and surrender the Demised Premises to the Landlord, and the Landlord or Landlord's agents and employees may without further notice immediately or at any time thereafter enter upon or re-enter the Demised Premises or any part thereof, and possess or repossess itself or themselves thereof either by summary dispossess proceedings, ejectment, any suitable action or proceeding at law, agreement, force or otherwise (without thereby creating any breach of the peace), and may dispossess and remove Tenant and all other persons and property from the Demised Premises without being liable to indictment, prosecution, or damages therefor, and may repossess the same, and may remove any persons therefrom, to the end that Landlord may have, hold and enjoy the Demised Premises again. The words "enter" or "reenter," "possess" or "repossess" as used in this Lease are not restricted to their technical legal meaning.

13.4 In the event of any breach or threatened breach by Tenant of any of the agreements, terms, covenants or conditions contained in this Lease, Landlord shall be

entitled to enjoin such breach or threatened breach and shall have the right to invoke any right and remedy allowed at law or in equity or provided in this Lease.

13.5 Each right and remedy of the Landlord provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by the Landlord of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Landlord of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

13.6 Suit or suits for the recovery of damages, or any installments thereof, may be brought by Landlord from time to time at its election, and nothing contained in this Lease shall be deemed to require Landlord to postpone suit until the date when the term of this Lease would have expired if it had not been so terminated under the provisions of this Section 13 or under any provision of law, or had Landlord not re-entered the Demised Premises. Nothing contained in this Lease shall be construed to limit or preclude recovery by Landlord against Tenant of any sums or damages to which Landlord may lawfully be entitled by reason of any default under this Lease or otherwise on the part of Tenant. Nothing contained in this Lease shall be construed to limit or prejudice the right of Landlord to prove and obtain as liquidated damages by reason of the termination of this Lease or reentry on the Demised Premises for the default of Tenant an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceeding in which, such damages are to be proved.

13.7 Upon the termination or expiration of this Lease, or other termination of Tenant's possession under this Lease due to Tenant's default, the Tenant hereby authorizes and empowers the Landlord, at the Landlord's option (without imposing any duty upon the Landlord to do so), to re-enter the Demised Premises as agent for the Tenant or any successor-occupant of the Demised Premises under the Tenant, or for its own account or otherwise, and to relet the same for any term expiring either prior to the original expiration date hereof, or simultaneously therewith, or beyond such date, and to receive rent and apply same to pay all fees and expenses incurred by the Landlord as a result of such Event of Default, including without limitation any legal fees and expenses arising therefrom, the cost of re-entry and re-letting and to the payment of the rent and other charges due hereunder, and, at the expense of Tenant, make such repairs or alterations and shall necessary or appropriate, in the reasonable judgment of Landlord to facilitate such reletting. No entry, re-entry or reletting by the Landlord, whether by summary proceedings, termination or otherwise, shall discharge the Tenant from its liability to the Landlord as set forth herein. If Landlord does relet the Demised Premises, Landlord may relet the entirety thereof, or any part thereof, alone or together with other premises, for such term(s) (which may be greater or less than the period which

otherwise would have constituted the balance of the Term) and on such terms and conditions (which may include concessions or free rent and alterations of the Demised Premises) as Landlord, in its sole discretion, may determine, but Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished by reason of, any failure by Landlord to relet the Demised Premises or any failure by Landlord to collect any rent due upon such reletting.

13.8 The Tenant shall be liable for all costs, charges and expenses, including reasonable attorney's fees and disbursements, incurred by the Landlord by reason of the occurrence of any Event of Default.

13.9 The Tenant, and on behalf of any and all persons claiming through or under the Tenant, including creditors of all kinds, does hereby waive and surrender all rights and privileges which they or any of them might have under or by reason of any present or future law, to redeem the Demised Premises or to have a continuance of this Lease for the Term after being dispossessed or ejected therefrom by the valid order of a court of competent jurisdiction.

13.10 The provisions of this Section 13 shall survive the expiration or termination of this Lease.

14. BANKRUPTCY AND INSOLVENCY

14.1 Neither Tenant's interest in this Lease, nor any estate hereby created in Tenant nor any interest herein, shall pass to any trustee or receiver or assignee for the benefit of creditors or otherwise by operation of law.

14.2 In the event the interest or estate created in Tenant hereby shall be taken in execution or by other process of law, or if Tenant is adjudicated insolvent by a court of competent jurisdiction other than the United States Bankruptcy Court, or if a receiver or trustee of the property of Tenant shall be appointed by reason of the insolvency or inability of Tenant to pay its debts, or if Tenant shall file a voluntary petition or proceeding under any federal or state law dealing with bankruptcy, insolvency, reorganization or any other adjustment of its debts, or if any assignment shall be made of the property of Tenant for the benefit of creditors, then and in any such event, this Lease and-all rights of Tenant hereunder shall automatically cease and terminate with the same force and effect as though the date of such event were the date originally set forth herein and fixed for the expiration of the Term, and Tenant shall vacate and surrender the Premises but shall remain liable as herein provided.

14.3 Tenant shall not cause or give cause for the appointment of a trustee or receiver of the assets of Tenant and shall not make any assignment for the benefit of creditors or become or be adjudicated insolvent, or file any voluntary petition or

commence any voluntary proceeding in respect thereto. The allowance of any petition under any insolvency law except under the Bankruptcy Code or the appointment of a trustee or receiver of Tenant or of its assets, shall be conclusive evidence that Tenant caused, or gave cause therefor, unless such allowance of the petition, or the appointment of a trustee or receiver, is vacated within forty-five (45) days after such allowance or appointment. Any act described in this Section 14.3 shall be deemed a material breach of Tenant's obligations hereunder, and this Lease shall thereupon automatically terminate. Landlord does, in addition, reserve any and all other remedies provided in this Lease or by law or in equity.

14.4 In the event Section 14.1 shall be deemed unenforceable by the United States Bankruptcy Court this Section 14.4 shall apply; otherwise this Section 14.4 shall have not force or effect. Upon the filing of a petition by or against Tenant under the United States Bankruptcy Code:

14.4.1 Tenant, as debtor and as debtor in possession, and any trustee who may be appointed agree as follows: (a) to perform each and every obligation of Tenant under this Lease, until such time as this Lease is either rejected or assumed by order of the United States Bankruptcy Court; and (b) to pay monthly in advance on the first day of each month as reasonable compensation for use and occupancy on the Premises an amount equal to all rent, additional rent and other charges otherwise due pursuant to this Lease; and (c) to reject or assume this Lease within sixty (60) days of the filing of such petition under Chapter 7 of the Bankruptcy Code or within 120 days (or such shorter term as Landlord, in its sole discretion, may deem reasonable so long as notice of such period is given) of the filing of a petition under any other Chapter; and (d) to give Landlord at least forty-five (45) days' prior written notice of any proceeding relating to any assumption of this Lease; and (e) to give Landlord at least thirty (30) days' prior written notice of any abandonment of the Premises; any such abandonment to be deemed a rejection of this Lease; and (f) to do all other things of benefit to Landlord otherwise required under the Bankruptcy Code; and (g) to be deemed to have rejected this Lease in the event of the failure to comply with any of the above, and (h) to have consented to the entry of an order by an appropriate United States Bankruptcy Court providing all of the above, waiving notice and hearing of the entry of same.

14.4.2 No Event of Default or default of this Lease by Tenant either prior to or subsequent to the filing of such a petition, shall be deemed to have been waived unless expressly done so in writing by Landlord.

14.4.3 Included within and in addition to any other conditions or obligations imposed upon Tenant or its successor in the event of assumption and/or assignment are the following: (a) the cure of any monetary defaults and the reimbursement of pecuniary loss within not more than thirty (30) days of assumption and/or assignment; and (b) the deposit of an additional sum equal to three months' rent to

be held pursuant to the terms of Section 10 of this Lease; and (c) the use of the Demised Premises as set forth in Section 3 of this Lease, and (d) the prior written consent of any mortgagee to which this Lease has been assigned as collateral security; and (e) the Demised Premises, at all times, remains a single leasehold structure and no physical changes of any kind may be made to the Demised Premises unless in compliance with the applicable provisions of this Lease.

15. ENTRY BY LANDLORD, ETC.

15.1 Except in the case of an emergency and upon 24 hour notice, Tenant shall permit Landlord and its authorized representatives to enter the Demised Premises, or any part thereof, at all reasonable times for the purpose of (a) performing work in the Demised Premises if and to the extent required to be performed by Landlord (including, without limitation, to perform such work as shall be required to be performed by Legal Requirements (to the extent not the obligation of Tenant under this Lease) in the event that portions of the Property (other than the Demised Premises) shall be leased to persons other than Tenant), provided, however, that (except in the event of an emergency) Landlord shall give Tenant reasonable prior notice of such entry and shall conduct such work so as not to unreasonably interfere with the normal conduct of Tenant's business in the Demised Premises, or (b) curing defaults of Tenant in accordance with, and (except in the event of an emergency) after such notice (if any) as may be required by, the provisions of Section 13. In addition, Tenant, after reasonable prior notice, shall permit Landlord and fee mortgagees and their respective authorized representatives, to enter the Demised Premises, or any part thereof, at all reasonable times during usual business hours for the purpose of inspecting the same.

15.2 Landlord shall also have the right, after reasonable prior notice, to enter the Demised Premises, or any part thereof, at all reasonable times during usual business hours for the purpose of showing the same to appraisers, prospective lenders and prospective purchasers or fee mortgagees thereof and, at any time within six months prior to the expiration of this Lease, for the purpose of showing the same to prospective tenants.

15.3 If, at any time during which Landlord or any fee mortgagee shall have the right to enter the Demised Premises, admission to the Demised Premises, for the purposes aforesaid cannot be obtained, they, or their respective agents, servants, employees, contractors and representatives, may (on such notice, if any, as may be reasonable under the circumstances, which notice need not be in writing if an emergency exists in respect of the protection of the Demised Premises) enter the Demised Premises and accomplish such purpose. Any entry on the Demised Premises by Landlord or a fee mortgagee shall be at such times and by such methods (other than in the event of such an emergency) as will cause as little inconvenience, annoyance, disturbance, loss of business or other damage to Tenant as may be reasonably practicable in the circumstances.

16. COVENANT OF QUIET ENJOYMENT

16.1 Landlord covenants that Tenant, on paying the rents and performing and observing all the covenants and conditions contained in this Lease, shall and may peaceably and quietly have, hold and enjoy the Demised Premises during the Term in accordance with the terms of this Lease, subject, however, to the terms of this Lease.

17. EFFECT OF CONVEYANCE, LIMITS OF LIABILITY OF LANDLORD, DEFINITION OF "LANDLORD"

17.1 The term "Landlord" as used in this Lease shall mean and include only the owner or owners (and any mortgagee in possession) at the time in question of the fee estate in the Property, so that in the event of any transfer or transfers (by operation of law or otherwise) of the title to such fee estate, Landlord herein named (and in case of any subsequent transfers or conveyances, the then transferor) shall be and hereby is automatically freed and relieved, from and after the date of such transfer or conveyance, of all liability in respect of the performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter to be performed, provided that (a) any funds in which Tenant has an interest, in the hands of such Landlord or the then transferor at the time of such transfer, shall then be turned over to the transferee, and (b) any amount then due and payable to Tenant by Landlord or the then transferor under any provision of this Lease shall then be paid to Tenant and (c) the transferee shall be deemed to have assumed and agreed to perform, subject to the limitations of this Section 17 (and without further agreement between or among the parties or their successors in interest, and/or the transferee) and only during and in respect of the transferee's period of ownership, all of the terms, covenants and conditions in this Lease contained on the part of Landlord thereafter to be performed, which terms, covenants and conditions shall be deemed to "run with the land," it being intended hereby that the terms, covenants and conditions contained in this Lease on the part of Landlord shall, subject as aforesaid, be binding on Landlord, its successors and assigns, only during and in respect of their respective successive periods of ownership.

17.2 It is specifically understood and agreed that in the event of a breach by Landlord of any of the terms, covenants or conditions of this Lease to be performed by Landlord, the monetary liability of Landlord in relation to any such breach shall be limited to the equity of Landlord in the Property, including Landlord's interest in this Lease, the Property, moneys held by any trustee for the benefit of Landlord and any sums at the time due or to become due under this Lease. Tenant shall look only to Landlord's equity in the Property for the performance and observance of the terms, covenants and conditions of this Lease to be performed or observed by Landlord and for the satisfaction of Tenant's remedies for the collection of any award, judgment or other judicial process requiring the payment of money by Landlord in the event of a default in the full and

prompt payment and performance of any of Landlord's obligations hereunder. No property or assets of Landlord, other than Landlord's equity in the Property, shall be subject to lien, levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies in any matter whatsoever arising out of or in any way connected with this Lease or any of its provisions, any negotiations in connection therewith, the relationship of Landlord and Tenant hereunder or the use and occupancy of the Property; and in confirmation of the foregoing, if any such lien, levy, execution or other enforcement procedure so arising shall be on or in respect of any property or assets of Landlord, other than Landlord's equity in the Property, Tenant shall promptly release any property or assets of Landlord, other than Landlord's equity in the Property, from such lien, levy, execution or other enforcement procedure by executing and delivering, at Tenant's expense and without charge to Landlord, any instrument or instruments, in recordable form, to that effect prepared by Landlord (but any such 'instrument of release shall not release any such lien, levy, execution or other endorsement procedure on or in respect of Landlord's equity in the Property). Tenant hereby appoints Landlord its attorney-in-fact for the purposes of executing such instrument or instruments of release if Tenant fails or refuses to do so promptly after request.

18. SURRENDER, HOLDING OVER BY TENANT

18.1 On the expiration or termination of this Lease, Tenant shall peaceably and quietly leave, surrender and deliver to Landlord the Demised Premises, together with all Alterations which may have been made upon the Demised Premises (except to the extent that Landlord may require Tenant under Section 9.4 hereof to remove such Alterations and restore the Demised Premises), all of the foregoing to be surrendered in good, substantial and sufficient repair, order and condition, reasonable use, wear and tear excepted and free of occupants. If as a result of or in the course of the removal of Tenant's property any damage occurs to the Demised Premises, Tenant shall pay to Landlord the reasonable cost of repairing such damage. If Tenant fails to quit and surrender the Demised Premises upon the expiration or termination of this Lease, it shall be liable to Landlord for the damages caused to Landlord by reason of such holdover and it is agreed that such damages shall be liquidated in an amount equal to twice the rental rate provided for in this Lease. The acceptance by Landlord of such damages or rental after termination of this Lease shall not be construed as consent to continued occupancy, nor shall such holding over constitute a renewal or extension of this Lease. Landlord may, at its option, construe such holding over as a tenancy from month to month, subject to all the terms, covenants and conditions of this Lease, except as to duration thereof, and in that event the Tenant shall pay rent and additional rent in advance at the rate of 150% of the rate provided in this Lease as effective during the last month thereof. Tenant's obligation to observe or perform this covenant shall survive the expiration or termination of this Lease. Notwithstanding the foregoing, upon the expiration of the Lease for any reason whatsoever, Tenant shall have the right and obligation to remove all of its fixtures,

furniture, machinery, and equipment from the Demised Premises, provided Tenant promptly shall repair any damage caused by such removal.

19. CURING DEFAULTS; FEES AND EXPENSES

19.1 If Tenant shall fail to pay any Imposition or to make any other payment required hereunder or shall otherwise default in the full and prompt performance of any covenant contained herein and to be performed on Tenant's part, Landlord, without being under any obligation to do so and without thereby waiving such default, may, after fifteen (15) days' notice to Tenant, or such notice (which may be oral) as may be reasonable in the circumstances if any emergency exists in respect of the protection of the Demised Premises, make such payment or perform such covenant "for the account and at the expense of Tenant and may enter upon the Demised Premises for any such purpose and take all action thereon as may be necessary therefor in the sole judgment of Landlord.

19.2 All sums so paid by Landlord in connection with the payment or performance by it of any of the obligations of Tenant hereunder and all actual and reasonable costs, expenses and disbursements paid in connection therewith or enforcing or endeavoring to enforce any right under or in connection with this Lease, or pursuant to law, together with interest thereon at the rate of 18% per annum (or, if lower, the maximum rate permitted by law) from the respective dates of the making of each such payment shall constitute additional rent payable by Tenant under this Lease and shall be paid by Tenant to Landlord within fifteen (15) days after demand by Landlord. Landlord shall not be limited, in the proof of any damages which Landlord may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep in force insurance as required by Section 5 hereof, to the amount of the insurance premium or premiums not paid or incurred by Tenant.

19.3 The provisions of this Section 19 shall serve the expiration or termination of this Lease.

20. MECHANICS AND OTHER LIENS

20.1 If any mechanic's, laborer's or materialman's lien shall at any time be filed against the Property or any part thereof with respect to any work done, or labor or materials furnished, or caused to be furnished, by Tenant or anyone claiming through or under Tenant, or any judgment, attachment or levy is filed or recorded against the Property or any part thereof by anyone claiming through or under Tenant, Tenant, within thirty (30) days after notice of the filing thereof, shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. If Tenant shall fail to cause such lien, judgment, attachment or levy to be discharged within the period aforesaid, then, in addition to any other right or remedy, Landlord may, but shall not be obligated to, discharge the same by bonding proceedings, if permitted by

law (and if not so permitted, by deposit in court). Any amount so paid by Landlord, including all costs and expenses paid by Landlord in connection therewith, together with interest thereon at the rate of 18% per annum (or, if lower, the maximum rate permitted by law) from the respective dates of Landlord's so paying any such amount, cost or expense, shall constitute additional rent payable by Tenant under this Lease and shall be paid by Tenant to Landlord on demand.

20.2 Nothing contained in this Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific improvement, alteration to or repair of the Demised Premises, or any part thereof, or as giving Tenant any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any mechanic's liens against Landlord's interest in the Demised Premises. Notice is hereby given that Landlord shall not be liable for any labor or materials furnished or to be furnished to Tenant upon credit, and that no mechanic's or other lien for any such labor or materials shall attach to or affect the reversion or estate or interest of Landlord in and to the Demised Premises.

21. SIGNS, ADDRESS

21.1 Landlord shall have the right to change the name or street address of the Property, to install, maintain, move, remove and reinstall signs on and off the Property identifying the Property and advertising any or all of the Property, including, the Demised Premises as for sale or for rent. Tenant shall not place any signs (i) on the exterior of the Property, or (ii) in the Common Areas, except that Tenant shall have the right, subject to Landlord's approval rights set forth in this section, to use a portion of the monument signage at the entry to the Property (entry to parking lot) and to place signage/its logo within the Demised Premises and on the wall adjacent to its third floor entrance. Landlord shall identify Tenant on the Administrative Building directory. The size, design, construction and placement of all such signs shall be subject to Landlord's prior written consent, which shall not be unreasonably withheld, and shall be at Tenant's sole cost and expense.

22. WAIVERS AND SURRENDERS TO BE IN WRITING, RIGHT TO TERMINATE

22.1 The receipt, acceptance and/or deposit (including the endorsement of any check) of full or partial rent by Landlord with knowledge of any breach of this Lease by Tenant or of any default on the part of Tenant in the observance or performance of any of the provisions or covenants of this Lease shall not be deemed to be a waiver of any such provision, covenant or breach of this Lease. No waiver or modification by Landlord,

unless in writing and signed by Landlord, shall discharge or invalidate any provision or covenant or affect the right of Landlord to enforce the same in the event of any subsequent breach or default. The failure on the part of Landlord to insist in any one or more instances upon the strict performance of any of the provisions or covenants of this Lease, or to enforce any covenant or provision herein contained consequent upon a breach of any provision of this Lease shall not affect or alter this Lease or be construed as a waiver or relinquishment of such provisions or covenants or of the right to insist upon strict performance or to exercise such right, remedy or election, but the same shall continue and remain in full force and effect with respect to any then existing or subsequent breach, act or omission whether of a similar nature or otherwise. The receipt, acceptance and/or deposit (including the endorsement of any check) by Landlord of any rent or any other sum of money or any other consideration hereunder paid by Tenant after the termination, in any manner, of the Term, or after the giving by Landlord of a termination notice, shall not reinstate, continue or extend the Term, or destroy, or in any manner impair the efficacy of any such termination notice as may have been given hereunder by Landlord to Tenant prior to the receipt, acceptance and/or deposit (including the endorsement of any check) of any such rent, or other sum of money or other consideration, unless so agreed to in writing and signed by Landlord. Neither acceptance of the keys nor any other act or thing done by Landlord or any agent or employee shall be deemed to be an acceptance of a surrender of the Premises, or any part thereof, excepting only an agreement in writing signed by Landlord. No payment by Tenant or receipt, acceptance and/or deposit (including the endorsement of any check) by Landlord of a lesser amount than the correct rent shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any check be deemed to effect or evidence an accord and satisfaction, and Landlord may accept such check or payment Without prejudice to Landlord's right to recover the balance or pursue any other remedy in this Lease provided.

23. COVENANTS BINDING ON SUCCESSORS AND ASSIGNS

23.1 All of the terms, covenants and conditions of this Lease shall apply to and inure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of the parties, except as expressly otherwise herein provided. If there shall be more than one Tenant, they shall all be bound jointly and severally by the terms, covenants and agreements herein contained. No rights, however, shall inure to the benefit of any assignee or subtenant of Tenant unless the assignment or subletting, as the case may be, has been made in accordance with the provisions set forth in Section 11.

24. RESOLUTION OF DISPUTES

24.1 THE PARTIES HERETO WAIVE A TRIAL BY JURY (TO THE EXTENT PERMITTED BY LAW) ON ANY AND ALL ISSUES ARISING IN ANY

ACTION OR PROCEEDING BETWEEN THEM OR THEIR SUCCESSORS UNDER OR IN ANY WAY CONNECTED WITH THIS LEASE OR ANY OF ITS PROVISIONS, ANY NEGOTIATIONS IN CONNECTION THEREWITH, THE RELATIONSHIP OF LANDLORD AND TENANT, OR TENANT'S USE OR OCCUPATION OF THE PREMISES, INCLUDING ANY CLAIM OF INJURY OR ANY EMERGENCY OR OTHER STATUTORY REMEDY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS LEASE.

25. NOTICES

25.1 Any statement, demand, election, request, notice, approval, consent or other communication, (collectively, "notice") authorized or required by this Lease must be in writing and shall be deemed given when delivered by (a) hand, against receipt, (b) one (1) business day after sending by reputable overnight courier which provides for acknowledgment of receipt, or (c) three (3)) business days after mailing by United States certified mail, return receipt requested, addressed to the intended recipient at the following address as:

If to Landlord:
Hibbs/Woodinville Associates, LLC
999 Third Ave., Suite 3000
Seattle, WA 98104
Attention: Robert E. Hibbs

with a copy to:

Premier Advisors, LLC
Monte Villa Farms
3301 Monte Villa Parkway, Suite 101
Bothell, WA 98021

If to Tenant:
Xcyte Therapies, Inc.
3301 Monte Villa Parkway Suite 300
Bothell, WA 98021
Attention: President and Chief Executive Officer

with copy to:

Sanford Levy
One Union Square
600 University Street, Suite 3300
Seattle, WA 98101

and to:

Sonya F. Erickson
Venture Law Group
4750 Cavillon Point
Kirkland, WA 98033-7355

Payments due to Landlord under this Lease shall be made at the following address:

Hibbs/Woodinville Associates, LLC
999 Third Ave., Suite 3000
Seattle, WA 98104
Attention: Robert E. Hibbs

Any notices by a party signed by counsel to such party shall be deemed a notice signed by such party. Notice shall be deemed given on the date of delivery or the date delivery is refused. Any party may change its address for notices, and Landlord may change its address for payments, by providing to the other party written notice in the manner required by this Section 25.

26. DEFINITIONS; HEADINGS; CONSTRUCTION OF LEASE

26.1 For the purposes of this Lease, unless the context otherwise requires:

26.1.1 The term "Landlord's agents" shall be deemed to include agents, servants, employees and contractors of landlord.

26.1.2 The term "person" shall be deemed to include individuals, corporations, partnerships, firms, associations and any other legal or business entities.

26.1.3 The term "unavoidable delays" shall mean any and all delays beyond the reasonable control of the party otherwise responsible, including delays caused by the other party, governmental restrictions, governmental preemption, strikes, labor disputes, lockouts, shortage of labor or materials, acts of God, enemy action, civil commotion, riot or insurrection, fire, holdover tenancies or other unavoidable casualty or any other cause beyond the responsible party's control, but shall not include delays occasioned by lack of money.

26.1.4 The terms "include," "including" and "such as" shall be construed as if followed by the phrase "without being limited to". The words "herein." "hereto" "hereby," "hereunder" and words of similar import shall be construed to refer to this Lease as a whole and not to any particular Section hereof unless expressly so stated.

26.2 The various terms which are defined in other Sections of this Lease shall have the meanings specified in such other Sections for all purposes of this Lease unless the context otherwise requires.

26.3 The Section headings in this Lease and the Table of Contents prefixed to this Lease are inserted only as a matter of convenience and reference and are not to be given any effect whatsoever in construing this Lease.

26.4 All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or persons or entity or entities in question may require.

27. FORCE MAJEURE

27.1 Whenever the performance of any obligation of either party hereunder shall be delayed, hindered or prevented due to unavoidable delays, the time for performance of such obligation, unless other provision is expressly made therefor in this Lease, shall be extended, subject to and limited by the following conditions:

27.1.1 The extension shall be for no longer a period than the delay actually so occasioned;

27.1.2 The party delayed shall promptly notify the other party of the cessation of such unavoidable delay and of the extent of the delay which the party delayed claims was occasioned thereby;

27.1.3 No statement of fact contained in any such notice shall be binding on the party receiving such notice; and

27.1.4 In no event shall lack of funds be deemed a matter beyond either party's control.

27.1.5 Interruptions of any service to be provided by Landlord under this Lease or of any utility or other service to the Demised Premises or the Property, in whole or in part caused by any unavoidable delay, inability of Landlord to obtain electricity, fuel, water, other utilities or supplies, or by the act or default of Tenant or any person other than Landlord, or otherwise by any other cause or causes beyond the reasonable control of Landlord, shall not be deemed an eviction or disturbance of Tenant's use and possession of the Demised Premises, the Common Area, or any part thereof, or render Landlord liable for damages, or give rise to any offset, set off, abatement, or reduction in any rent, additional rent, or other amount payable by

Tenant under this Lease, or otherwise or relieve Tenant from performance of Tenant's obligations under this Lease.

28. BROKERAGE

28.1 Landlord and Tenant each warrant and represent to the other that no broker or like agent represented the warranting and representing party in connection with the negotiation and execution of this Lease, except Tom Erlandson of Alexander Commercial Real Estate ("Broker ") and such party is not aware of any broker or like agent that could or may be entitled to make a claim for a commission in connection with the negotiation and execution of this Lease, except Broker. Landlord shall pay a commission and fee to Broker pursuant to a separate agreement with Broker. Each party (the "breaching party"' hereto agrees to indemnify, defend and hold the other party (the "nonbreaching party") harmless with respect to any judgments, damages, legal fees, court costs and any and all liabilities of any nature whatsoever incurred by the non-breaching party arising from a breach of the applicable warranty and representation by the breaching party and Landlord shall indemnify Tenant from any claim of Broker for any fee or commission in connection with the execution and negotiation of this Lease. The provisions of the foregoing representation and indemnity shall survive the expiration or termination of this Lease.

29. MISCELLANEOUS PROVISIONS

29.1 This Lease sets forth all the covenants, promises, agreements, conditions and understandings between Landlord and Tenant concerning the Premises. There are no oral agreements or understandings between the parties hereto affecting this Lease and this Lease supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings, if any, between the parties hereto with respect to the subject matters hereof, and none thereof shall be used to interpret or construe this Lease. Except as otherwise herein expressly provided, no subsequent alteration, amendment, change, waiver or addition to or of any provision of this Lease, nor any surrender of the Term, shall be binding upon Landlord or Tenant unless reduced to writing and signed by the party against whom the same is charged or such party's successors in interest.

29.2 This Lease shall not be recorded by either party without the consent of the other.

29.3 This Lease shall be governed in all respects by the laws of the State of Washington.

29.4 This Lease may be executed in several counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

29.5 All obligations of Tenant which shall not have been performed prior to the end of the Term or which by their nature involve performance, in any particular, after the end of the Term, or which cannot be ascertained to have been fully performed until after the end of the Term, shall survive the expiration or termination of the Term.

29.6 If any term, covenant, condition, or provision of this Lease or the application thereof to any person or circumstance shall, at any time or to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, covenant, condition, and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

29.7 Anything in this Lease to the contrary notwithstanding, in the event that (a) any act or omission of Tenant shall require the consent or approval of Landlord pursuant to this Lease, and (b) this Lease provides that Landlord shall not unreasonably withhold such consent or approval, and (c) Tenant shall claim that Landlord has unreasonably withheld such consent or approval, then the sole recourse of Tenant upon the inability of the parties to agree shall be to bring an appropriate action in a court of competent Jurisdiction against Landlord solely to issue a determination of whether the withholding of such consent or approval by Landlord is "reasonable" or "unreasonable", and Tenant shall not be entitled to any damages or other remedy other than specific performance for the issuance by Landlord of such consent or approval if such court of competent jurisdiction shall determine that such withholding of consent was unreasonable, provided, however, Tenant shall be entitled to pursue all remedies at law or in equity if it shall be determined by a court of competent jurisdiction (beyond all right of appeal) that in withholding its consent Landlord acted maliciously and in bad faith (for which Tenant shall have the burden of proof).

30. COMPLIANCE WITH ENVIRONMENTAL LAWS

30.1 Tenant shall, at its sole cost and expense, comply with the requirements of every federal, state, county, municipal or other governmental law, ordinance, rule, regulation, requirement and/or directive pertaining to the environment (an "Environmental Law" or "Environmental Laws"), including, but not limited to, the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 et seq.), and the Comprehensive Environmental Response Compensation and Liability Act of 1980 (42 U.S. Section 9601 et seq.) affecting, binding upon, or respecting the Demised Premises and/or the use and occupancy thereof. In this regard, Tenant shall, at its sole cost and expense, make all submissions to, provide all information to, and comply with all requirements of any governmental authority respecting the Demised Premises, or the use or occupancy thereof. Should any governmental authority determine that action is necessary to clean

up, remove and/or eliminate any spill or discharges by Tenant (or by any of Tenant's agents, servants, employees, invitees, guests, subtenants (if any) licensees, or contractors) of Hazardous Substances (hereinafter defined) in or about the Demised Premises or the Common Area (except to the extent such discharge or spill in the Common Area is caused by the particular act of any third party tenant of any other space at the Property), or any other spill or discharges for which Tenant is responsible pursuant to this Lease, and/or that a cleanup plan must be prepared and submitted, then, in that event, Tenant shall, at its sole cost and expense, take any and all action required and carry out any and all approved plans and complete, at Tenant's sole cost and expense, all cleanup, removal and remediation required. Landlord shall remove, remediate and clean up all Hazardous Substances in the Demised Premises which were present prior to the term of this Lease. As used herein, "Hazardous Substances" means any substance that is toxic, ignitable, reactive, or corrosive, or that is regulated by any local government, the State of Washington or the United States Government, any and all material or substances that are defined as "hazardous waste," "extremely hazardous waste," or a "hazardous substance" pursuant to state, federal or local governmental law, any asbestos, polychlorobiphinyls (PCBs) and petroleum products or by-products. Tenant's obligations pursuant to this Section 30.1 shall arise whenever required by any appropriate governmental agency. At the expiration or earlier termination of this Lease Tenant, at Tenant's expense, immediately shall (i) remove or cause to be removed all Hazardous Substances located at, in, on, under or about the Demised Premises (and/or any other portions of the Property, except to the extent that such Hazardous Substances have been discharged at, in, on, under or about portions of the Property other than the Demised Premises by any other tenant, and (ii) clean up and remediate all areas of the Demised Premises (and/or any other portions of the Property, except to the extent that such Hazardous Substances have been discharged at, in, on, under or about portions of the Property other than the Demised Premises by any other tenant, as required under all Environmental Laws, and (iii) remove, remediate and clean up all Hazardous Substances at, in, on, under or about the Demised Premises (and/or at, in, on, under or about any other portions of the Property, except to the extent that such Hazardous Substances have been discharged at, in, on, under or about portions of the Property other than the Demised Premises by any other tenant.

30.2 For purposes of this provision, the term "Environmental Documents" shall mean all environmental documentation concerning the Demised Premises, the Property or its environs in the possession or under the control of Tenant, Including, without limitation, all drafts and final versions of all sampling plans, cleanup plans, preliminary assessment plans and reports, site investigation plans and reports, remedial investigation plans and reports, remedial action plans and reports or the equivalent, sampling results, sampling reports, data, diagrams, charts, maps, analyses, conclusions, quality assurance/quality control documentation, correspondence to or from the Washington Department of Ecology ("WDOE") or any other municipal, county, state or federal governmental authority, submissions to the WDOE or any municipal, county,

state or federal governmental authority and directives, orders, approvals and disapprovals issued by the WDOE or any other municipal, county, state or federal governmental authority, During the term of the Lease and subsequently promptly upon receipt by Tenant or Tenant's representatives, Tenant shall deliver to Landlord all Environmental Documents concerning the Property, or any portion thereof, including the Demised Premises, or generated by or on behalf of Tenant with respect to the Property or any portion thereof, whether currently or hereafter existing.

30.3 Tenant shall notify Landlord in advance of all meetings scheduled between Tenant or Tenant's representatives and the WDOE or any other authority, and Landlord and Landlord's representatives shall have the right, without the obligation, to attend and participate in all such meetings, at Landlord's sole expense.

30.4 Tenant shall at all times indemnify, defend (with counsel selected by Tenant and reasonably satisfactory to Landlord) and hold harmless Landlord and Landlord's employees, officers, directors, shareholders, affiliates, partners, agents, professionals and consultants (collectively, the "Indemnitees") against and from any and all claims, suits, liabilities, actions, debts, damages, costs, losses, obligations, judgments, charges and expenses, including sums paid in settlement of claims, of any nature whatsoever suffered or incurred by any of the Indemnitees whether based on Tenant's operation of the Demised Premises, Tenant's negligence, Tenant's willful misconduct or on other acts or omissions of Tenant after the Commencement Date, with respect to:

30.4.1 The actual or suspected presence or discharge by Tenant (or by any of Tenant's agents, servants, employees, Invitees, guests, subtenants (if any) licensees, or contractors), on or after the Commencement Date, of Hazardous Substances or the threat, on or after the Commencement Date, of a discharge by Tenant (or by any of Tenant's agents, servants, employees, invitees, guests, subtenants (if any) licensees, or contractors) of any Hazardous Substances in, on, under, about, or affecting the Property, whether or not the same originates or emanates from the Demised Premises;

30.4.2 The cost of removal or remedial action incurred by any governmental authority, any response cost incurred by any other person or damages from injury to, destruction of, or loss of natural resources, including reasonable cost of assessing such injury, destruction or loss, incurred pursuant to Environmental Laws;

30.4.3 Liability for personal injury or property damage arising under any statutory or common law tort theory, including, without limitation, damages assessed with the maintenance of a public or private nuisance or for the carrying on of an abnormally dangerous activity; and/or

30.4.4 Any other environmental matter, occurring on or after the Commencement Date, or otherwise relating to the period commencing with the

Commencement Date, and affecting (i) the Demised Premises or (ii) otherwise affecting the Property (to the extent such environmental matter affecting the Property other than the Demised Premises arises by the act or wrongful omission of Tenant, or any of Tenant's agents, servants, employees, invitees, guests, subtenants (if any) licensees, or contractors) within the jurisdiction of any other federal agency, or any state or local agency or political subdivision or any court, administrative panel or tribunal.

Tenant's obligations under this Section 30 shall arise upon the discovery of, or the threat or suspected presence of, any Hazardous Substance, whether or not any other federal agency or state or local or agency or political subdivision or any court, administrative panel or tribunal has taken or contemplates taking action in connection with the presence of any Hazardous Substances.

30.5 Tenant shall not, directly or indirectly, make any use of the Demised Premises, or the Property which may be prohibited by any Environmental Laws, which may be dangerous to a person or property, or which may constitute or create a nuisance, or which may fail or comply with or violate the provisions or conditions of any permit held by Landlord or Tenant with respect to the Demised Premises or the Property, including, without limitation, any such permit governing the use, contamination, pollution or conservation of air, water or land or the protection of the environment or of the use, storage, treatment or disposal of toxic or hazardous substances ("Environmental Permits"), or which may jeopardize the continuation or renewal of any such Environmental Permit, or which may be deemed extra-hazardous in any respect, or which may jeopardize any insurance coverage or require additional insurance coverage for Landlord or any other tenant of the Property.

30.6 Tenant shall regularly monitor its compliance with all applicable Environmental Laws, Environmental Permits and Environmental Plans; such monitoring shall be in accordance with all applicable Environmental Laws, Environmental Permits and Environmental Plans and with Tenant's established policies for such monitoring. Tenant shall, when requested by Landlord at reasonable intervals, provide to Landlord copies of the reports showing such monitoring and compliance and such other information and documentation respecting such monitoring and compliance as Landlord reasonably may request from time to time.

30.7 Tenant shall promptly provide Landlord, as soon as received by Tenant, with copies of all of Tenant's Environmental Permits and of any official warnings, citations or charges that Tenant, the Demised Premises or the Property has or may have failed to comply with or has or may have violated any Environmental Law or any Environmental Permit. Tenant shall promptly supply Landlord with any notices, correspondence and submissions made by Tenant to WDOE, the United States Environmental Protection Agency, OSHA, or any other local, state or federal authority which requires submission of any information concerning Environmental Laws or

Environmental Permits, or Hazardous Substances or other environmental matters. Tenant shall also promptly supply Landlord with all documentation, notices and correspondence delivered to Tenant by any such authority with respect to Environmental Laws, Environmental Permits, environmental matters or Hazardous Substances or other environmental matters.

30.8 This Section 30 shall survive the expiration or earlier termination of this Lease. Tenant's failure to abide by the terms of this Section 30 shall be restrainable by injunction, and shall constitute an Event of Default under the Lease.

31. SECURITY

31.1 Tenant, at Tenant's cost and expense, shall be obligated to provide adequate and proper security to the Demised Premises, and to properly regulate access to same without thereby adversely affecting the use and enjoyment of the Property by Landlord or by other tenants or occupants.

32. ACCESS

32.1 Tenant agrees that every other tenant or occupant of the Buildings (as same may change from time to time), and their respective employees, invitees, guests, contractors, subtenants (if any) and licensees, at all times shall have reasonable, non-discriminatory access to and use of Common Area, and in, upon, over, across and through the Common Area, in common with Tenant, and to the same extent enjoyed by Tenant, for ingress to and egress from the Buildings, and access to the premises demised by such tenant or occupant and to the Common Area, and for use of the Common Area.

32.2 Tenant agrees that Landlord, from time to time, may promulgate and/or amend reasonable, non-discriminatory rules and regulations for the use of Common Areas, and/or for access as provided in Section 32. 1, and that upon receiving copies of such rules and regulations (from time to time) Tenant shall abide by same and cause its employees, invitees, guests, contractors, subtenants (if any) and licensees to abide by same.

32.3 For so long as the existing cafeteria ("Cafeteria ") located in the North Barn is operated (there being no obligation on the part of Landlord or any other person to continue or cause the continued operation of the Cafeteria), Tenant and its employees, invitees, and agents shall have access to and the right to use the Cafeteria. Tenant acknowledges that Landlord and/or the operator of the Cafeteria shall have the right to set or cause to be set all prices for goods at the Cafeteria in its sole discretion and that Landlord or the operator of the Cafeteria shall have the sole discretion to reduce services or terminate operation of the Cafeteria at any time without liability to Tenant. Landlord assumes no responsibility for and Tenant, on behalf of its employees, guests,

invitees or otherwise, waives any claim it may have now or in the future for the action of the operator of the Cafeteria or its agents, employees, invitees, guests or suppliers.

33. NET LEASE

33.1 Landlord and Tenant agree that except as otherwise expressly provided in this Lease, (i) this is a triple net Lease, (ii) Landlord shall not be required to provide any services or take any action in connection with the Demised Premises or the Property, and (iii) if, for any reason whatsoever, Tenant's use or occupancy of enjoyment of the Demised Premises shall be disturbed, prevented or interfered with for any reason whatsoever (other than Landlord's willful and intentional violation of the terms and provisions of this Lease) Tenant shall continue to pay the rent and additional rent without abatement, suspension or reduction.

34. RIGHT OF FIRST NEGOTIATION

34.1 Following Tenant's occupancy of the Initial Premises, and subject to the rights of existing tenants within specific suites, Tenant shall have a right of first opportunity to negotiate for a lease of any space on the first and second floor "East" space of the Production Building, which has previously been leased to another Tenant and becomes available (the "Opportunity Space"), prior to the Opportunity Space being offered to any person or entity other than Tenant. The terms, conditions and rental rate under which the Opportunity Space is to be leased to Tenant, if at all, are subject to the mutual agreement of Landlord and Tenant at such time as the Opportunity Space becomes available and Tenant desires to lease it from Landlord. Space occupied by a tenant that wishes to remain after the expiration of the term of its lease (whether or not it has an extension option) will not be deemed "available."

34.2 Prior to offering any of the Opportunity Space (excluding any Opportunity Space previously offered to Tenant under this Section) to any person or entity other than Tenant, Landlord shall notify Tenant that Landlord expects Opportunity Space to become available to lease, advising Tenant of the date such Opportunity Space is expected to be available. Tenant shall then have ten (10) calendar days in which to notify Landlord in writing exercising Tenant's right to negotiate a lease of the Opportunity Space and twenty (20) days after notification to reach written mutual agreement with Landlord regarding the terms, conditions and rental rate for such lease. If Landlord and Tenant do not execute a lease amendment incorporating all material terms with respect to the Opportunity Space within such 20 day period, Tenant's right with respect to that particular Opportunity Space shall forever terminate.

34.3 The foregoing negotiation right shall apply only with respect to Opportunity Space, as an entire, discrete and identifiable amount of floor space, as the same is now or in the future will be leased to some other tenant, and may not be exercised

with respect to only a portion thereof, unless only a portion shall first become available (in which case, the foregoing negotiation right shall apply to such portions, as the same become available), or unless otherwise agreed in writing by Landlord. If Tenant shall fail to exercise such negotiation right, after the notice by the Landlord of the availability of the Opportunity Space, as provided herein, such right shall be deemed to have lapsed and expired, and shall be of no further force or effect as to that notification by Landlord. Landlord may thereafter freely lease all or a portion of the Opportunity Space to any other party, at any time, on any terms, in Landlord's sole discretion. The foregoing negotiation right shall be subject to the right of existing tenants or occupants of the Opportunity Space to renew their existing leases whether pursuant to options to extend or renew or expand previously granted, and in all events is subject and subordinate to any existing rights of any other persons or entities to lease the Opportunity Space.

34.4 Landlord does not guarantee that the Opportunity Space will be available on the commencement date for the lease thereof, if the then existing occupants of the Opportunity Space shall hold-over or for any other reason the space shall not be available for reasons beyond Landlord's reasonable control. In such event, rent with respect to the Opportunity Space shall be abated until Landlord legally delivers the same to Tenant, as Tenant's sole recourse. Tenant's exercise of such negotiation right shall not operate to cure any default by Tenant of any of the terms or provisions in the Lease, nor to extinguish or impair any rights or remedies of Landlord arising by virtue of such default. The negotiation right shall, at Landlord's election, be null and void, if there is any uncured Event of Default under the Lease on the date Tenant exercises its rights hereunder or at any time thereafter and prior to commencement of the Lease for the Opportunity Space.

35. CAFETERIA SPACE

35.1 Landlord shall make available the Cafeteria Space to Tenant's employees on a nonexclusive basis for cafeteria style eating as provided in this First Amendment.

35.2 Landlord shall have contracted with a food service provider to provide food services for breakfast and lunch between the hours of 7:00 a.m. and 2:00 p.m. on Monday through Friday, excluding holidays.

35.3 The Annual Basic Rental as set forth on Exhibit C of the Lease shall be increased by the "Cafeteria Additional Rent" which is Tenant's Proportionate Share (as defined in Section 2.6(a)) of the "Cost of Cafeteria Space." The "Cost of Cafeteria Space" equals the agreed rentable square footage of the Cafeteria Space (6,774 s.f.) multiplied by the sum of (i) the fair market rent of space in the Administrative Building (currently agreed to be $16.50 psf) (ii) the proportion of Operating Expenses and Taxes equal to the number of square feet compromising the Cafeteria Space divided by the total

number of leasable square feet in the Buildings, (currently estimated to be $6.15 psf) and (iii) any costs and expenses incurred by Landlord in contracting with the food service provider.

Such amounts shall be increased at the beginning of each Fiscal Year during the term of the Lease to reflect any increases in Fair Market Rent, Operating Expenses or costs or expenses incurred by Landlord in dealing with the food service provider.

35.4 The Cost of Cafeteria Space for each Fiscal Year as reasonably estimated by Landlord from time to time prior to or during any Fiscal Year shall be communicated to Tenant by written notice (the "Estimated Cost of Cafeteria Space"). If Landlord does not deliver such a notice (an "Estimate") prior to the commencement of any Fiscal Year, Tenant shall continue to pay Estimated Cost of Cafeteria Space as provided in the most recently received Estimate (or Updated Estimate, as defined below) until the Estimate for such Fiscal Year is delivered to Tenant. If, from time to time during any Fiscal Year, Landlord reasonably determines that Cost of Cafeteria Space for such Fiscal Year have increased or will increase, Landlord may deliver to Tenant an updated Estimate ("Updated Estimate") for such Fiscal Year.

After the end of each Fiscal Year, Landlord shall send to Tenant a statement (the "Final Cost of Cafeteria Space Statement") showing (i) the calculation of the Cost of Cafeteria Space for such Fiscal Year, (ii) the aggregate amount of the Estimated Cost of Cafeteria Space previously paid by Tenant for such Fiscal Year, and (iii) the amount, if any, by which the aggregate amount of the installments of Estimated Cost of Cafeteria Space paid by Tenant with respect to such Fiscal Year exceeds or is less than the Final Cost of Cafeteria Space for such Fiscal Year. Tenant shall pay the amount of any deficiency to Landlord within thirty (30) days of the sending of such statement. At Landlord's option, any excess shall either be credited against payments past or next due hereunder or refunded by Landlord, provided Tenant is not then in default hereunder.

On reasonable advance written notice given by Tenant within thirty (30) days following the receipt by Tenant of the Final Cost of Cafeteria Space Statement, Landlord shall make available to Tenant Landlord's books and records maintained with respect to the Cost of Cafeteria Space for such Fiscal Year. If Tenant wishes to contest any item within any Final Cost of Cafeteria Space Statement, Tenant shall do so in a written notice (a "Contest Notice") received by Landlord within thirty (30) days following Tenant's inspection of Landlord's books and records, but in any event not later than sixty (60) days after Landlord shall have made its books and records available to Tenant for inspection, which Contest Notice shall specify in detail the item or items being contested and the specific grounds therefor. However, the giving of such Contest Notice shall not relieve Tenant from the obligation to pay any deficiency in such statement or the Landlord from the obligation to pay (by refund or credit) any excess in such statement in accordance with this Section. Notwithstanding anything else in this Section to the contrary, if Tenant

fails to give such Contest Notice within said thirty (30) day period or fails to pay any deficiency in such statement in accordance with this Section, whether or not contested, Tenant shall have no further right to contest any item or items in such statement and Tenant shall be deemed to accept such statement.

Resolution of a Tenant's Contest notice shall be handled in the same manner as said notice regarding Operating Expenses in Section 2.9(a) of the Lease.

36. SECURITY DEPOSIT

Concurrently with execution of this Lease, Tenant will deposit with Landlord $434,500 as a security deposit as security for Tenant's performance of every provision in this Lease. If Tenant defaults under any provision of this Lease, Landlord may apply all or any part of the Security Deposit to the payment of sums due, including damages suffered by Landlord due to such default in addition to any other remedy which Landlord may possess. In such event, Tenant shall, within five days after written demand by Landlord, deposit with Landlord the amount so applied so that Landlord shall have the full Security Deposit on hand at all times during the term of this Lease. Any application of the Security Deposit to cure Defaults shall not be construed as a payment of liquidated damages for the Default. If Tenant fully complies with all of the provisions of this Lease, the Security Deposit will be repaid to Tenant without interest within 30 days after the Expiration Date. Landlord is not required to place these funds in escrow and is entitled to any interest thereon should they be invested. In addition to securing Tenant's performance under the Lease, $232,500 of the Security Deposit shall be retained by Landlord should Tenant fail to execute that first five (5) year option to renew the Lease.

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

	LANDLORD
ATTEST:	HIBBS/WOODINVILLE ASSOCIATES, LLC, a Washington limited liability company
/s/ TOM ERLAUDSON	By: /s/ ROBERT E. HIBBS
Name: Tom Erlaudson	Name: Robert E. Hibbs
	Title: Manager

ATTEST:

/s/ TOM ERLAUDSON
- ----------

Name: Tom Erlaudson

TENANT
XCYTE THERAPIES, INC.,
A Delaware corporation

By: /s/ RONALD JAY BERENSON

Name: Ronald Jay Berenson

STATE OF WASHINGTON)
)ss:
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Robert E. Hibbs is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he/she was authorized to execute this instrument and acknowledged it as the Manager of HIBBS/WOODINVILLE ASSOCIATES, LLC, a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

DATED: December 7, 2000.

/s/ JOSEPHINA I. WHITEHEAD

Print Name: Josephina I. Whitehead

NOTARY PUBLIC in and for the State of Washington, residing at Seattle
---
My Appointment expires: 3-28-02

(Use this space for notarial stamp/seal)

STATE OF WASHINGTON)
)ss:
COUNTY OF)

I certify that I know or have satisfactory evidence that Ronald Berenson is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he/she was authorized to execute this instrument and acknowledged it as the President of XCYTE THERAPIES, INC., a Delaware corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

DATED: December 7, 2000.

/s/ SAMANTHA GOLDING

Print Name: Samantha Golding

NOTARY PUBLIC in and for the State of Washington, residing at Seattle

My Appointment expires: 1/08/02

(Use this space for notarial stamp/seal)

EXHIBIT A

THE PROPERTY, BUILDINGS, PARKING LOT AND COMMON AREAS

Lots 12, 13, 14, 15 and 16 of Quadrant Monte Villa Center, according to the plat thereof, recorded in Volume 54 of Plats, pages 165 through 169, inclusive, records of Snohomish County, Washington.

Situate in the City of Bothell, County of Snohomish, State of Washington

EXHIBIT B

DEMISED PREMISES

EXHIBIT C

BASIC ANNUAL RENT

The Initial Basic Annual Rent shall be $20.00 per rental square foot per year. Basis Annual Rent shall be increased annual during the term by four and five-tenths percent (4.5%) per annum. In the event Tenant occupies the Premises prior to December 1, 2000, Basic Annual Rent through December 1, 2000 shall be charged at the rate of $10.00 per rentable square feet per year.

Basic Annual Rent for both the first and second five year renewal terms shall be equal to the greater of the then existing Basic Annual Rent due under the Lease at the end of the then expiring initial lease term or renewal lease term or market rent for similar space in the Bothell, Washington submarket.

EXHIBIT 10.15

XCYTE THERAPIES, INC.

(FORMERLY KNOWN AS CDR THERAPEUTICS, INC.)

AMENDED AND RESTATED 1996 STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants of the Company and any Parent or Subsidiary and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees appointed pursuant to Section 4 of the Plan.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means a Committee appointed by the Board of Directors in accordance with Section 4 of the Plan.

(e) "Common Stock" means the Common Stock of the Company.

(f) "Company" means Xcyte Therapies, Inc., formerly known as CDR Therapeutics, Inc.

(g) "Consultant" means any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services and is compensated for such services, and any director of the Company whether compensated for such services or not. If and in the event the Company registers any class of any equity security pursuant to the Exchange Act, the term Consultant shall thereafter not include directors who are not compensated for their services or are paid only a director's fee by the Company.

(h) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any Parent or Subsidiary is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave. For purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such leave is guaranteed by statute or contract, including Company policies. If reemployment upon expiration of a leave of absence

approved by the Company is not so guaranteed, on the 181st day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(i) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(j) "Employee" means any person, including officers and directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(1) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(m) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(n) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(o) "Option" means a stock option granted pursuant to the Plan.

(p) "Optioned Stock" means the Common Stock subject to an Option.

(q) "Optionee" means an Employee or Consultant who receives an Option.

(r) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(s) "Plan" means this 1996 Stock Option Plan.

(t) "Section 16(b)" means Section 16(b) of the Securities Exchange Act of 1934, as amended.

(u) "Share" means a share of the Common Stock, as adjusted in accordance with Section 11 below.

(v) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 11 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 700,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an option exchange program authorized by the Administrator, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated); provided, however, that Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if unvested Shares are repurchased by the Company at their original purchase price, such Shares shall become available for future grant under the Plan.

4. Administration of the Plan.

(a) Initial Plan Procedure. Prior to the date, if any, upon which the Company becomes subject to the Exchange Act, the Plan shall be administered by the Board or a committee appointed by the Board.

(b) Plan Procedure After the Date, If Any, Upon Which the Company Becomes Subject to the Exchange Act.

(i) Administration With Respect to Directors and Officers Subject to Section 16(b). With respect to Option grants made to Employees who are also Officers or Directors subject to Section 16(b) of the Exchange Act, the Plan shall be administered by (A) the Board, if the Board may administer the Plan in a manner complying with the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made, or (B) a committee designated by the Board to administer the Plan, which committee shall be constituted to comply with the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the rules under Rule 16b-3 relating to the disinterested administration of employee benefit

plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made.

(ii) Administration With Respect to Other Persons. With respect to Option grants made to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a committee designated by the Board, which committee shall be constituted to satisfy the legal requirements, if any, relating to the administration of incentive stock option plans of state corporate and securities laws, of the Code, and of any stock exchange or national market system upon which the Common Stock is then listed or traded (the "Applicable Laws"). Once appointed, such Committee shall serve in its designated capacity until otherwise directed by the Board. The Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by Applicable Laws.

(c) Powers of the Administrator. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, including the approval, if required, of any stock exchange or national market system upon which the Common Stock is then listed, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(1) of the Plan;

(ii) to select the Consultants and Employees to whom Options may from time to time be granted hereunder;

(iii) to determine whether and to what extent Options are granted hereunder;

(iv) to determine the number of shares of Common Stock to be covered by each such award granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions may include, but are not limited to, the exercise price, the time or times when Options may be exercised, any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or the Shares relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vii) to determine whether and under what circumstances an Option may be settled in cash under Section 9(e) instead of Common Stock;

(viii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option has declined since the date the Option was granted;

(ix) to provide for the early exercise of Options for the purchase of unvested Shares, subject to such terms and conditions as the Administrator may determine; and

(x) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan.

(d) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees and any other holders of any Options.

5. Eligibility.

(a) Nonstatutory Stock Options may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees. An Employee or Consultant who has been granted an Option may, if otherwise eligible, be granted additional Options.

(b) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options.

For purposes of this Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(c) The Plan shall not confer upon any Optionee any right with respect to the continuation of the Optionee's employment or consulting relationship with the Company, nor shall it interfere in any way with the Optionee's right or the Company's right to terminate the Optionee's employment or consulting relationship at any time, with or without cause.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company, as described in Section 17 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 13 of the Plan.

7. Term of Option. The term of each Option shall be the term stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. However, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the

voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. Option Exercise Price and Consideration.

(a) The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Board, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in the preceding paragraph, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per share exercise price shall be determined by the Administrator.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (1) cash, (2) check, (3) promissory note, (4) other Shares which (x) in the case of Shares acquired upon exercise of an Option have been owned by the Optionee for more than six months on the date of surrender and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (5) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price, or (6) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

9. Exercise of Option.

(a) Procedure for Exercise: Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(b) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship. Upon termination of an Optionee's Continuous Status as an Employee or Consultant, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option, but only within such period of time as is specified in the Notice of Grant, and only to the extent that the Optionee was entitled to exercise it at the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). In the absence of a specified time in the Notice of Grant, the Option shall remain exercisable for three (3) months following the Optionee's termination. In the case of an Incentive Stock Option, such period of time for exercise shall not exceed three (3) months from the date of termination. If, on the date of termination, the Optionee is not entitled to exercise the Optionee's entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified by the Administrator, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

Notwithstanding the above, in the event of an Optionee's change in status from Consultant to Employee or Employee to Consultant, an Optionee's Continuous Status as an Employee or Consultant shall not automatically terminate solely as a result of such change in status. However, in such event, an Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option three months and one day following such change of status.

(c) Disability of Optionee. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her Disability, the Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of his or her Option as set forth in the Option Agreement), exercise the Option to the extent the Optionee was otherwise entitled to exercise it on the date of

such termination. To the extent that the Optionee is not entitled to exercise the Option on the date of termination, or if the Optionee does not exercise the Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by the Option shall revert to the Plan.

(d) Death of Optionee. In the event of the death of an Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who has acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Optionee was entitled to exercise the Option at the date of death. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after death, the Optionee's estate or a person who acquires the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

(f) Rule l6b-3. Options granted to persons subject to Section 16(b) of the Exchange Act must comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

10. Non-Transferability of Options. Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Adjustments Upon Changes in Capitalization or Merger.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance

by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Optionee as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for an Optionee to have the right to exercise his or her Option until ten (10) days prior to such transaction as to all of the Optioned Stock covered thereby, including Shares as to which the Option would not otherwise be exercisable. In addition, the Administrator may provide that any Company repurchase option applicable to any Shares purchased upon exercise of an Option shall lapse as to all such Shares, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised, an Option will terminate immediately prior to the consummation of such proposed action.

(c) Acquisition, Merger or Change in Control.

(i) In the event of a sale of all or substantially all of the Company's assets, or any merger or consolidation of the Company with or into another corporation other than a merger or consolidation in which the holders of more than 50% of the shares of capital stock of the Company outstanding immediately prior to such transaction continue to hold (either by the voting securities remaining outstanding or by their being converted into voting securities of the Successor Corporation) more than 50% of the total voting power represented by the voting securities of the Company, or such Successor Corporation, outstanding immediately after such transaction (a "Change in Control"), the exercisability of each outstanding Option shall automatically be accelerated completely so that one hundred percent (100%) of the number of shares of Common Stock covered by such Option shall be fully vested immediately prior to the consummation of the Change in Control; provided, however, that each outstanding Option shall automatically be accelerated by only twenty-five percent (25%) of the number of shares of Common Stock covered by such Option that are unvested immediately prior to the consummation of the Change in Control if and to the extent: (A) such Option is either to be assumed by the Successor Corporation at the consummation of the Change in Control or be replaced with a comparable option to purchase shares of the capital stock of the Successor Corporation at the consummation of the Change in Control, or (B) such Option is to be replaced by a comparable cash incentive program of the Successor Corporation based on the value of the Option at the time of the consummation of the Change in Control, or (C) the acceleration of such Option is subject to other limitations imposed by the Administrator at the time of grant.

(ii) The Administrator shall have the authority, in the Administrator's sole discretion, to provide for the automatic acceleration of any outstanding Option upon the occurrence of a Change in Control, but only to the extent that such acceleration does not interfere with any "pooling of interests" accounting treatment used in connection with the Change in Control.

(iii) Notwithstanding the foregoing, no Incentive Stock Option shall become exercisable pursuant to this Section 11(c) without the Optionee's consent if the result would be to cause such Option not to be treated as an Incentive Stock Option.

12. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date on which the Administrator makes the determination granting such Option, or such other date as is determined by the Administrator. Notice of the determination shall be given to each Employee or Consultant to whom an Option is so granted within a reasonable time after the date of such grant.

13. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 under the Exchange Act or with Section 422 of the Code (or any other applicable law or regulation, including the requirements of any stock exchange or national market system upon which the Common Stock is then listed), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options already granted, and such Options shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company.

14. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or national market system upon which the Common Stock is then listed or traded, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

15. Reservation of Shares. The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

16. Agreements. Options shall be evidenced by written agreements in such form as the Administrator shall approve from time to time.

17. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law and the rules of any stock exchange or national market system upon which the Common Stock is then listed or traded.

18. Tax Withholding. As a condition of the exercise of an Option granted under the Plan and, if applicable, in connection with the vesting of an award, the Optionee (or in the case of the Optionee's death, the person exercising the Option) shall make such arrangements as the Administrator may require for the satisfaction of any applicable federal, state, local or foreign withholding tax obligations that may arise in connection with the exercise of the Option and the issuance of Shares. The Company shall not be required to issue any Shares under the Plan until such obligations are satisfied. If the Administrator allows the withholding or surrender of Shares to satisfy a Participant's tax withholding obligations, the Administrator shall not allow Shares to be withheld in an amount that exceeds the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes.

EXHIBIT A

AMENDED AND RESTATED 1996 STOCK PLAN
EXERCISE NOTICE

Xcyte Therapies, Inc.
1124 Columbia Street
Suite 130
Seattle, WA 98104

Attention: Chief Financial Officer

1. Exercise of Option. Effective as of today, _____, 20__, the undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase _____ shares of the Common Stock (the "Shares") of Xcyte Therapies, Inc. (the "Company") under and pursuant to the 1996 Stock Plan (the "Plan") and the Stock Option Agreement dated _____, 20__ (the "Option Agreement").

2. Delivery of Payment. Purchaser herewith delivers to the Company the full purchase price of the Shares, as set forth in the Option Agreement.

3. Representations of Optionee. Optionee acknowledges that Optionee has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as Shareholder. Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Shares shall be issued to the Optionee as soon as practicable after the Option is exercised. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in Section 11 of the Plan.

5. Company's Right of First Refusal. Before any Shares held by Optionee or any transferee (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section (the "Right of First Refusal").

(a) Notice of Proposed Transfer. The Holder of the Shares shall deliver to the Company a written notice (the "Notice") stating: (i) the Holder's bona fide intention to sell or otherwise transfer such Shares; (ii) the name of each proposed purchaser or other transferee

("Proposed Transferee"); (iii) the number of Shares to be transferred to each Proposed Transferee; and (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Shares (the "Offered Price"), and the Holder shall offer the Shares at the Offered Price to the Company or its assignee(s).

(b) Exercise of Right of First Refusal. At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the purchase price determined in accordance with subsection (c) below.

(c) Purchase Price. The purchase price ("Purchase Price") for the Shares purchased by the Company or its assignee(s) under this Section shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(d) Payment. Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within 30 days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(e) Holder's Right to Transfer. If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within 120 days after the date of the Notice, that any such sale or other transfer is effected in accordance with any applicable securities laws and that the Proposed Transferee agrees in writing that the provisions of this Section shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(f) Exception for Certain Family Transfers. Anything to the contrary contained in this Section notwithstanding, the transfer of any or all of the Shares during the Optionee's lifetime or on the Optionee's death by will or intestacy to the Optionee's immediate family or a trust for the benefit of the Optionee's immediate family shall be exempt from the provisions of this Section. "Immediate Family" as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Section, and there shall be no further transfer of such Shares except in accordance with the terms of this Section.

(g) Termination of Right of First Refusal. The Right of First Refusal shall terminate as to any Shares upon the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended.

6. Tax Consultation. Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

7. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. Optionee understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by the Company or by state or federal securities laws:

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COMPANY COUNSEL SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE THEREWITH. THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE EXERCISE NOTICE BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.

(a)Stop-Transfer Notices. Optionee agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(b) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

2. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Optionee and his or her heirs, executors, administrators, successors and assigns.

3. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Optionee or by the Company forthwith to the Administrator which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on all parties.

4. Governing Law; Severability. This Agreement is governed by the internal substantive laws but not the choice of law rules, of Washington.

5. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Agreement, the Plan, the Option Agreement and the Investment Representation Statement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee.

Submitted by:	Accepted by:
OPTIONEE:	XCYTE THERAPIES, INC.
- ----------	By: ----------
Signature	
- ----------	Its: ----------
Print Name	
Address:	Address:
- ----------	2203 Airport Way South
	Suite 300
- ----------	Seattle, WA 98134

EXHIBIT B

INVESTMENT REPRESENTATION STATEMENT

OPTIONEE:

COMPANY: XCYTE THERAPIES, INC.

SECURITY: COMMON STOCK
AMOUNT:
DATE:

In connection with the purchase of the above-listed Securities, the undersigned Optionee represents to the Company the following:

1. Optionee is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. Optionee is acquiring these Securities for investment for Optionee's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

2. Optionee acknowledges and understands that the Securities constitute "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Optionee's investment intent as expressed herein. In this connection, Optionee understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if Optionee's representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future. Optionee further understands that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Optionee further acknowledges and understands that the Company is under no obligation to register the Securities. Optionee understands that the certificate evidencing the Securities will be imprinted with a legend which prohibits the transfer of the Securities unless they are registered or such registration is not required in the opinion of counsel satisfactory to the Company, a legend prohibiting their transfer without the consent of the Commissioner of Corporations of the State of Washington and any other legend required under applicable state securities laws.

3. Optionee is familiar with the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted

securities" acquired, directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of the grant of the Option to the Optionee, the exercise will be exempt from registration under the Securities Act. In the event the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ninety (90) days thereafter (or such longer period as any market stand-off agreement may require) the Securities exempt under Rule 701 may be resold, subject to the satisfaction of certain of the conditions specified by Rule 144, including: (1) the resale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934); and, in the case of an affiliate, (2) the availability of certain public information about the Company, (3) the amount of Securities being sold during any three month period not exceeding the limitations specified in Rule 144(e), and (4) the timely filing of a Form 144, if applicable.

In the event that the Company does not qualify under Rule 701 at the time of grant of the Option, then the Securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which requires the resale to occur not less than one year after the later of the date the Securities were sold by the Company or the date the Securities were sold by an affiliate of the Company, within the meaning of Rule 144; and, in the case of acquisition of the Securities by an affiliate, or by a non-affiliate who subsequently holds the Securities less than two years, the satisfaction of the conditions set forth in sections (1), (2), (3) and (4) of the paragraph immediately above.

4. Optionee further understands that in the event all of the applicable requirements of Rule 701 or 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rules 144 or 701 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk. Optionee understands that no assurances can be given that any such other registration exemption will be available in such event.

(SIGNATURES ON FOLLOWING PAGE)

Signature of Optionee:

Date: ______________________, 20________

EXHIBIT 10.16

XCYTE THERAPIES, INC.

2000 STOCK PLAN

1. PURPOSES OF THE PLAN. The purposes of this 2000 Stock Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. Stock purchase rights may also be granted under the Plan.

2. DEFINITIONS. As used herein, the following definitions shall apply:

(a) "ADMINISTRATOR" means the Board or its Committee appointed pursuant to Section 4 of the Plan.

(b) "AFFILIATE" means an entity other than a Subsidiary (as defined below) which, together with the Company, is under common control of a third person or entity.

(c) "APPLICABLE LAWS" means the legal requirements relating to the administration of stock option and restricted stock purchase plans under applicable U.S. state corporate laws, U.S. federal and applicable state securities laws, the Code, any Stock Exchange rules or regulations and the applicable laws of any other country or jurisdiction where Options or Stock Purchase Rights are granted under the Plan, as such laws, rules, regulations and requirements shall be in place from time to time.

(d) "BOARD" means the Board of Directors of the Company.

(e) "CHANGE OF CONTROL" means a sale of all or substantially all of the Company's assets, or any merger or consolidation of the Company with or into another corporation other than a merger or consolidation in which the holders of more than 50% of the shares of capital stock of the Company outstanding immediately prior to such transaction continue to hold (either by the voting securities remaining outstanding or by their being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company, or such surviving entity, outstanding immediately after such transaction.

(f) "CODE" means the Internal Revenue Code of 1986, as amended.

(g) "COMMITTEE" means one or more committees or subcommittees of the Board appointed by the Board to administer the Plan in accordance with Section 4 below.

(h) "COMMON STOCK" means the Common Stock of the Company.

(i) "COMPANY" means Xcyte Therapies, Inc., a Delaware corporation.

(j) "CONSULTANT" means any person, including an advisor, who is engaged by the Company or any Parent, Subsidiary or Affiliate to render services and is compensated for such services, and any director of the Company whether compensated for such services or not.

(k) "CONTINUOUS SERVICE STATUS" means the absence of any interruption or termination of service as an Employee or Consultant. Continuous Service Status as an Employee or Consultant shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Administrator, provided that such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) in the case of transfers between locations of the Company or between the Company, its Parents, Subsidiaries, Affiliates or their respective successors. A change in status from an Employee to a Consultant or from a Consultant to an Employee will not constitute an interruption of Continuous Service Status.

(l) "CORPORATE TRANSACTION" means a sale of all or substantially all of the Company's assets, or a merger, consolidation or other capital reorganization of the Company with or into another corporation and includes a Change of Control.

(m) "DIRECTOR" means a member of the Board.

(n) "EMPLOYEE" means any person employed by the Company or any Parent, Subsidiary or Affiliate, with the status of employment determined based upon such factors as are deemed appropriate by the Administrator in its discretion, subject to any requirements of the Code or the Applicable Laws. The payment by the Company of a director's fee to a Director shall not be sufficient to constitute "employment" of such Director by the Company.

(o) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(p) "FAIR MARKET VALUE" means, as of any date, the fair market value of the Common Stock, as determined by the Administrator in good faith on such basis as it deems appropriate and applied consistently with respect to Participants. Whenever possible, the determination of Fair Market Value shall be based upon the closing price for the Shares as reported in the Wall Street Journal for the applicable date.

(q) "INCENTIVE STOCK OPTION" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code, as designated in the applicable Option Agreement.

(r) "LISTED SECURITY" means any security of the Company that is listed or approved for listing on a national securities exchange or designated or approved for designation as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc.

(s) "NAMED EXECUTIVE" means any individual who, on the last day of the Company's fiscal year, is the chief executive officer of the Company (or is acting in such

capacity) or among the four most highly compensated officers of the Company (other than the chief executive officer). Such officer status shall be determined pursuant to the executive compensation disclosure rules under the Exchange Act.

(t) "NONSTATUTORY STOCK OPTION" means an Option not intended to qualify as an Incentive Stock Option, as designated in the applicable Option Agreement.

(u) "OPTION" means a stock option granted pursuant to the Plan.

(v) "OPTION AGREEMENT" means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of an Option granted under the Plan and includes any documents attached to or incorporated into such Option Agreement, including, but not limited to, a notice of stock option grant and a form of exercise notice.

(w) "OPTION EXCHANGE PROGRAM" means a program approved by the Administrator whereby outstanding Options are exchanged for Options with a lower exercise price or are amended to decrease the exercise price as a result of a decline in the Fair Market Value of the Common Stock.

(x) "OPTIONED STOCK" means the Common Stock subject to an Option.

(y) "OPTIONEE" means an Employee or Consultant who receives an Option.

(z) "PARENT" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code, or any successor provision.

(aa) "PARTICIPANT" means any holder of one or more Options or Stock Purchase Rights, or the Shares issuable or issued upon exercise of such awards, under the Plan.

(bb) "PLAN" means this 2000 Stock Plan.

(cc) "REPORTING PERSON" means an officer, Director, or greater than ten percent stockholder of the Company within the meaning of Rule 16a-2 under the Exchange Act, who is required to file reports pursuant to Rule 16a-3 under the Exchange Act.

(dd) "RESTRICTED STOCK" means Shares of Common Stock acquired pursuant to a grant of a Stock Purchase Right under Section 11 below.

(ee) "RESTRICTED STOCK PURCHASE AGREEMENT" means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of a Stock Purchase Right granted under the Plan and includes any documents attached to such agreement.

(ff) "RULE 16B-3" means Rule 16b-3 promulgated under the Exchange Act, as amended from time to time, or any successor provision.

(gg) "SHARE" means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.

(hh) "STOCK EXCHANGE" means any stock exchange or consolidated stock price reporting system on which prices for the Common Stock are quoted at any given time.

(ii) "STOCK PURCHASE RIGHT" means the right to purchase Common Stock pursuant to Section 11 below.

(jj) "SUBSIDIARY" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code, or any successor provision.

(kk) "TEN PERCENT HOLDER" means a person who owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary.

3. STOCK SUBJECT TO THE PLAN. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be sold under the Plan is 2,100,000 Shares of Common Stock plus an annual increase on the first day of each of the Company's fiscal years beginning in 2002 and ending in 2008 equal to the lesser of (a) 500,000 Shares, (b) 3 % of the Shares outstanding on the last day of the immediately preceding fiscal year, or (c) such lesser number of Shares as the Board shall determine. The Shares may be authorized but unissued, or reacquired Common Stock. If an award should expire or become unexercisable for any reason without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares that were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan. In addition, any Shares of Common Stock which are retained by the Company upon exercise of an award in order to satisfy the exercise or purchase price for such award or any withholding taxes due with respect to such exercise or purchase shall be treated as not issued and shall continue to be available under the Plan. Shares issued under the Plan and later repurchased by the Company pursuant to any repurchase right which the Company may have shall not be available for future grant under the Plan.

4. ADMINISTRATION OF THE PLAN.

(a) GENERAL. The Plan shall be administered by the Board or a Committee, or a combination thereof, as determined by the Board. The Plan may be administered by different administrative bodies with respect to different classes of Participants and, if permitted by the Applicable Laws, the Board may authorize one or more officers to make awards under the Plan.

(b) COMMITTEE COMPOSITION. If a Committee has been appointed pursuant to this Section 4, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and remove all members of a Committee and thereafter directly administer the Plan, all to the extent permitted by the

Applicable Laws and, in the case of a Committee administering the Plan in accordance with the requirements of Rule 16b-3 or Section 162(m) of the Code, to the extent permitted or required by such provisions.

(c) POWERS OF THE ADMINISTRATOR. Subject to the provisions of the Plan and in the case of a Committee, the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(p) of the Plan, provided that such determination shall be applied consistently with respect to Participants under the Plan;

(ii) to select the Employees and Consultants to whom Options and Stock Purchase Rights may from time to time be granted;

(iii) to determine whether and to what extent Options and Stock Purchase Rights are granted;

(iv) to determine the number of Shares of Common Stock to be covered by each award granted;

(v) to approve the form(s) of agreement(s) used under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder, which terms and conditions include but are not limited to the exercise or purchase price, the time or times when awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option, Optioned Stock, Stock Purchase Right or Restricted Stock, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vii) to determine whether and under what circumstances an Option may be settled in cash under Section 10(c) instead of Common Stock;

(viii) to implement an Option Exchange Program on such terms and conditions as the Administrator in its discretion deems appropriate, provided that no amendment or adjustment to an Option that would materially and adversely affect the rights of any Optionee shall be made without the prior written consent of the Optionee;

(ix) to adjust the vesting of an Option held by an Employee or Consultant as a result of a change in the terms or conditions under which such person is providing services to the Company;

(x) to construe and interpret the terms of the Plan and awards granted under the Plan, which constructions, interpretations and decisions shall be final and binding on all Participants; and

(xi) in order to fulfill the purposes of the Plan and without amending the Plan, to modify grants of Options or Stock Purchase Rights to Participants who are foreign nationals or employed outside of the United States in order to recognize differences in local law, tax policies or customs.

5. ELIGIBILITY.

(a) RECIPIENTS OF GRANTS. Nonstatutory Stock Options and Stock Purchase Rights may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees, provided that Employees of Affiliates shall not be eligible to receive Incentive Stock Options.

(b) TYPE OF OPTION. Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option.

(c) ISO $100,000 LIMITATION. Notwithstanding any designation under Section 5(b), to the extent that the aggregate Fair Market Value of Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds $100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 5(c), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares subject to an Incentive Stock Option shall be determined as of the date of the grant of such Option.

(d) NO EMPLOYMENT RIGHTS. The Plan shall not confer upon any Participant any right with respect to continuation of an employment or consulting relationship with the Company, nor shall it interfere in any way with such Participant's right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without Cause.

6. TERM OF PLAN. The Plan shall become effective upon its adoption by the Board of Directors. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 16 of the Plan.

7. TERM OF OPTION. The term of each Option shall be the term stated in the Option Agreement; provided that the term shall be no more than ten years from the date of grant thereof or such shorter term as may be provided in the Option Agreement and provided further that, in the case of an Incentive Stock Option granted to a person who at the time of such grant is a Ten Percent Holder, the term of the Option shall be five years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. LIMITATION ON GRANTS TO EMPLOYEES. Subject to adjustment as provided in Section 14 below, the maximum number of Shares that may be subject to Options and Stock Purchase Rights granted to any one Employee under this Plan for any fiscal year of the Company shall be 1,000,000, provided that this Section 8 shall apply only after such time, if any, as the Common Stock becomes a Listed Security.

9. OPTION EXERCISE PRICE AND CONSIDERATION.

(a) EXERCISE PRICE. The per Share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Administrator and set forth in the Option Agreement, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who at the time of grant is a Ten Percent Holder, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant; or

(B) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per share Exercise Price shall be such price as determined by the Administrator provided that if such eligible person is, at the time of the grant of such Option, a Named Executive of the Company, the per share Exercise Price shall be no less than 100% of the Fair Market Value on the date of grant if such Option is intended to qualify as performance-based compensation under Section 162(m) of the Code.

(iii) Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above pursuant to a merger or other corporate transaction.

(b) PERMISSIBLE CONSIDERATION. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (1) cash; (2) check; (3) delivery of Optionee's promissory note with such recourse, interest, security and redemption provisions as the Administrator determines to be appropriate (subject to the provisions of Section 153 of the Delaware General Corporation Law); (4) cancellation of indebtedness; (5) other Shares that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which the Option is exercised, provided that in the case of Shares acquired, directly or indirectly, from the Company, such Shares must have been owned by the Optionee for more than six months on the date of surrender (or such other period as may be required to avoid the Company's incurring an adverse accounting charge); (6) delivery of a properly executed exercise notice together with such other documentation as the Administrator and a securities broker approved by the Company shall require to effect exercise of the Option and prompt delivery to

the Company of the sale or loan proceeds required to pay the exercise price and any applicable withholding taxes; or (7) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company and the Administrator may, in its sole discretion, refuse to accept a particular form of consideration at the time of any Option exercise.

10. EXERCISE OF OPTION.

(a) GENERAL.

(i) EXERCISABILITY. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, consistent with the term of the Plan and reflected in the Option Agreement, including vesting requirements and/or performance criteria with respect to the Company and/or the Optionee. The Administrator shall have the discretion to determine whether and to what extent the vesting of Options shall be tolled during any unpaid leave of absence; provided however that in the absence of such determination, vesting of Options shall be tolled during any such leave.

(ii) MINIMUM EXERCISE REQUIREMENTS. An Option may not be exercised for a fraction of a Share. The Administrator may require that an Option be exercised as to a minimum number of Shares, provided that such requirement shall not prevent an Optionee from exercising the full number of Shares as to which the Option is then exercisable.

(iii) PROCEDURES FOR AND RESULTS OF EXERCISE. An Option shall be deemed exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and the Company has received full payment for the Shares with respect to which the Option is exercised. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 9(b) of the Plan, provided that the Administrator may, in its sole discretion, refuse to accept any form of consideration at the time of any Option exercise.

Exercise of an Option in any manner shall result in a decrease in the number of Shares that thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(iv) RIGHTS AS STOCKHOLDER. Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 14 of the Plan.

(b) TERMINATION OF EMPLOYMENT OR CONSULTING RELATIONSHIP. Except as otherwise set forth in this Section 10(b), the Administrator shall establish and set forth in the applicable Option Agreement the terms and conditions upon which an Option shall remain

exercisable, if at all, following termination of an Optionee's Continuous Service Status, which provisions may be waived or modified by the Administrator at any time in the Administrator's sole discretion. To the extent that the Optionee is not entitled to exercise an Option at the date of his or her termination of Continuous Service Status, or if the Optionee (or other person entitled to exercise the Option) does not exercise the Option to the extent so entitled within the time specified in the Option Agreement or below (as applicable), the Option shall terminate and the Optioned Stock underlying the unexercised portion of the Option shall revert to the Plan. In no event may any Option be exercised after the expiration of the Option term as set forth in the Option Agreement (and subject to Section 7). In the event the period for exercise of an Option following the termination of the Optionee's Continuous Service Status, as provided in the Option Agreement or below, is longer than the period permitted under Code Section 422 for an Incentive Stock Option, upon the expiration of the period permitted under Code Section 422 such Option, if designated as an Incentive Stock Option, shall be treated as a Nonstatutory Stock Option.

The following provisions shall apply to the extent an Option Agreement does not specify the terms and conditions upon which an Option shall terminate upon termination of an Optionee's Continuous Service Status:

(i) TERMINATION OTHER THAN UPON DISABILITY OR DEATH. In the event of termination of an Optionee's Continuous Service Status other than as a result of disability or death, such Optionee may exercise an Option for three months following such termination to the extent the Optionee was entitled to exercise it at the date of such termination.

(ii) DISABILITY OF OPTIONEE. In the event of termination of an Optionee's Continuous Service Status as a result of his or her disability (including a disability within the meaning of Section 22(e)(3) of the Code), such Optionee may exercise an Option at any time within twelve months following such termination to the extent the Optionee was entitled to exercise it at the date of such termination.

(iii) DEATH OF OPTIONEE. In the event of the death of an Optionee during the period of Continuous Service Status, or within 30 days following termination of Optionee's Continuous Service Status, the Option may be exercised by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance at any time within twelve months following the date of death, but only to the extent of the right to exercise that had accrued at the date the Optionee's Continuous Service Status terminated.

(c) BUYOUT PROVISIONS. The Administrator may at any time offer to buy out for a payment in cash or Shares an Option previously granted under the Plan based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

11. STOCK PURCHASE RIGHTS.

(a) RIGHTS TO PURCHASE. When the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that such person

shall be entitled to purchase, the price to be paid, and the time within which such person must accept such offer. The offer to purchase Shares subject to Stock Purchase Rights shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.

(b) REPURCHASE OPTION.

(i) GENERAL. Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment with the Company for any reason (including death or disability). The purchase price for Shares repurchased pursuant to the Restricted Stock Purchase Agreement shall be the original purchase price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at such rate as the Administrator may determine.

(ii) TERMINATION FOR CAUSE. In the event of termination of a Participant's Continuous Service for Cause, the Company shall have the right to repurchase from the Participant vested Shares issued upon exercise of a Stock Purchase Right at the Participant's original cost for the Shares. Such repurchase shall be effected pursuant to such terms and conditions, and at such time, as the Administrator shall determine. Nothing in this Section 11(b)(ii) shall in any way limit the Company's right to purchase unvested Shares as set forth in the applicable Restricted Stock Purchase Agreement.

(c) OTHER PROVISIONS. The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock Purchase Agreements need not be the same with respect to each purchaser.

(d) RIGHTS AS A STOCKHOLDER. Once the Stock Purchase Right is exercised, the purchaser shall have the rights equivalent to those of a stockholder, and shall be a stockholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 14 of the Plan.

12. TAXES.

(a) As a condition of the exercise of an Option or Stock Purchase Right granted under the Plan, the Participant (or in the case of the Participant's death, the person exercising the Option or Stock Purchase Right) shall make such arrangements as the Administrator may require for the satisfaction of any applicable federal, state, local or foreign withholding tax obligations that may arise in connection with the exercise of the Option or Stock Purchase Right and the issuance of Shares. The Company shall not be required to issue any Shares under the Plan until such obligations are satisfied. If the Administrator allows the withholding or surrender of Shares to satisfy a Participant's tax withholding obligations under this Section 12 (whether pursuant to Section 12(c), (d) or (e), or otherwise), the Administrator

shall not allow Shares to be withheld in an amount that exceeds the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes.

(b) In the case of an Employee and in the absence of any other arrangement, the Employee shall be deemed to have directed the Company to withhold or collect from his or her compensation an amount sufficient to satisfy such tax obligations from the next payroll payment otherwise payable after the date of an exercise of the Option or Stock Purchase Right.

(c) This Section 12(c) shall apply only after the date, if any, upon which the Common Stock becomes a Listed Security. In the case of Participant other than an Employee (or in the case of an Employee where the next payroll payment is not sufficient to satisfy such tax obligations, with respect to any remaining tax obligations), in the absence of any other arrangement and to the extent permitted under the Applicable Laws, the Participant shall be deemed to have elected to have the Company withhold from the Shares to be issued upon exercise of the Option or Stock Purchase Right that number of Shares having a Fair Market Value determined as of the applicable Tax Date (as defined below) equal to the amount required to be withheld. For purposes of this Section 12, the Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined under the Applicable Laws (the "Tax Date").

(d) If permitted by the Administrator, in its discretion, a Participant may satisfy his or her tax withholding obligations upon exercise of an Option or Stock Purchase Right by surrendering to the Company Shares that have a Fair Market Value determined as of the applicable Tax Date equal to the amount required to be withheld. In the case of shares previously acquired from the Company that are surrendered under this Section 12(d), such Shares must have been owned by the Participant for more than six (6) months on the date of surrender (or such other period of time as is required for the Company to avoid adverse accounting charges).

(e) Any election or deemed election by a Participant to have Shares withheld to satisfy tax withholding obligations under Section 12(c) or (d) above shall be irrevocable as to the particular Shares as to which the election is made and shall be subject to the consent or disapproval of the Administrator. Any election by a Participant under Section 12(d) above must be made on or prior to the applicable Tax Date.

(f) In the event an election to have Shares withheld is made by a Participant and the Tax Date is deferred under Section 83 of the Code because no election is filed under Section 83(b) of the Code, the Participant shall receive the full number of Shares with respect to which the Option or Stock Purchase Right is exercised but such Participant shall be unconditionally obligated to tender back to the Company the proper number of Shares on the Tax Date.

13. NON-TRANSFERABILITY OF OPTIONS AND STOCK PURCHASE RIGHTS.

(a) GENERAL. Except as set forth in this Section 13, Options and Stock Purchase Rights may not be sold, pledged, assigned, hypothecated, transferred or disposed of in

any manner other than by will or by the laws of descent or distribution. The designation of a beneficiary by an Optionee will not constitute a transfer. An Option or Stock Purchase Right may be exercised, during the lifetime of the holder of an Option or Stock Purchase Right, only by such holder or a transferee permitted by this Section 13.

(b) LIMITED TRANSFERABILITY RIGHTS. Notwithstanding anything else in this Section 13, prior to the date, if any, on which the Common Stock becomes a Listed Security, the Administrator may in its discretion grant Nonstatutory Stock Options that may be transferred by instrument to an inter vivos or testamentary trust in which the Options are to be passed to beneficiaries upon the death of the trustor (settlor) or by gift to "Immediate Family" (as defined below), on such terms and conditions as the Administrator deems appropriate. Following the date, if any, on which the Common Stock becomes a Listed Security, the Administrator may in its discretion grant transferable Nonstatutory Stock Options pursuant to Option Agreements specifying the manner in which such Nonstatutory Stock Options are transferable. "Immediate Family" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and shall include adoptive relationships.

14. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, MERGER OR CERTAIN OTHER TRANSACTIONS.

(a) CHANGES IN CAPITALIZATION. Subject to any required action by the stockholders of the Company, the number of Shares of Common Stock covered by each outstanding Option or Stock Purchase Right, the numbers of Shares set forth in Sections 3(a) and 8 above, and the number of Shares of Common Stock that have been authorized for issuance under the Plan but as to which no Options or Stock Purchase Rights have yet been granted or that have been returned to the Plan upon cancellation or expiration of an Option or Stock Purchase Right, as well as the price per Share of Common Stock covered by each such outstanding Option or Stock Purchase Right, shall be proportionately adjusted for any increase or decrease in the number of issued Shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination, recapitalization or reclassification of the Common Stock, or any other increase or decrease in the number of issued Shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares of Common Stock subject to an Option or Stock Purchase Right.

(b) DISSOLUTION OR LIQUIDATION. In the event of the dissolution or liquidation of the Company, each Option and Stock Purchase Right will terminate immediately prior to the consummation of such action, unless otherwise determined by the Administrator.

(c) CORPORATE TRANSACTION.

(i) In the event of a Corporate Transaction, each outstanding Option and Stock Purchase Right shall be assumed or an equivalent option or right shall be substituted by the successor corporation or a Parent or Subsidiary of such successor corporation, unless such successor corporation does not agree to assume the outstanding Options or Stock Purchase Rights or to substitute equivalent options or rights, in which case such Options or Stock Purchase Rights shall terminate upon the consummation of the transaction.

(ii) In the event of a Change of Control, if the successor corporation or a Parent or Subsidiary of such successor corporation agrees to assume unexercised Options or Stock Purchase Rights or to substitute them with equivalent options or stock purchase rights, the vesting and exercisability of each outstanding Option and Stock Purchase Right shall accelerate such that the Options and Stock Purchase Rights shall become vested and exercisable as to the lesser of 25% of the Shares subject to the Option or Stock Purchase Right or the remaining unvested Shares, and any repurchase right of the Company with respect to Shares issued upon exercise of an Option or Stock Purchase Right shall lapse as to the lesser of 25% of the Shares initially subject to the Company repurchase right or the remaining Shares subject to the Company repurchase right. The acceleration of vesting and lapse of repurchase rights provided for in this Section 15(c)(ii) shall occur immediately prior to consummation of the Change of Control and shall apply to Shares that would have vested last under the vesting schedule applicable to the option or the shares subject to Company repurchase right.

(iii) In addition to the acceleration of vesting and lapse of repurchase rights provided for in Section 15(c)(ii), in the event of the Involuntary Termination within twelve (12) months of the Change of Control of a Participant holding an Option or Stock Purchase Right that is assumed or substituted by the Successor Corporation in the Change of Control, or holding Restricted Stock issued upon exercise of an Option or Stock Purchase Right with respect to which the Successor Corporation has succeeded to a repurchase right as a result of the Change of Control, then any assumed or substituted Option or Stock Purchase Right held by such Participant at the time of the Involuntary Termination shall accelerate and become exercisable as to the lesser of 25% of the Shares subject to the Option or Stock Purchase Right or the remaining unvested Shares, and any repurchase right of the Company with respect to Shares issued upon exercise of an Option or Stock Purchase Right shall lapse as to the lesser of 25% of the Shares initially subject to the Company repurchase right or the remaining Shares subject to the Company repurchase right. The acceleration of vesting and lapse of repurchase rights provided for in this Section 15(c)(iii) shall occur as of the Participant's last day of Continuous Service Status.

(iv) In the event the Successor Corporation does not agree to assume unexercised Options, or to substitute them with equivalent options or stock purchase rights, the vesting and exercisability of each outstanding Option and Stock Purchase Right shall accelerate such that the Options and Stock Purchase Rights shall become vested and exercisable as to 100% of the remaining unvested Shares, and any repurchase right of the Company with respect to Shares issued upon exercise of an Option or Stock Purchase Right shall lapse as to 100% of the remaining Shares subject to the Company repurchase right. The acceleration of vesting and lapse

of repurchase rights provided for in this Section 15(c)(iv) shall occur immediately prior to consummation of the Change of Control.

(v) For purposes of this Section 15(c), an Option or a Stock Purchase Right shall be considered assumed, without limitation, if, at the time of issuance of the stock or other consideration upon a Corporate Transaction or a Change of Control, as the case may be, each holder of an Option or Stock Purchase Right would be entitled to receive upon exercise of the Option or Stock Purchase Right the same number and kind of shares of stock or the same amount of property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to such transaction, the holder of the number of Shares of Common Stock covered by the Option or the Stock Purchase Right at such time (after giving effect to any adjustments in the number of Shares covered by the Option or Stock Purchase Right as provided for in this Section 15); provided however that if such consideration received in the transaction is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon exercise of the Option or Stock Purchase Right to be solely common stock of the successor corporation or its Parent equal to the Fair Market Value of the per Share consideration received by holders of Common Stock in the transaction.

(vi) For purposes of this Section 15(c) "Involuntary Termination" means termination of a Participant's Continuous Service under the following circumstances: (A) termination without Cause by the Company or a Subsidiary, Parent, Affiliate or successor thereto, as appropriate; or (B) voluntary resignation by the Participant within 30 days following (I) a reduction in the Participant's then-current base salary of more than 20%, other than in connection with a similar reduction in the base salaries of similarly situated employees or consultants as part of a general salary level reduction; or (II) relocation by the Company or a Subsidiary, Parent, Affiliate or successor thereto, as appropriate, of the Participant's work site to a facility or location by more than 50 miles from the Participant's principal work site immediately prior to such relocation.

(vii) For purposes of this Section 15(c), "Cause" for termination of a Participant's Continuous Service Status will exist if the Participant is terminated for any of the following reasons: (A) Participant's material breach of any of the terms of any written agreement between the Participant and the Company; (B) Participant's conviction of a felony harmful to the reputation of the Company or of a crime involving moral turpitude; (C) Participant's willful misconduct in the performance of his or her duties and responsibilities to the Company; (D) Participant's violation of his or her duty of loyalty or his or her obligations with respect to proprietary information or trade secrets of the Company or to any party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company; (E) Participant's violation of the Company's nondiscrimination policies or policies prohibiting harassment; or (F) Participant's commission of any other intentional wrongful act that could cause the Company to be liable to a third party. The determination as to whether a Participant's Continuous Service is terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Participant. The foregoing definition does not in any way limit

the Company's ability to terminate a Participant's employment or consulting relationship at any time as provided in Section 5(d) above. The term "Company" will be interpreted to include any Subsidiary, Parent, Affiliate or successor thereto, as appropriate.

(d) CERTAIN DISTRIBUTIONS. In the event of any distribution to the Company's stockholders of securities of any other entity or other assets (other than dividends payable in cash or stock of the Company) without receipt of consideration by the Company, the Administrator may, in its discretion, appropriately adjust the price per Share of Common Stock covered by each outstanding Option or Stock Purchase Right to reflect the effect of such distribution.

15. TIME OF GRANTING OPTIONS AND STOCK PURCHASE RIGHTS. The date of grant of an Option or Stock Purchase Right shall, for all purposes, be the date on which the Administrator makes the determination granting such Option or Stock Purchase Right, or such other date as is determined by the Administrator, provided that in the case of any Incentive Stock Option, the grant date shall be the later of the date on which the Administrator makes the determination granting such Incentive Stock Option or the date of commencement of the Optionee's employment relationship with the Company. Notice of the determination shall be given to each Employee or Consultant to whom an Option or Stock Purchase Right is so granted within a reasonable time after the date of such grant.

16. AMENDMENT AND TERMINATION OF THE PLAN.

(a) AUTHORITY TO AMEND OR TERMINATE. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation (other than an adjustment pursuant to Section 14 above) shall be made that would materially and adversely affect the rights of any Optionee or holder of Stock Purchase Rights under any outstanding grant, without his or her consent. In addition, to the extent necessary and desirable to comply with the Applicable Laws, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) EFFECT OF AMENDMENT OR TERMINATION. No amendment or termination of the Plan shall materially and adversely affect Options or Stock Purchase Rights already granted, unless mutually agreed otherwise between the Optionee or holder of the Stock Purchase Rights and the Administrator, which agreement must be in writing and signed by the Optionee or holder and the Company.

17. CONDITIONS UPON ISSUANCE OF SHARES. Notwithstanding any other provision of the Plan or any agreement entered into by the Company pursuant to the Plan, the Company shall not be obligated, and shall have no liability for failure, to issue or deliver any Shares under the Plan unless such issuance or delivery would comply with the Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel. As a condition to the exercise of an Option or Stock Purchase Right, the Company may require the person exercising the award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by law.

18. RESERVATION OF SHARES. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

19. AGREEMENTS. Options and Stock Purchase Rights shall be evidenced by Option Agreements and Restricted Stock Purchase Agreements, respectively, in such form(s) as the Administrator shall from time to time approve.

20. STOCKHOLDER APPROVAL. If required by the Applicable Laws, continuance of the Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such stockholder approval shall be obtained in the manner and to the degree required under the Applicable Laws.

21. INFORMATION AND DOCUMENTS TO OPTIONEES AND PURCHASERS. Prior to the date, if any, upon which the Common Stock becomes a Listed Security and if required by the Applicable Laws, the Company shall provide financial statements at least annually to each Optionee and to each individual who acquired Shares pursuant to the Plan, during the period such Optionee or purchaser has one or more Options or Stock Purchase Rights outstanding, and in the case of an individual who acquired Shares pursuant to the Plan, during the period such individual owns such Shares. The Company shall not be required to provide such information if the issuance of Options or Stock Purchase Rights under the Plan is limited to key employees whose duties in connection with the Company assure their access to equivalent information.

22. AWARDS GRANTED TO CALIFORNIA RESIDENTS. Prior to the date, if any, upon which the Common Stock becomes a Listed Security, Options or Stock Purchase Rights granted under the Plan to persons resident in California shall be subject to the provisions set forth in Attachment A hereto. To the extent the provisions of the Plan conflict with the provisions set forth on Attachment A, the provisions on Attachment A shall govern the terms of such Options.

ATTACHMENT A
PROVISIONS APPLICABLE TO AWARD RECIPIENTS
RESIDENT IN CALIFORNIA

Until such time as any security of the Company becomes a Listed Security and if required by Applicable Laws, the following additional terms shall apply to Options and Stock Purchase Rights, and Shares issued upon exercise of such awards, granted under the 2000 Stock Plan (the "Plan") to persons resident in California as of the grant date of any such award (each such person, a "California Recipient"):

1. In the case of an Option, whether an Incentive Stock Option or a Nonqualified Stock Option, that is granted to a California Recipient who, at the time of the grant of such Option, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value on the grant date.

2. In the case of a Nonqualified Stock Option that is granted to any other California Recipient, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the grant date.

3. In the case of a Stock Purchase Right granted to a California Recipient, the purchase price applicable to stock purchased under such Stock Award shall not be less than 85% of the Fair Market Value of the Shares as of the Grant Date, or, in the case of a person owning stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the price shall not be less than 100% of the Fair Market Value of the Shares as of the grant date.

4. With respect to an Option or Stock Purchase Right issued to any California Recipient who is not an Officer, Director or Consultant, such Option or Stock Purchase Right shall become exercisable, or any repurchase option in favor of the Company shall lapse, at the rate of at least 20% of the Shares per year over five years from the grant date.

5. The following rules shall apply to an Option issued to any California Recipient or to stock issued to a California Recipient upon exercise of a Stock Purchase Right, in the event of termination of the California Recipient's employment or services with the Company:

(a) If such termination was for reasons other than death or disability, the California Recipient shall have at least 30 days after the date of such termination (but in no event later than the expiration of the term of such Option established by the Plan Administrator as of the grant date) to exercise such Option.

(b) If such termination was on account of the death or disability of the California Recipient, the holder of the Option may, but only within six months from the date of such termination (but in no event later than the expiration date of the term of such Option established by the Plan Administrator as of the grant date), exercise the Option to the extent the California Recipient was otherwise entitled to exercise it at the date of such termination. To the extent that the California Recipient was not entitled to exercise the Option at the date of

termination, or if the holder does not exercise such Option to the extent so entitled within six months from the date of termination, the Option shall terminate and the Common Stock underlying the unexercised portion of the Option shall revert to the Plan.

6. The Company shall provide financial statements at least annually to each California Recipient during the period such person has one or more Options or Stock Awards outstanding, and in the case of an individual who acquired Shares pursuant to the Plan, during the period such individual owns such Shares. The Company shall not be required to provide such information if the issuance of awards under the Plan is limited to key employees whose duties in connection with the Company assure their access to equivalent information.

7. Unless defined below or otherwise in this Attachment, Capitalized terms shall have the meanings set forth in the Plan. For purposes of this Attachment, "Officer" means a person who is an officer of the Company within the meaning of Section 16(a) of the Exchange Act and the rules and regulations promulgated thereunder.

EXHIBIT 10.17

XCYTE THERAPIES, INC.

2000 EMPLOYEE STOCK PURCHASE PLAN

The following constitute the provisions of the 2000 Employee Stock Purchase Plan of Xcyte Therapies, Inc.

1. PURPOSE. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Code. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. DEFINITIONS.

(a) "BOARD" means the Board of Directors of the Company.

(b) "CODE" means the Internal Revenue Code of 1986, as amended.

(c) "COMMON STOCK" means the Common Stock of the Company.

(d) "COMPANY" means Xcyte Therapies, Inc., a Delaware corporation.

(e) "COMPENSATION" means all earnings reported as wages on Form W-2, including straight time pay, payments for overtime, shift premiums, incentive compensation, incentive payments, bonuses, commissions and other compensation.

(f) "CONTINUOUS STATUS AS AN EMPLOYEE" means the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Administrator, provided that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) transfers between locations of the Company, between the Company and its Subsidiaries or between the Company's Subsidiaries.

(g) "CONTRIBUTIONS" means all amounts credited to the account of a participant pursuant to the Plan.

(h) "CORPORATE TRANSACTION" means a sale of all or substantially all of the Company's assets, or a merger, consolidation or other capital reorganization of the Company with or into another corporation.

(i) "DESIGNATED SUBSIDIARIES" means the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan; provided however that the Board shall only have the discretion to designate Subsidiaries if

the issuance of options to such Subsidiary's Employees pursuant to the Plan would not cause the Company to incur adverse accounting charges.

(j) "EMPLOYEE" means any person, including an Officer, who is treated as an employee of the Company for payroll tax purposes and who is customarily employed for at least twenty (20) hours per week and more than five (5) months in a calendar year by the Company or one of its Designated Subsidiaries.

(k) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(l) "FAIR MARKET VALUE" means, as of any date, the value of Common Stock determined by the Board in its discretion provided that, to the extent the Common Stock is trading on the Nasdaq National Market, (A) the Fair Market Value as of an Offering Date shall be the closing sales price of the Common Stock as reported by the Nasdaq National Market for the last trading day immediately preceding the Offering Date, and (B) the Fair Market Value of the Common Stock as of a Purchase Date shall be the closing sales price of the Common Stock as reported on the Nasdaq National Market for the Purchase Date or, if the Common Stock is not traded on such date, the last trading day immediately preceding the Purchase Date, in each case as reported in The Wall Street Journal. For purposes of the Offering Date under the first Offering Period under the Plan, the Fair Market Value of a share of the Common Stock of the Company shall be the Price to Public as set forth in the final prospectus filed with the Securities and Exchange Commission pursuant to Rule 424 under the Securities Act of 1933, as amended.

(m) "OFFERING DATE" means the first business day of each Offering Period of the Plan.

(n) "OFFERING PERIOD" means a period of up to twenty-seven (27) months as set forth in Section 4(a) of the Plan. The duration and timing of the Offering Periods may be changed pursuant to Section 4(a), Section 20 and Section 21 of the Plan.

(o) "OFFICER" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(p) "PLAN" means this Employee Stock Purchase Plan.

(q) "PURCHASE DATE" means the last day of each Purchase Period of the Plan.

(r) "PURCHASE PERIOD" means a period of approximately six (6) months within or coincident with an Offering Period, except for the first Purchase Period as set forth in Section 4(b). The duration and timing of the Purchase Periods may be changed pursuant to Section 4(b), Section 19 and Section 20 of the Plan.

(s) "PURCHASE PRICE" means with respect to a Purchase Period an amount equal to 85% of the Fair Market Value (as defined in Section 2(l) above) of a Share of Common Stock on the Offering Date or on the Purchase Date, whichever is lower; provided, however, that

in the event (i) of any increase in the number of Shares available for issuance under the Plan as a result of a stockholder-approved amendment to the Plan, and (ii) all or a portion of such additional Shares are to be issued with respect to one or more Offering Periods that are underway at the time of such increase ("Additional Shares"), and (iii) the Fair Market Value of a Share of Common Stock on the date of such increase (the "Approval Date Fair Market Value") is higher than the Fair Market Value on the Offering Date for any such Offering Period, then in such instance the Purchase Price with respect to Additional Shares shall be 85% of the Approval Date Fair Market Value or the Fair Market Value of a Share of Common Stock on the Purchase Date, whichever is lower.

(t) "SHARE" means a share of Common Stock, as adjusted in accordance with Section 19 of the Plan.

(u) "SUBSIDIARY" means a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

3. ELIGIBILITY. Any person who is an Employee as of the Offering Date of a given Offering Period shall be eligible to participate in such Offering Period under the Plan, subject to the requirements of Section 5 and the limitations of Section 5(c), Section 6(c) and Section 6(d), and the limitations imposed by Section 423(b) of the Code.

4. OFFERING PERIODS AND PURCHASE PERIODS.

(a) OFFERING PERIODS. The Plan shall be implemented by a series of Offering Periods of approximately six (6) months duration, with new Offering Periods commencing on or about February 1 and August 1 of each year and ending, respectively, on the next following July 31 and January 31 (or at such other time or times as may be determined by the Board of Directors). If and to the extent the Board takes action prior to the effective date of the Company's Registration Statement on Form S-1 for the initial public offering of the Company's Common Stock (the "IPO Date") to grant eligible Employees options to participate in an Offering Period beginning on the IPO Date (such period, the "IPO Offering Period"), then such period shall begin on the IPO Date and continue until July 31, 2001. Offering Periods shall commence on a continuing successive basis (and overlapping, if the Board of Directors establishes Offering Periods of twelve (12) or more months' duration) until the Plan is terminated in accordance with Section 20 or 23 hereof. The Board of Directors of the Company shall have the power to change the duration and/or the frequency of Offering Periods with respect to future offerings without stockholder approval if such change is announced at least five (5) days prior to the scheduled beginning of the first Offering Period to be affected.

(b) PURCHASE PERIODS. Each Offering Period of approximately six (6) months' duration shall consist of a single Purchase Period coincident with such Offering Period. If the Board of Directors establishes Offering Periods of twelve (12) or more months' duration, each such Offering Period shall consist of consecutive Purchase Periods of approximately six (6) months duration. The last day of each Purchase Period shall be the "Purchase Date" for such Purchase Period. A Purchase Period commencing on February 1 shall end on the next July 31

and Purchase Period commencing on August 1 shall end on the next January 31. If the Board takes action to cause there to be an IPO Offering Period, then the first Purchase Period shall commence on the IPO Date and shall end on January 31, 2001. The Board of Directors of the Company shall have the power to change the duration and/or frequency of Purchase Periods with respect to future purchases without stockholder approval if such change is announced at least five (5) days prior to the scheduled beginning of the first Purchase Period to be affected.

5. PARTICIPATION; SUBSCRIPTION AGREEMENT.

(a) With respect to the IPO Offering Period, if any, an eligible Employee will become a participant in the Plan by the Board's taking action prior to the IPO Date to grant such persons options to purchase Shares pursuant to the Plan. To the extent that a participant purchases Shares on the first Purchase Date of the IPO Offering Period, if any, by delivering a check to the Company as set forth in Section 7(c)(i), such delivery and purchase shall operate, unless the participant withdraws from the Plan pursuant to Section 10 or 11, as an election by the participant to continue participating in the Plan in each successive Offering Period on the payroll deduction basis described in Section 7(c)(ii) and the Company shall withhold from the participant's Compensation beginning with the first payroll paid following such first Purchase Date at a Contribution rate equal to the ratio that the aggregate purchase price paid for Shares purchased on such Purchase Date bears to the participant's total Compensation during that Purchase Period (which rate shall not exceed the percentage specified in Section 5(c) below). A participant may at any time after the commencement of the IPO Offering Period, if any, file a subscription agreement as described in Section 5(c) to make contributions to the Plan for such IPO Offering Period on a payroll deduction basis.

(b) Except with respect to the IPO Offering Period, if any, an eligible Employee may become a participant in the Plan by completing a subscription agreement as described in Section 5(c) below on the form provided by the Company and filing it with the Company as directed on such form prior to the applicable Offering Date.

(c) A participant's subscription agreement shall set forth the percentage of the participant's Compensation to be paid as Contributions pursuant to the Plan, which percentage shall be not less than one percent (1%) and not more than fifteen percent (15%) (or such other maximum percentage as the Board may establish from time to time before an Offering Date) of such participant's Compensation on each payday during the Offering Period. If the Board of Directors establishes overlapping Offering Periods of twelve (12) or more months' duration, to the extent a participant is participating in more than one Offering Period, the maximum aggregate percentage of Compensation that he or she may contribute under the Plan shall be fifteen percent (15%) (or such other maximum percentage as the Board may establish from time to time before an Offering Date) and the Employee's Contributions under the earliest-filed subscription agreement shall be reduced as necessary to prevent his or her Contributions in the aggregate from exceeding such maximum percentage.

(d) A participant's subscription shall be effective for the Offering Period with respect to which it is filed, and also shall be automatically effective for each successive Offering

Period that commences at the end of the Offering Period for which it is filed (or that commences at the end of any such successive Offering Period), unless the participant files a new subscription to decrease the amount of his or her contributions as set forth in Section 5(e) below, withdraws in accordance with Section 10 or 11, or is otherwise ineligible to participate in such successive Offering Period.

(e) A participant may discontinue his or her participation in the Plan as provided in Section 10, or, on one occasion only during a Purchase Period may decrease the rate of his or her Contributions with respect to an Offering Period, by completing and filing with the Company a new subscription agreement authorizing a change in the payroll deduction rate. Any change in rate of Contributions pursuant to the preceding sentence shall be effective as of the beginning of the next calendar month following the date of filing of the new subscription agreement, provided the agreement indicating such change is filed at least ten (10) business days prior to such date and, if not, then as of the beginning of the next succeeding calendar month. With respect to the IPO Offering Period, any election by a participant to commence payroll deductions under the Plan following the IPO Date in accordance with Section 7(c)(ii) at a rate of Compensation that would result in his or her purchasing less than the full amount of Shares that he or she could purchase under the option granted to him or her by the Board shall not count as a decrease in participation for purposes of the first sentence of this Section 5(e).

6. GRANT OF OPTION; LIMITATIONS.

(a) With respect to the IPO Offering Period, if any, each eligible Employee shall be granted an option to purchase on each Purchase Date a number of Shares of the Company's Common Stock determined by dividing the maximum amount specified by the Board in granting the option (which amount shall be a percentage of such Employee's Compensation) by the applicable Purchase Price, subject to the limitations in subsections (c) and (d) of this Section 6.

(b) Except with respect to the IPO Offering Period, if any, and subject to the limitations in subsections (c) and (d) of this Section 6 and Section 13(b), on the Offering Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on each Purchase Date a number of Shares of the Company's Common Stock determined by dividing such Employee's Contributions accumulated prior to such Purchase Date and retained in the participant's account as of the Purchase Date by the applicable Purchase Price.

(c) Notwithstanding the above, the maximum number of Shares an Employee may purchase during each Purchase Period of any Offering Period (including the IPO Offering Period) shall be 2,500 Shares (subject to any adjustment pursuant to Section 19 below), and provided further that such purchase shall be subject to the limitations set forth in Sections 13(b). In addition to the limits on an Employee's participation in the Plan set forth herein, the Board may establish limits on the number of shares an Employee may elect to purchase with respect to any Offering Period if such limit is announced at least fifteen (15) days prior to the scheduled beginning of the first Offering Period to be affected.

(d) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any subsidiary of the Company, or (ii) if such option would permit his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds twenty-five thousand dollars ($25,000) of the Fair Market Value (as defined in Section 2(l) above) of such stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

7. METHOD OF PAYMENT FOR PURCHASE OF SHARES.

(a) Except with respect to the IPO Offering Period, if any, this Plan shall be operated as a payroll deduction plan. Once a participant is participating in the Plan on a payroll deduction basis, he or she may not make any additional lump sum cash payments into such account. Payroll deductions shall commence on the first payroll paid following the Offering Date and shall end on the last payroll paid on or prior to the last Purchase Period of the Offering Period to which the participant's subscription agreement is applicable, unless the participant withdraws as provided in Section 10 or 11. All payroll deductions made by a participant shall be credited to his or her account under the Plan.

(b) With respect to the IPO Offering Period, payroll deductions shall commence on the first payroll date following the date, if any, on which the participant elects pursuant to Section 5(a) to have amounts withheld from his or her Compensation.

(c) A participant in the IPO Offering Period shall make payment for the purchase of Shares by (i) making a lump sum cash payment to the Company on or prior to the Purchase Date for such Offering Period for the amount of the purchase price for the Shares being purchased (after which date an Employee wishing to continue participating in the Plan shall participate on a payroll deduction basis unless the participant withdraws from the Plan under Section 10 or 11), or (ii) electing, following the IPO Date, to have amounts directly withheld from the Employee's Compensation by filing a subscription agreement pursuant to Section 5(c).

(d) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and the limitations of this Section 6, a participant's payroll deductions may be decreased by the Company to zero percent (0%) at any time during a Purchase Period. Payroll deductions shall re-commence at the rate provided in such participant's subscription agreement at the beginning of the next Purchase Period or, in the case of the limitation of Section 6(d), the first Purchase Period which is scheduled to end in the following calendar year, unless the participant withdraws in accordance with Section 10 or 11 or is otherwise ineligible to participate in such Purchase Period.

(e) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the participant.

8. EXERCISE OF OPTION.

(a) Except with respect to the first Purchase Period of the IPO Offering Period, if any, and unless a participant withdraws from the Plan as provided in Section 10 or 11, his or her option for the purchase of Shares will be exercised automatically on each Purchase Date of an Offering Period, and unless otherwise limited by Section 6 or Section 13(b), the maximum number of full Shares subject to the option will be purchased at the applicable Purchase Price with the accumulated Contributions in his or her account. With respect to the first Purchase Period of the IPO Offering Period, a participant's option thereunder shall either be exercised as provided in the preceding sentence or by the participant's delivering to the Company a check for the full amount of the purchase price of the Shares being purchased (which number of Shares may be less than the entire number of Shares subject to the option granted by the Board) prior to the time of purchase for such Purchase Date. No fractional Shares shall be issued. The Shares purchased upon exercise of an option hereunder shall be deemed to be transferred to the participant on the Purchase Date. During his or her lifetime, a participant's option to purchase Shares hereunder is exercisable only by him or her.

(b) No fractional Shares shall be purchased. Any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full Share shall be retained in the participant's account for the subsequent Purchase Period or Offering Period, subject to earlier withdrawal by the participant as provided in Section 10 or 11 below. Any other amounts left over in a participant's account after a Purchase Date shall be returned to the participant.

9. DELIVERY. As promptly as practicable after each Purchase Date of each Offering Period, the Company shall arrange the delivery to each participant, as appropriate, of the Shares purchased upon exercise of his or her option. Notwithstanding the foregoing, the Board may require that all Shares purchased under the Plan be held in an account (the participant's "ESPP Stock Account") established in the name of the participant (or in the name of the participant and his or her spouse, as designated by the participant on his or her subscription agreement), subject to such rules as determined by the Board and uniformly applied to all participants, including designation of a brokerage or other financial services firm (an "ESPP Broker") to hold such Shares for the participant's ESPP Stock Account with registration of such Shares in the name of

such ESPP Broker for the benefit of the participant (or for the benefit of the participant and his or her spouse, as designated by the participant on his or her subscription agreement).

10. VOLUNTARY WITHDRAWAL; TERMINATION OF EMPLOYMENT.

(a) A participant may withdraw all but not less than all the Contributions credited to his or her account under the Plan at any time prior to each Purchase Date by giving written notice to the Company. All of the participant's Contributions credited to his or her account will be paid to him or her promptly after receipt of his or her notice of withdrawal and his or her option for the current period will be automatically terminated, and no further Contributions for the purchase of Shares will be made during the Offering Period. With respect to the IPO Offering Period, a participant who has not previously chosen to have amounts withheld from his or her Compensation shall be considered to have withdrawn from such period if he or she fails to exercise the options granted hereunder by delivering to the Company the full amount of the purchase price for the Shares being purchased (which number of Shares may be less than the entire number of Shares subject to the option granted by the Board) for the first Purchase Period within the IPO Offering Period.

(b) A participant's withdrawal from an offering will not have any effect upon his or her eligibility to participate in a succeeding Offering Period or in any similar plan which may hereafter be adopted by the Company.

11. AUTOMATIC WITHDRAWAL.

(a) In the event an Employee fails to remain in Continuous Status as an Employee of the Company for at least twenty (20) hours per week during the Offering Period in which the employee is a participant, unless such Employee is on an approved leave of absence or a temporary reduction of hours, he or she will be deemed to have elected to withdraw from the Plan and the Contributions credited to his or her account will be returned to him or her and his or her option terminated.

(b) Upon termination of the participant's Continuous Status as an Employee prior to the Purchase Date of an Offering Period for any reason, including retirement or death, the Contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under Section 15, and his or her option will be automatically terminated.

(c) If the Board of Directors has established Offering Periods of 12 months' duration, to the extent permitted by any applicable laws, regulations or stock exchange rules, if the Fair Market Value of the Shares on an Offering Date for an Offering Period (the "New Offering Period") commencing within an Offering Period (the "Ongoing Offering Period") then in progress, is lower than was the Fair Market Value of the Shares on the Offering Date for the Ongoing Offering Period, then every participant in the Ongoing Offering Period shall automatically be deemed to have (i) withdrawn from the Ongoing Offering Period at the close of the Purchase Period immediately preceding the New Offering Period, and (ii) to have enrolled in such New Offering Period.

12. INTEREST. No interest shall accrue on the Contributions of a participant in the Plan.

13. STOCK.

(a) Subject to adjustment as provided in Section 19, the maximum number of Shares which shall be made available for sale under the Plan shall be 600,000 Shares, plus an annual increase on the first day of each of the Company's fiscal years beginning in 2002 through 2008 equal to the lesser of (i) 300,000 Shares (before giving effect to a stock split effected in connection with the Company's initial public offering), (ii) one percent (1%) of the Shares outstanding on the last day of the immediately preceding fiscal year, or (iii) such lesser number of Shares as is determined by the Board.

(b) If the Board determines that, on a given Purchase Date, the number of shares with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Offering Date of the applicable Offering Period, or (ii) the number of shares available for sale under the Plan on such Purchase Date, the Board may in its sole discretion provide (x) that the Company shall make a pro rata allocation of the Shares of Common Stock available for purchase on such Offering Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Purchase Date, and continue all Offering Periods then in effect, or (y) that the Company shall make a pro rata allocation of the shares available for purchase on such Offering Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Purchase Date, and terminate any or all Offering Periods then in effect pursuant to Section 20 below. The Company may make pro rata allocation of the Shares available on the Offering Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional Shares for issuance under the Plan by the Company's stockholders subsequent to such Offering Date.

(c) The participant shall have no interest or voting right in Shares covered by his or her option until such option has been exercised.

(d) Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his or her spouse; provided that if the Board has determined that Shares shall be held in an ESPP Stock Account held by an ESPP Broker in accordance with Section 9, Shares shall be registered in the name of such ESPP Broker for the benefit of the participant (or the participant and his or her spouse, as designated by the participant in his or her subscription agreement).

14. ADMINISTRATION. The Board, or a committee named by the Board, shall supervise and administer the Plan and shall have full power to adopt, amend and rescind any rules deemed desirable and appropriate for the administration of the Plan and not inconsistent with the Plan, to construe and interpret the Plan, and to make all other determinations necessary or advisable for the administration of the Plan.

15. DESIGNATION OF BENEFICIARY.

(a) A participant may file a written designation of a beneficiary who is to receive any Shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of a Purchase Period but prior to delivery to him or her of such Shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the Purchase Date of an Offering Period. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant (and his or her spouse, if any) at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such Shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

16. TRANSFERABILITY. Neither Contributions credited to a participant's account nor any rights with regard to the exercise of an option or to receive Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 15) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 10.

17. USE OF FUNDS. The Company may use all Contributions received or held by the Company under the Plan for any corporate purpose, and the Company shall not be obligated to segregate such Contributions.

18. REPORTS. Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees at least annually, which statements will set forth the amounts of Contributions, the per Share Purchase Price, the number of Shares purchased and the remaining cash balance, if any.

19. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION; CORPORATE TRANSACTIONS.

(a) ADJUSTMENT. Subject to any required action by the stockholders of the Company, the number of Shares covered by each option under the Plan which has not yet been exercised and the number of Shares which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the maximum number of shares of Common Stock which may be purchased by a participant in a Purchase Period, the number of shares of Common Stock set forth in Section 13(a) above, and the per Share Purchase Price covered by each option under the Plan which has not yet been exercised,

shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock (including any such change in the number of Shares of Common Stock effected in connection with a change in domicile of the Company), or any other increase or decrease in the number of Shares effected without receipt of consideration by the Company; provided however that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an option.

(b) CORPORATE TRANSACTIONS.

(i) In the event of a dissolution or liquidation of the Company, any Purchase Period and Offering Period then in progress will terminate immediately prior to the consummation of such action, unless otherwise provided by the Board. In the event of a Corporate Transaction, each option outstanding under the Plan shall be assumed or an equivalent option shall be substituted by the successor corporation or a parent or Subsidiary of such successor corporation. In the event that the successor corporation refuses to assume or substitute for outstanding options, each Purchase Period and Offering Period then in progress shall be shortened and a new Purchase Date shall be set (the "New Purchase Date"), as of which date any Purchase Period and Offering Period then in progress will terminate. The New Purchase Date shall be on or before the date of consummation of the transaction and the Board shall notify each participant in writing, at least ten (10) days prior to the New Purchase Date, that the Purchase Date for his or her option has been changed to the New Purchase Date and that his or her option will be exercised automatically on the New Purchase Date, unless prior to such date he or she has withdrawn from the Offering Period as provided in Section 10 or 11.

(ii) For purposes of this Section 19, an option granted under the Plan shall be deemed to be assumed, without limitation, if, at the time of issuance of the stock or other consideration upon a Corporate Transaction, each holder of an option under the Plan would be entitled to receive upon exercise of the option the same number and kind of shares of stock or the same amount of property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to the transaction, the holder of the number of Shares of Common Stock covered by the option at such time (after giving effect to any adjustments in the number of Shares covered by the option as provided for in this Section 19); provided however that if the consideration received in the transaction is not solely common stock of the successor corporation or its parent (as defined in Section 424(e) of the Code), the Board may, with the consent of the successor corporation, provide for the consideration to be received upon exercise of the option to be solely common stock of the successor corporation or its parent equal in Fair Market Value to the per Share consideration received by holders of Common Stock in the transaction.

(iii) The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per Share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of Shares of its outstanding Common Stock, and in the event of the Company's being consolidated with or merged into any other corporation.

20. AMENDMENT OR TERMINATION.

(a) The Board may at any time and for any reason terminate or amend the Plan. Except as provided in Section 19, no such termination of the Plan may affect options previously granted, provided that the Plan or an Offering Period may be terminated by the Board on a Purchase Date or by the Board's setting a new Purchase Date with respect to an Offering Period and Purchase Period then in progress if the Board determines that termination of the Plan and/or the Offering Period is in the best interests of the Company and the stockholders or if continuation of the Plan and/or the Offering Period would cause the Company to incur adverse accounting charges as a result of a change after the effective date of the Plan in the generally accepted accounting rules applicable to the Plan. Except as provided in Section 19 and in this Section 20, no amendment to the Plan shall make any change in any option previously granted which adversely affects the rights of any participant. In addition, to the extent necessary to comply with Rule 16b-3 under the Exchange Act, or under Section 423 of the Code (or any successor rule or provision or any applicable law or regulation), the Company shall obtain stockholder approval in such a manner and to such a degree as so required.

(b) Without stockholder consent and without regard to whether any participant rights may be considered to have been adversely affected, the Board (or its committee) shall be entitled to change the Offering Periods and Purchase Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board (or its committee) determines in its sole discretion advisable which are consistent with the Plan.

21. NOTICES. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. CONDITIONS UPON ISSUANCE OF SHARES. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such Shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign,

including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, applicable state securities laws and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. TERM OF PLAN; EFFECTIVE DATE. The Plan shall become effective upon the IPO Date. It shall continue in effect for a term of twenty (20) years unless sooner terminated under Section 20.

XCYTE THERAPIES, INC.

2000 EMPLOYEE STOCK PURCHASE PLAN
SUBSCRIPTION AGREEMENT

(Offering Periods After IPO Offering Period)

New Election _____
Change of Election _____

1. I, _____, hereby elect to participate in the Xcyte Therapies, Inc. 2000 Employee Stock Purchase Plan (the "Plan") for the Offering Period _____, ____ to _____, ____, and subscribe to purchase shares of the Company's Common Stock in accordance with this Subscription Agreement and the an.

2. I elect to have Contributions in the amount of ____% of my Compensation, as those terms are defined in the Plan, applied to this purchase. I understand that this amount must not be less than 1% and not more than 15% of my Compensation during the Offering Period. (Please note that no fractional percentages are permitted).

3. I hereby authorize payroll deductions from each paycheck during the Offering Period at the rate stated in Item 2 of this Subscription Agreement. I understand that all payroll deductions made by me shall be credited to my account under the Plan and that I may not make any additional payments into such account. I understand that all payments made by me shall be accumulated for the purchase of shares of Common Stock at the applicable purchase price determined in accordance with the Plan. I further understand that, except as otherwise set forth in the Plan, shares will be purchased for me automatically on the Purchase Date of each Offering Period unless I otherwise withdraw from the Plan by giving written notice to the Company for such purpose.

4. I understand that I may discontinue at any time prior to the Purchase Date my participation in the Plan as provided in Section 10 of the Plan. I also understand that I can decrease the rate of my Contributions once during an Offering Period by completing and filing with the Company a new Subscription Agreement with such decrease taking effect as of the beginning of the next following calendar month, if filed at least ten (10) business days prior to the beginning of such month. Further, I may change the rate of deductions for future Offering Periods by filing a new Subscription Agreement, and any such change will be effective as of the beginning of the next Offering Period. In addition, I acknowledge that, unless I withdraw from the Plan as provided in Section 10 or 11 of the Plan, my election will continue to be effective for each successive Offering Period.

5. I have received a copy of the Company's most recent description of the Plan and a copy of the complete "Xcyte Therapies, Inc. 2000 Employee Stock Purchase Plan." I understand that my participation in the Plan is in all respects subject to the terms of the Plan.

6. Shares purchased for me under the Plan should be issued in the name(s) of (name of employee or employee and spouse only):

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7. I understand that if I dispose of any shares received by me pursuant to the Plan within 2 years after the Offering Date (the first day of the Offering Period during which I purchased such shares) or within 1 year after the Purchase Date, I will be treated for federal income tax purposes as having received ordinary compensation income at the time of such disposition in an amount equal to the excess of the fair market value of the shares on the Purchase Date over the price which I paid for the shares, regardless of whether I disposed of the shares at a price less than their fair market value at the Purchase Date. The remainder of the gain or loss, if any, recognized on such disposition will be treated as capital gain or loss.

I hereby agree to notify the Company in writing within 30 days after the date of any such disposition, and I will make adequate provision for federal, state or other tax withholding obligations, if any, which arise upon the disposition of the Common Stock. The Company shall be entitled, to the extent required by applicable law, to withhold from my Compensation any amount necessary to comply with applicable tax withholding requirements with respect to the purchase or sale of shares under the Plan.

8. If I dispose of such shares at any time after expiration of the 2-year and 1-year holding periods, I understand that I will be treated for federal income tax purposes as having received compensation income only to the extent of an amount equal to the lesser of (a) the excess of the fair market value of the shares at the time of such disposition over the purchase price which I paid for the shares under the option, or (b) 15% of the fair market value of the shares on the Offering Date. The remainder of the gain or loss, if any, recognized on such disposition will be treated as capital gain or loss.

I understand that this tax summary is only a summary and is subject to change. I further understand that I should consult a tax advisor concerning the tax implications of the purchase and sale of stock under the Plan.

9. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, I agree not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company, however or whenever I acquired them, without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute

an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering.

10. I hereby agree to be bound by the terms of the Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Plan.

NAME (print):

SIGNATURE:

SOCIAL SECURITY #:

DATE:

SPOUSE'S SIGNATURE (necessary
if beneficiary is not spouse):

- ---
(Signature)

- ---
(Print name)

XCYTE THERAPIES, INC.

2000 EMPLOYEE STOCK PURCHASE PLAN
SUBSCRIPTION AGREEMENT

(IPO Offering Period)

New Election _____
Change of Election _____

1. I have received an option to purchase shares of the Company's Common Stock under the Xcyte Therapies, Inc. 2000 Employee Stock Purchase Plan (the "Plan") for the Offering Period that commenced on [_____ ___,] 2001 and ends on July 31, 2001 (the "Initial Offering Period").

2. I hereby elect to participate in the Plan by having Contributions in the amount of ____% of my Compensation, as those terms are defined in the Plan, applied to purchases under the Plan. I understand that this amount (together with any other amounts I am contributing under the Plan) must not be less than 1% and not more than 15% of my Compensation during any Offering Period. (Please note that no fractional percentages are permitted). I also understand that, as a result of making this election to participate in the Plan on a payroll-deduction basis, I am no longer eligible to have purchase Shares by delivering to the Company a check for the amount of any purchases made on my behalf under the Plan and that I shall at all times in the future be able to participate in the Plan solely on a payroll-deduction basis on the terms set forth in the Plan.

3. I hereby authorize payroll deductions from each paycheck during the Offering Period at the rate stated in Item 2 of this Subscription Agreement. I understand that all payroll deductions made by me shall be credited to my account under the Plan and that I may not make any additional payments into such account. I understand that all payments made by me shall be accumulated for the purchase of shares of Common Stock at the applicable purchase price determined in accordance with the Plan. I further understand that, except as otherwise set forth in the Plan, shares will be purchased for me automatically on the Purchase Date of each Offering Period unless I otherwise withdraw from the Plan by giving written notice to the Company for such purpose.

4. I understand that I may discontinue at any time prior to the Purchase Date my participation in the Plan as provided in Section 10 of the Plan. I also understand that I can increase or decrease the rate of my Contributions on one occasion only with respect to any increase and one occasion only with respect to any decrease during any Purchase Period by completing and filing a new Subscription Agreement with such increase or decrease taking effect as of the beginning of the calendar month following the date of filing of the new Subscription

Agreement, if filed at least ten (10) business days prior to the beginning of such month. Further, I may change the rate of deductions for future Offering Periods by filing a new Subscription Agreement, and any such change will be effective as of the beginning of the next Offering Period. In addition, I acknowledge that, unless I withdraw from the Plan as provided in Section 10 or 11 of the Plan, my election will continue to be effective for each successive Offering Period.

5. I have received a copy of the Company's most recent description of the Plan and a copy of the complete "Xcyte Therapies, Inc. 2000 Employee Stock Purchase Plan." I understand that my participation in the Plan is in all respects subject to the terms of the Plan.

6. Shares purchased for me under the Plan should be issued in the name(s) of (name of employee or employee and spouse only):

---

7. I understand that if I dispose of any shares received by me pursuant to the Plan within 2 years after the Offering Date (the first day of the Offering Period during which I purchased such shares) or within 1 year after the Purchase Date, I will be treated for federal income tax purposes as having received ordinary compensation income at the time of such disposition in an amount equal to the excess of the fair market value of the shares on the Purchase Date over the price which I paid for the shares, regardless of whether I disposed of the shares at a price less than their fair market value at the Purchase Date. The remainder of the gain or loss, if any, recognized on such disposition will be treated as capital gain or loss.

I hereby agree to notify the Company in writing within 30 days after the date of any such disposition, and I will make adequate provision for federal, state or other tax withholding obligations, if any, which arise upon the disposition of the Common Stock. The Company may, but will not be obligated to, withhold from my compensation the amount necessary to meet any applicable withholding obligation including any withholding necessary to make available to the Company any tax deductions or benefits attributable to the sale or early disposition of Common Stock by me.

8. If I dispose of such shares at any time after expiration of the 2-year and 1-year holding periods, I understand that I will be treated for federal income tax purposes as having received compensation income only to the extent of an amount equal to the lesser of (a) the excess of the fair market value of the shares at the time of such disposition over the purchase price which I paid for the shares under the option, or (b) 15% of the fair market value of the shares on the Offering Date. The remainder of the gain or loss, if any, recognized on such disposition will be treated as capital gain or loss.

I understand that this tax summary is only a summary and is subject to change. I further understand that I should consult a tax advisor concerning the tax implications of the purchase and sale of stock under the Plan.

9. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, I agree not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company, however or whenever I acquired them, without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering.

10. I hereby agree to be bound by the terms of the Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Plan.

SIGNATURE:

SOCIAL SECURITY #:

DATE:

SPOUSE'S SIGNATURE (necessary
if beneficiary is not spouse):

- ---
(Signature)

- ---
(Print name)

XCYTE THERAPIES, INC.

2000 EMPLOYEE STOCK PURCHASE PLAN

ELECTION TO PURCHASE

(IPO Offering Period)

I, _____, hereby elect to purchase Shares pursuant to the option granted to me on _____, __, 2001 under the Xcyte Therapies, Inc. 2000 Employee Stock Purchase Plan (the "Plan"). Accompanying this Election to Purchase is a check in the amount of $_____ and I elect to purchase that number of Shares that is calculated by dividing such amount by the applicable Purchase Price as specified in the Plan with respect to the purchase being made on July 31, 2001. I understand that the amount I specified above may not exceed 15% of my Compensation for the period beginning on _____, __, 2000 and ending on July 31, 2001 or result in my purchasing a number of Shares in excess of the limits specified in Sections 6 and ___ of the Plan.

I understand that, as a result of my delivering the amount specified in the preceding paragraph to the Company, I shall be deemed to have elected to continue participating in the Plan on a payroll deduction basis (on the terms described in the Plan) and that, beginning with the first payroll paid following July 31, 2001 and unless I specify another percentage Contribution rate by filling out a Subscription Agreement, the Company shall withhold a percentage of my Compensation equal to the ratio that the above amount bears to my Compensation for the period beginning on _____, __, 2000 and ending on July 31, 2001.

Dated:
---------- ----------
Signature of Employee

Check, payable to Xcyte Therapies, Inc., is enclosed.

XCYTE THERAPIES, INC.

2000 EMPLOYEE STOCK PURCHASE PLAN

NOTICE OF WITHDRAWAL

I, _____, hereby elect to withdraw my participation in the Xcyte Therapies 2000 Employee Stock Purchase Plan (the "Plan") for the Offering Period that began on _____ ___, _____. This withdrawal covers all Contributions credited to my account and is effective on the date designated below.

I understand that all Contributions credited to my account will be paid to me within ten (10) business days of receipt by the Company of this Notice of Withdrawal and that my option for the current period will automatically terminate, and that no further Contributions for the purchase of shares can be made by me during the Offering Period.

The undersigned further understands and agrees that he or she shall be eligible to participate in succeeding offering periods only by delivering to the Company a new Subscription agreement.

Dated:

Signature of Employee

Social Security Number

XCYTE THERAPIES, INC.

2000 EMPLOYEE STOCK PURCHASE PLAN

BENEFICIARY DESIGNATION

In the event of my death, I hereby designate the following as my beneficiary to receive all payments and shares due to me under the Xcyte Therapies, Inc. 2000 Employee Stock Purchase Plan. I understand that my Beneficiary Designation will be effective upon acknowledgement of receipt by Xcyte Therapies, Inc.

BENEFICIARY:

NAME: (Please print)

- ------------------------------------ --
(First) (Middle) (Last) Relationship:

- ----------------------------------
(Address)

- ----------------------------------

SIGNATURE: DATE:
---------- ----------

Print Name:

SOCIAL SECURITY #:

SPOUSE'S SIGNATURE (necessary if beneficiary is not Employee's spouse):

- ----------------------------------
(Signature)

- ----------------------------------
(Print name)

MAIL OR DELIVER THIS FORM TO:

ACKNOWLEDGEMENT OF RECEIPT BY XCYTE THERAPIES, INC.:

By: Dated:
---------- ----------

Title:

EXHIBIT 10.18

XCYTE THERAPIES, INC.

2000 DIRECTORS' STOCK OPTION PLAN

1. PURPOSES OF THE PLAN. The purposes of this Directors' Stock Option Plan are to attract and retain the best available personnel for service as Directors of the Company, to provide additional incentive to the Outside Directors of the Company to serve as Directors, and to encourage their continued service on the Board.

All options granted hereunder shall be nonstatutory stock options.

2. DEFINITIONS. As used herein, the following definitions shall apply:

(a) "BOARD" means the Board of Directors of the Company.

(b) "CHANGE OF CONTROL" means a sale of all or substantially all of the Company's assets, or any merger or consolidation of the Company with or into another corporation other than a merger or consolidation in which the holders of more than 50% of the shares of capital stock of the Company outstanding immediately prior to such transaction continue to hold (either by the voting securities remaining outstanding or by their being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company, or such surviving entity, outstanding immediately after such transaction.

(c) "CODE" means the Internal Revenue Code of 1986, as amended.

(d) "COMMON STOCK" means the Common Stock of the Company.

(e) "COMPANY" means Xcyte Therapies, Inc., a Delaware corporation.

(f) "CONTINUOUS STATUS AS A DIRECTOR" means the absence of any interruption or termination of service as a Director.

(g) "CORPORATE TRANSACTION" means a dissolution or liquidation of the Company, a sale of all or substantially all of the Company's assets, or a merger, consolidation or other capital reorganization of the Company with or into another corporation.

(h) "DIRECTOR" means a member of the Board.

(i) "EMPLOYEE" means any person, including any officer or Director, employed by the Company or any Parent or Subsidiary of the Company. The payment of a director's fee by the Company shall not be sufficient in and of itself to constitute "employment" by the Company.

(j) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(k) "FAIR MARKET VALUE" means the closing price of the Common Stock as reported on the Nasdaq National Market or a stock exchange on which the Shares are listed (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date), as reported in The Wall Street Journal, or if there is a public market for the Common Stock but the Common Stock is not traded on the Nasdaq National Market or on a stock exchange, the fair market value per Share shall be the mean of the bid and asked prices of the Common Stock in the over-the-counter market on the date of grant, as reported in The Wall Street Journal (or, if not so reported, as otherwise reported by a source deemed reliable by the Administrator).

(l) "OPTION" means a stock option granted pursuant to the Plan. All options shall be nonstatutory stock options (i.e., options that are not intended to qualify as incentive stock options under Section 422 of the Code).

(m) "OPTIONED STOCK" means the Common Stock subject to an Option.

(n) "OPTIONEE" means an Outside Director who receives an Option.

(o) "OUTSIDE DIRECTOR" means a Director who is not an Employee.

(p) "PARENT" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(q) "PLAN" means this 2000 Directors' Stock Option Plan.

(r) "SHARE" means a share of the Common Stock, as adjusted in accordance with Section 11 of the Plan.

(s) "SUBSIDIARY" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. STOCK SUBJECT TO THE PLAN. Subject to the provisions of Section 11 of the Plan, the number of Shares that are available to be sold under the Plan is 400,000 Shares of Common Stock (before giving effect to a ___-for-___ stock split effected in connection with the Company's initial public offering). The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option should expire or become unexercisable for any reason without having been exercised in full, the unpurchased Shares that were subject thereto shall, unless the Plan has been terminated, become available for future grant under the Plan. In addition, any Shares of Common Stock that are retained by the Company upon exercise of an Option in order to satisfy the exercise price for such Option, or any withholding taxes due with respect to such exercise, shall be treated as not issued and shall continue to be available under the Plan. If Shares that were acquired upon exercise of an Option are subsequently repurchased by the Company, such Shares shall not in any event be returned to the Plan and shall not become available for future grant under the Plan.

4. ADMINISTRATION OF AND GRANTS OF OPTIONS UNDER THE PLAN.

(a) ADMINISTRATOR. Except as otherwise required herein, the Plan shall be administered by the Board.

(b) PROCEDURE FOR GRANTS. All grants of Options hereunder shall be automatic and nondiscretionary and shall be made strictly in accordance with the following provisions:

(i) No person shall have any discretion to select which Outside Directors shall be granted Options or to determine the number of Shares to be covered by Options granted to Outside Directors.

(ii) Each person who becomes an Outside Director after the effective date of this Plan, as determined in accordance with Section 6 hereof, shall be automatically granted an Option (the "First Option") to purchase 25,000 Shares (before giving effect to a ___-for-___ stock split effected in connection with the Company's initial public offering) on the date on which such person first becomes an Outside Director, whether through election by the stockholders of the Company or appointment by the Board of Directors to fill a vacancy.

(iii) Each Outside Director shall thereafter be automatically granted an Option (the "Annual Option") to purchase 5,000 Shares (before giving effect to a ___-for-___ stock split effected in connection with the Company's initial public offering) on the first day of each fiscal year of the Company, provided that, on such date, he or she shall have served on the Board for at least six (6) months prior to the first day of such fiscal year.

(v) Notwithstanding the provisions of subsections (ii) and (iii) hereof, in the event that a grant would cause the number of Shares subject to outstanding Options plus the number of Shares previously purchased upon exercise of Options to exceed the Pool, then each such automatic grant shall be for that number of Shares determined by dividing the total number of Shares remaining available for grant by the number of Outside Directors receiving an Option on the automatic grant date. Any further grants shall then be deferred until such time, if any, as additional Shares become available for grant under the Plan through action of the stockholders to increase the number of Shares which may be issued under the Plan or through cancellation or expiration of Options previously granted hereunder.

(vi) Notwithstanding the provisions of subsections (ii) and (iii) hereof, any grant of an Option made before the Company has obtained stockholder approval of the Plan in accordance with Section 17 hereof shall be conditioned upon obtaining such stockholder approval of the Plan in accordance with Section 17 hereof.

(vii) The terms of each Option granted hereunder shall be as follows:

(1) each Option shall be exercisable only while the Outside Director remains a Director of the Company, except as set forth in Section 9 below;

(2) the exercise price per Share of the Option shall be 100% of the fair market value per Share on the date of grant of the Option, determined in accordance with Section 8 hereof;

(3) the First Option shall become vested and exercisable as to 1/3rd of the Shares underlying the Option on the first anniversary of its date of grant and as to 1/36th of the Shares underlying the Option each thereafter so that, subject to Section 11 below, the Option shall be fully vested and exercisable on the fourth anniversary of its date of grant; and

(4) the Annual Option shall become vested and exercisable as to 100% of the Shares underlying the Option on the first anniversary of its date of grant.

(c) POWERS OF THE BOARD. Subject to the provisions and restrictions of the Plan, the Board shall have the authority, in its discretion: (i) to determine, upon review of relevant information and in accordance with Section 8(b) of the Plan, the fair market value of the Common Stock; (ii) to determine the exercise price per Share of Options to be granted, which exercise price shall be determined in accordance with Section 8 of the Plan; (iii) to interpret the Plan; (iv) to prescribe, amend and rescind rules and regulations relating to the Plan; (v) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option previously granted hereunder; and (vi) to make all other determinations deemed necessary or advisable for the administration of the Plan.

(d) EFFECT OF BOARD'S DECISION. All decisions, determinations and interpretations of the Board shall be final and binding on all Optionees and any other holders of any Options granted under the Plan.

(e) SUSPENSION OR TERMINATION OF OPTION. If the Chief Executive Officer or his or her designee reasonably believes that an Optionee has committed an act of misconduct, such officer may suspend the Optionee's right to exercise any option pending a determination by the Board (excluding the Outside Director accused of such misconduct). If the Board (excluding the Outside Director accused of such misconduct) determines an Optionee has committed an act of embezzlement, fraud, dishonesty, nonpayment of an obligation owed to the Company, breach of fiduciary duty or deliberate disregard of the Company rules resulting in loss, damage or injury to the Company, or if an Optionee makes an unauthorized disclosure of any Company trade secret or confidential information, engages in any conduct constituting unfair competition, induces any Company customer to breach a contract with the Company or induces any principal for whom the Company acts as agent to terminate such agency relationship, neither the Optionee nor his or her estate shall be entitled to exercise any Option whatsoever. In making such determination, the Board of Directors (excluding the Outside Director accused of such misconduct) shall act fairly and shall give the Optionee an opportunity to appear and present evidence on Optionee's behalf at a hearing before the Board or a committee of the Board.

5. ELIGIBILITY. Options may be granted only to Outside Directors. All Options shall be automatically granted in accordance with the terms set forth in Section 4(b) above. An Outside Director who has been granted an Option may, if he or she is otherwise eligible, be granted an additional Option or Options in accordance with such provisions.

The Plan shall not confer upon any Optionee any right with respect to continuation of service as a Director or nomination to serve as a Director, nor shall it interfere in any way with any rights which the Director or the Company may have to terminate his or her directorship at any time.

6. TERM OF PLAN; EFFECTIVE DATE. The Plan shall become effective on the effectiveness of the registration statement under the Securities Act of 1933, as amended, relating to the Company's initial public offering of securities. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 13 of the Plan.

7. TERM OF OPTIONS. The term of each Option shall be ten (10) years from the date of grant thereof unless an Option terminates sooner pursuant to Section 9 below.

8. EXERCISE PRICE AND CONSIDERATION.

(a) EXERCISE PRICE. The per Share exercise price for the Shares to be issued pursuant to exercise of an Option shall be 100% of the Fair Market Value per Share on the date of grant of the Option.

(b) FORM OF CONSIDERATION. The consideration to be paid for the Shares to be issued upon exercise of an Option shall consist entirely of cash, check, other Shares of Common Stock having a fair market value on the date of surrender equal to the aggregate exercise price of the Shares as to which the Option shall be exercised (which, if acquired from the Company, shall have been held more than six months), delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect exercise of the Option and prompt delivery to the Company of the sale or loan proceeds required to pay the exercise price, or any combination of such methods of payment and/or any other consideration or method of payment as shall be permitted under applicable corporate law.

9. EXERCISE OF OPTION.

(a) PROCEDURE FOR EXERCISE; RIGHTS AS A STOCKHOLDER. Any Option granted hereunder shall be exercisable at such times as are set forth in Section 4(b) above; provided however that no Options shall be exercisable prior to stockholder approval of the Plan in accordance with Section 17 below has been obtained.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may consist of any consideration and method of payment allowable under Section 8(c) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to

the Optioned Stock, notwithstanding the exercise of the Option. A share certificate for the number of Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) TERMINATION OF CONTINUOUS STATUS AS A DIRECTOR. If an Outside Director ceases to serve as a Director, he or she may, but only within ninety (90) days after the date he or she ceases to be a Director of the Company, exercise his or her Option to the extent that he or she was entitled to exercise it at the date of such termination. Notwithstanding the foregoing, in no event may the Option be exercised after its term set forth in Section 7 has expired. To the extent that such Outside Director was not entitled to exercise an Option at the date of such termination, or does not exercise such Option (to the extent he or she was entitled to exercise) within the time specified above, the Option shall terminate and the Shares underlying the unexercised portion of the Option shall revert to the Plan.

(c) DISABILITY OF OPTIONEE. Notwithstanding Section 9(b) above, in the event a Director is unable to continue his or her service as a Director with the Company as a result of his or her total and permanent disability (as defined in Section 22(e)(3) of the Code), he or she may, but only within twelve (12) months from the date of such termination, exercise his or her Option to the extent he or she was entitled to exercise it at the date of such termination. Notwithstanding the foregoing, in no event may the Option be exercised after its term set forth in Section 7 has expired. To the extent that he or she was not entitled to exercise the Option at the date of termination, or if he or she does not exercise such Option (to the extent he or she was entitled to exercise) within the time specified above, the Option shall terminate and the Shares underlying the unexercised portion of the Option shall revert to the Plan.

(d) DEATH OF OPTIONEE. In the event of the death of an Optionee (i) during the term of the Option who is, at the time of his or her death, a Director of the Company and who shall have been in Continuous Status as a Director since the date of grant of the Option, or (ii) three (3) months after the termination of Continuous Status as a Director, the Option may be exercised, at any time within twelve (12) months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of death or the date of termination, as applicable. Notwithstanding the foregoing, in no event may the Option be exercised after its term set forth in Section 7 has expired. To the extent that an Optionee was not entitled to exercise the Option at the date of death or termination or if he or she does not exercise such Option (to the extent he or she was entitled to exercise) within the time specified above, the Option shall terminate and the Shares underlying the unexercised portion of the Option shall revert to the Plan.

10. NONTRANSFERABILITY OF OPTIONS. The Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than (a) by will or by the laws of descent or distribution; (b) pursuant to a qualified domestic relations order (as defined by the Code or the rules thereunder); (c) by gift to the Optionee's Family; or (d) by gift or in exchange for an interest in such entity to (i) a trust in which Optionee and/or Optionee's Family have more than fifty percent of the beneficial interest, (ii) a foundation in which Optionee and/or Optionee's Family control the management of assets, or (iii) any other entity in which Optionee and/or Optionee's Family own more than fifty percent of the voting interests. For purposes of this Section 10, Optionee's "Family" shall include any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law; daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, and any person sharing the employee's household (other than a tenant or employee). The designation of a beneficiary by an Optionee does not constitute a transfer. An Option may be exercised during the lifetime of an Optionee only by the Optionee or a transferee permitted by this Section.

11. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION; CORPORATE TRANSACTIONS.

(a) ADJUSTMENT. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Option, the number of Shares of Common Stock set forth in Sections 4(b)(ii) and (iii) above, and the number of Shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per Share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued Shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock (including any such change in the number of Shares of Common Stock effected in connection with a change in domicile of the Company) or any other increase or decrease in the number of issued Shares of Common Stock effected without receipt of consideration by the Company; provided however that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

(b) CORPORATE TRANSACTIONS. In the event of a Corporate Transaction, each outstanding Option shall be assumed or an equivalent option shall be substituted by the successor corporation or a Parent or Subsidiary of such successor corporation, unless the successor corporation does not agree to assume the outstanding Options or to substitute equivalent options, in which case the Options shall terminate upon the consummation of the transaction; provided however that in the event of any transaction that qualifies as a Change of Control and notwithstanding whether or not outstanding Options are assumed, substituted for or terminated in connection with the transaction, the vesting of each outstanding Option shall accelerate in full

such that each Optionee shall have the right to exercise his or her Option as to all of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable, immediately prior to consummation of the transaction.

For purposes of this Section 11(b), an Option shall be considered assumed, without limitation, if, at the time of issuance of the stock or other consideration upon such Corporate Transaction, each Optionee would be entitled to receive upon exercise of an Option the same number and kind of shares of stock or the same amount of property, cash or securities as the Optionee would have been entitled to receive upon the occurrence of such transaction if the Optionee had been, immediately prior to such transaction, the holder of the number of Shares of Common Stock covered by the Option at such time (after giving effect to any adjustments in the number of Shares covered by the Option as provided for in this Section 11); provided however that if such consideration received in the transaction was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon exercise of the Option to be solely common stock of the successor corporation or its Parent equal to the Fair Market Value of the per Share consideration received by holders of Common Stock in the transaction.

(c) CERTAIN DISTRIBUTIONS. In the event of any distribution to the Company's stockholders of securities of any other entity or other assets (other than dividends payable in cash or stock of the Company) without receipt of consideration by the Company, the Administrator may, in its discretion, appropriately adjust the price per Share of Common Stock covered by each outstanding Option to reflect the effect of such distribution.

12. TIME OF GRANTING OPTIONS. The date of grant of an Option shall, for all purposes, be the date determined in accordance with Section 4(b) hereof. Notice of the determination shall be given to each Outside Director to whom an Option is so granted within a reasonable time after the date of such grant.

13. AMENDMENT AND TERMINATION OF THE PLAN.

(a) AMENDMENT AND TERMINATION. The Board may amend or terminate the Plan from time to time in such respects as the Board may deem advisable; provided that, to the extent necessary and desirable to comply with Rule 16b-3 under the Exchange Act (or any other applicable law or regulation), the Company shall obtain approval of the stockholders of the Company to Plan amendments to the extent and in the manner required by such law or regulation.

(b) EFFECT OF AMENDMENT OR TERMINATION. Any such amendment or termination of the Plan that would impair the rights of any Optionee shall not affect Options already granted to such Optionee and such Options shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company.

14. CONDITIONS UPON ISSUANCE OF SHARES. Notwithstanding any other provision of the Plan or any agreement entered into by the Company pursuant to the Plan, the Company shall not be obligated, and shall have no liability for failure, to issue or deliver any Shares under the Plan unless such issuance or delivery would comply with the legal requirements relating to the administration of stock option plans under applicable U.S. state corporate laws, U.S. federal and applicable state securities laws, the Code, any stock exchange or Nasdaq rules or regulations to which the Company may be subject and the applicable laws of any other country or jurisdiction where Options are granted under the Plan, as such laws, rules, regulations and requirements shall be in place from time to time (the "Applicable Laws"). Such compliance shall be determined by the Company in consultation with its legal counsel.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by law.

15. RESERVATION OF SHARES. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

16. OPTION AGREEMENT. Options shall be evidenced by written option agreements in such form as the Board shall approve.

17. STOCKHOLDER APPROVAL. If required by the Applicable Laws, continuance of the Plan shall be subject to approval by the stockholders of the Company. Such stockholder approval shall be obtained in the manner and to the degree required under the Applicable Laws.

XCYTE THERAPIES, INC.

2000 DIRECTORS' STOCK OPTION PLAN

NOTICE OF STOCK OPTION GRANT

<>

You have been granted an option to purchase Common Stock of Xcyte Therapies, Inc. (the "Company") as follows:

Date of Grant	<>
Vesting Commencement Date	<>
Exercise Price per Share	<>
Total Number of Shares Granted	<>
Total Exercise Price	<>
Expiration Date	<>
Vesting/Exercise	Schedule This Option shall vest and become exercisable, according to the following schedule: _____.
Termination Period	This Option may be exercised for 90 days after termination of Optionee's Continuous Status as a Director, or such longer period as may be applicable upon death or Disability of Optionee as provided in the Plan, but in no event later than the Expiration Date as provided above.

By your signature and the signature of the Company's representative below, you and the Company agree that this option is granted under and governed by the terms and conditions of the 2000 Directors' Stock Option Plan and the Nonstatutory Stock Option Agreement, all of which are attached and made a part of this document.

OPTIONEE:

XCYTE THERAPIES, INC.

By:

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Title:

XCYTE THERAPIES, INC.

NONSTATUTORY STOCK OPTION AGREEMENT

1. GRANT OF OPTION. The Board of Directors of the Company hereby grants to the Optionee named in the Notice of Stock Option Grant (the "Optionee") attached to this Agreement an option (the "Option") to purchase a number of Shares, as set forth in the Notice of Stock Option Grant, at the exercise price per share set forth in the Notice of Stock Option Grant (the "Exercise Price"'), subject to the terms and conditions of the 2000 Directors' Stock Option Plan (the "Plan"), which is incorporated herein by reference. Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Plan. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Nonstatutory Stock Option Agreement, the terms and conditions of the Plan shall prevail.

2. EXERCISE OF OPTION.

(a) RIGHT TO EXERCISE. This Option is exercisable during its term in accordance with the Vesting/Exercise Schedule set out in the Notice of Stock Option Grant and the applicable provisions of the Plan and this Nonstatutory Stock Option Agreement. In the event of Optionee's death, disability or other termination of Optionee's service as a Director, the exercisability of the Option is governed by the applicable provisions of the Plan and this Nonstatutory Stock Option Agreement.

(b) METHOD OF EXERCISE. This Option is exercisable by delivery of an exercise notice, in the form attached as Exhibit A (the "Exercise Notice"), which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by such aggregate Exercise Price.

No Shares shall be issued pursuant to the exercise of this Option unless such issuance and exercise complies with all relevant provisions of law and the requirements of any stock exchange or quotation service upon which the Shares are then listed. Assuming such compliance, for income tax purposes the Exercised Shares shall be considered transferred to the Optionee on the date the Option is exercised with respect to such Exercised Shares.

3. METHOD OF PAYMENT. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash;

(b) check;

(c) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price; or

(d) surrender of other Shares which (i) in the case of Shares acquired directly or indirectly from the Company, have been owned by the Optionee for more than six (6) months on the date of surrender, and (ii) in any case which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares.

4. NON-TRANSFERABILITY OF OPTION. This Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than (a) by will or by the laws of descent or distribution; (b) pursuant to a qualified domestic relations order (as defined by the Code or the rules thereunder); (c) by gift to the Optionee's Family; or (d) by gift or in exchange for an interest in such entity to (i) a trust in which Optionee and/or Optionee's Family have more than fifty percent of the beneficial interest, (ii) a foundation in which Optionee and/or Optionee's Family control the management of assets, or (iii) any other entity in which Optionee and/or Optionee's Family own more than fifty percent of the voting interests. For purposes of this Section 10, Optionee's "Family" shall include any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law; daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, and any person sharing the employee's household (other than a tenant or employee). The designation of a beneficiary by an Optionee does not constitute a transfer. An Option may be exercised during the lifetime of an Optionee only by the Optionee or a transferee permitted by this Section 4 and Section 10 of the Plan. The terms of the Plan and this Nonstatutory Stock Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

5. TERM OF OPTION. This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Nonstatutory Stock Option Agreement.

6. TAX CONSEQUENCES. Set forth below is a brief summary of certain federal and California tax consequences relating to this Option under the law in effect as of the date of grant. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT HIS OR HER OWN TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) EXERCISING THE OPTION. Since this Option does not qualify as an incentive stock option under Section 422 of the Code, the Optionee may incur regular federal and California income tax liability upon exercise. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Exercised Shares on the date of exercise over their aggregate Exercise Price.

(b) DISPOSITION OF SHARES. If the Optionee holds the Option Shares for more than one year, gain realized on disposition of the Shares will be treated as long-term capital gain for federal and California income tax purposes. Long-term capital gain will be taxed for federal income tax and alternative minimum tax purposes at a maximum rate of 20% if the Shares are held more than one year after exercise.

By your signature and the signature of the Company's representative below, you and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Nonstatutory Stock Option Agreement. Optionee has reviewed the Plan and this Nonstatutory Stock Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Nonstatutory Stock Option Agreement and fully understands all provisions of the Plan and Nonstatutory Stock Option Agreement. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Nonstatutory Stock Option Agreement.

XCYTE THERAPIES, INC.

By:
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Title:

CONSENT OF SPOUSE

The undersigned spouse of Optionee has read and hereby approves the terms and conditions of the Plan and this Nonstatutory Stock Option Agreement. In consideration of the Company's granting his or her spouse the right to purchase Shares as set forth in the Plan and this Nonstatutory Stock Option Agreement, the undersigned hereby agrees to be irrevocably bound by the terms and conditions of the Plan and this Nonstatutory Stock Option Agreement and further agrees that any community property interest shall be similarly bound. The undersigned hereby appoints the undersigned's spouse as attorney-in-fact for the undersigned with respect to any amendment or exercise of rights under the Plan or this Nonstatutory Stock Option Agreement.

Spouse of Optionee

EXHIBIT A

NOTICE OF EXERCISE

To: Xcyte Therapies, Inc.

Attn: Stock Option Administrator

Subject: Notice of Intention to Exercise Stock Option

This is official notice that the undersigned ("Optionee") intends to exercise Optionee's option to purchase _____ shares of Xcyte Therapies, Inc. Common Stock, under and pursuant to the Company's 2000 Directors' Stock Option Plan and the Nonstatutory Stock Option Agreement dated _____, as follows:

Grant Number: ----------

Date of Purchase: ----------

Number of Shares: ----------

Purchase Price: ----------

Method of Payment of Purchase Price: ----------

Social Security No.: ----------

The shares should be issued as follows:

Name: ----------

Address: ----------

Signed: ----------

Date: ----------

EXHIBIT 10.19

LICENSE AGREEMENT
BETWEEN ARCH DEVELOPMENT CORPORATION
AND XCYTE THERAPIES INC.

This License Agreement ("Agreement"), dated June 28, 1999, between ARCH Development Corporation, an Illinois not-for-profit corporation ("ARCH"), and Xcyte Therapies, Inc., a Delaware Corporation ("Xcyte").

Purpose and Intent

ARCH holds rights to the Licensed Patents defined below and desires that these rights be used to develop medical treatments to benefit patients.

Xcyte desires to obtain exclusive rights to such Licensed Patents for commercialization in a certain field.

Therefore the parties agree as follows.

Agreement

1. Definitions. The following capitalized terms used in this Agreement will mean:

A. "Affiliate" means any person or entity possessing the power to direct or cause the direction of the management and the policies of an entity whether through ownership directly or indirectly of fifty percent (50%) or more of the stock entitled to vote, and for non-stock organizations, the right to receive fifty percent (50%) or more of the profits by contract or otherwise, or in countries where control of fifty percent (50%) or more of such rights is not permitted in the country where such entity exists, the maximum permitted in such country.

B. "Control" means possession of the ability to grant a license or sublicense under this Agreement without violating the terms of any agreement with a third party.

C. "Earlier Agreement" means the license agreement entered by ARCH and CellGenEx, effective April 9, 1997, which was assigned to Xcyte upon the merger of CellGenEx and CDR Therapeutics to form Xcyte.

D. "Effective Date" means the date set forth on page 1, line 1, of this Agreement.

E. "Field" means all applications for prophylactic or therapeutic use.

F. "IND" means an Investigational New Drug Application filed pursuant to the requirements of the United States Food and Drug Administration as more fully defined in 21 C.F.R. Section 312 or its foreign equivalent.

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

G. "Inventor(s)" means Dr. David Liebowitz and/or Dr. Carl June.

H. "Licensed Patents" means the patent applications listed on Exhibit A attached hereto, including all divisions, continuations, continuations-in-part foreign counterparts, and any valid patents which may issue therefrom and any reissues, renewals, substitutions, or extensions of or to any such patents or patent applications, in each case that are owned or Controlled by ARCH during the term of this Agreement. Licensed Patents will not include any applications and any patents issuing from applications filed in countries (i) that Xcyte elected not to file in pursuant to Section 4.A and (ii) where Xcyte's rights are terminated under Section 10.D.

I. "Licensed Product" means any product within the scope of any Valid Claim, or a product made by a process, method or technique within the scope of any Valid Claim, or a product, the method of use of which is within the scope of any Valid Claim.

J. "Net Sales" means:

(1) the gross amounts received by Xcyte and its Affiliates and Sublicensees for Licensed Products, less the following amounts directly chargeable to such Licensed Products: (a) customary trade, quantity or cash discounts and rebates actually allowed and taken; (b) amounts repaid or credited to customers on account of rejections or returns; (c) freight and other transportation costs, including insurance charges, and duties, tariffs, sales and excise taxes and other governmental charges based directly on sales, turnover or delivery of such Licensed Products and actually paid or allowed by Xcyte and its Affiliates or any Sublicensee; and (d) provisions for uncollectible accounts determined in accordance with reasonable accounting practices, consistently applied to all products of the selling party. For Licensed Products consumed by Xcyte, its Affiliates or any Sublicensee, the price used to calculate Net Sales will be equal to the average of the sales price of the same or a substantially similar Licensed Product, whichever is relevant, sold to its three largest customers during the same time period. If Xcyte or a Sublicensee or Affiliates of either of them do not sell Licensed Products but use Licensed Products as part of selling a service or other means of deriving commercial benefit from a Licensed Product, the parties agree to negotiate in good faith to determine a method of calculating a running royalty equivalent to the running royalty set out in this Agreement on Net Sales. Net Sales will be calculated on sales to end-users and not on sales between Xcyte and its Affiliates or Sublicenses.

(2) with respect to any Licensed Product sold in combination with one or more other product(s) or active therapeutic ingredient(s) or agent(s) or service(s) for which no royalty would be due hereunder if sold separately, Net Sales for such combination sales will be calculated by multiplying the Net Sales calculated pursuant to subsection 1.J.(1) above by the fraction A/(A + B), where A is the gross selling price of the Licensed Product sold separately and B is the gross selling price of the other product(s) or active therapeutic ingredient(s) or agent(s) or service(s) sold separately. In the event that no such separate sales are made by Xcyte, Net Sales for royalty determination will be jointly and reasonably allocated on a commercially

reasonable basis by ARCH and Xcyte between such Licensed Product and such other product(s), ingredient(s) or agent(s) and/or service(s) based upon their relative importance and proprietary protection.

K. "Royalties" means all amounts payable under Section 3.B. of this Agreement.

L. "Sublicensee" means any person, company or other entity granted a sublicense by Xcyte under Section 2.B. below, including Affiliates of the Sublicensee.

M. "Sublicense" means the license agreement entered into by Xcyte with a Sublicensee under Section 2.B. below.

N. "Territory" means worldwide.

O. "University" means the University of Chicago.

P. "Foundation" means the Henry M. Jackson Foundation for the Advancement of Military Medicine.

Q. "Valid Claim" means an issued claim of any unexpired patent or a claim of any pending patent application within the Licensed Patents which has not been held unenforceable, unpatentable or invalid by a decision of a court or governmental body of competent jurisdiction, in a ruling that is unappealable or unappealed within the time allowed for appeal; which has not been rendered unenforceable through disclaimer or otherwise; and which has not been lost through an interference proceeding.

R. "ARCH-Foundation Agreement" means that certain Inter-Institutional Agreement between the Henry M. Jackson Foundation for Advancement of Military Medicine and ARCH Development Corporation effective April 15, 1999.

2. Grant of License and Reservation of Research Rights.

A. Grant. ARCH hereby grants to Xcyte and its Affiliates an exclusive, worldwide license to make, have made, use, import, have imported, export, offer to sell and sell Licensed Products within the Field and within the Territory.

B. Sublicense. Xcyte will have the exclusive right to grant and authorize sublicenses to the rights granted Xcyte under Section 2.A. consistent with terms of this Agreement. Xcyte will notify ARCH within sixty (60) days after the execution of any such sublicense. Upon request by ARCH on a case by case basis, Xcyte will promptly notify ARCH of the identity of the sublicensee and will state in such notification that such sublicense was granted and/or authorized (as applicable) in accordance with this Section 2.B.

C. Reservation of Rights. ARCH reserves for itself and the University the

nontransferable right to practice at the University the inventions claimed in the Licensed Patents to make, have made, and use Licensed Products within the Field for all educational and noncommercial research purposes it may choose in its own discretion and without any payment therefore. In addition, the inventions claimed in the Licensed Patents were made with the use of funds from the United States government. Therefore, to the extent required by United States law, there is reserved from the rights granted hereunder the worldwide, non-exclusive right of the United States government to use and to practice or have practiced the inventions claimed in the Licensed Patents.

D. U.S. Laws. The inventions claimed in the Licensed Patents were developed with the use of United States government funds. Therefore, any right granted in this Agreement greater than that permitted under Public Law 96-5 17 or Public Law 98-620 will be subject to modification as may be required to conform to the provisions of those laws.

3. Royalties. Equity and Other Payments.

A. License Payment. As partial consideration for the license granted in Section 2.A. of this Agreement, Xcyte will transfer [*] shares of Xcyte common stock to ARCH, pursuant to the terms and conditions of the Restricted Stock Purchase Agreement attached hereto as Exhibit A. The stock due and payable under this Section 3.A. is nonrefundable and noncreditable against Royalties.

B. Royalties.

(1) Subject to reduction pursuant to subsection 3.B.(2), and subject to subsections 3.B.(3), 3.B.(4), and 3.B.(5) below, Xcyte will pay a royalty to ARCH during the term of this Agreement equal to 200,000 of Net Sales of Licensed Products within the scope of an issued Valid Claim in the country of manufacture or sale.

(2) In the event that Xcyte enters into a license agreement with any third party with respect to intellectual property rights which are necessary or useful for Xcyte' s practice of the Licensed Patents or the manufacture, use, import and/or sale of any Licensed Product, Xcyte may offset any payments made in accordance with such license agreements against any amounts owed ARCH pursuant to Article 3 herein, up to a maximum of fifty percent (50%) of the amounts due under Article 3.

(3) No Royalties will be due on Licensed Products used or distributed for use in research and/or development, in clinical trials or as promotional samples.

(4) No more than one Royalty payment will be due with respect to a sale of a particular Licensed Product. No multiple Royalties will be payable because any Licensed Product, or its manufacture, sale or use is covered by more than one issued Valid Claim.

(5) Royalties due under this Section 3.B. will be payable on a country-

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

by-country and Licensed Product-by-Licensed Product basis until the expiration of the last-to-expire issued Valid Claim covering such Licensed Product in such country of manufacture or sale.

C. Calculation of Royalties. Royalties will be payable in U.S. currency within sixty (60) days after the end of each calendar quarter for the term specified in Section 10.A. below, beginning with the calendar quarter in which the first commercial sale of a Licensed Product occurs. Each payment will be accompanied by a statement showing Net Sales for each country in the Territory and calculation of the Royalties due. All such statements will be deemed to be Confidential Information of Xcyte. There will be deducted from all such payments taxes required to be withheld by any governmental authority and Xcyte will provide copies of receipts for such taxes to ARCH along with each Royalty payment. Any necessary conversion of currency into United States dollars will be at the applicable rate of exchange of Citibank, N.A., in New York, New York, on the last day of the calendar quarter in which such transaction occurred. If at any time legal restrictions prevent the prompt remittance of any Royalties owed on Net Sales in any jurisdiction, Xcyte and ARCH agree to discuss reasonable alternatives with respect to the prompt remittance of such Royalties; provided, however, that unless otherwise agreed by the parties, Xcyte may notify ARCH and make such payments by depositing the amount thereof in local currency in a bank account or other depository in such country in the name of ARCH, and Xcyte will have no further obligations under this Agreement with respect thereto.

D. Records. Xcyte will keep, and will cause its Sublicensees and Affiliates of either, to keep full and accurate books and records in sufficient detail so that sums due ARCH hereunder can be properly calculated. Such books and records will be maintained for at least three (3) years after the Royalty reporting period(s) to which they relate. During the term hereof and for three (3) calendar years thereafter, Xcyte will permit, and will cause its Affiliates to permit, and use reasonable efforts to have its Sublicensees permit certified independent accountants designated by ARCH, to whom Xcyte has no reasonable objection, to examine its books and records solely for the purpose of verifying the accuracy of the written statements submitted by Xcyte and sums paid or payable. ARCH may conduct such examination no more than once in any calendar year and conduct no more than one audit of any period. After completion of any such examination, ARCH will promptly notify Xcyte in writing of any proposed modification to Xcyte's statement of sums due and payable. If Xcyte accepts such modification, or if the parties agree on other modifications, one party will promptly pay or credit the other in accordance with such resolution. Such examination will be made at the expense of ARCH, except that if such examination discloses a discrepancy of ten percent (10%) or more in the amount of Royalties and other payments due ARCH in any audit period, then Xcyte will reimburse ARCH for the cost of such examination.

E. Overdue Payments. Payments due to ARCH under this Agreement will, if not paid when due under the terms of this Agreement, bear simple interest at the lower of the prime rate of interest (as published by Citibank, N.A. or its successor on the date such payment is due) plus one [*] or the highest rate permitted by law, calculated on the basis of a 360-day year for the number of days actually elapsed, beginning on the due date and ending on the day prior to the day on which payment is made in full. Interest accruing under this Section will be due to

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ARCH on demand or upon payment of past due amounts, whichever is sooner. The accrual or receipt by ARCH of interest under this Section will not constitute a waiver by ARCH of any right it may otherwise have to declare a default under this Agreement or to terminate this Agreement.

4. Prosecution and Maintenance of Patents; Patent Costs.

A. Prosecution and Maintenance.

(1) ARCH will be solely responsible, using patent counsel acceptable to Xcyte, for the preparation, filing, prosecution and maintenance of the Licensed Patents.

(2) ARCH will cause such patent counsel to provide Xcyte with a list of the countries in which ARCH has filed and/or intends to file applications. Such list will be provided to Xcyte at least sixty (60) days prior to the expiration of the corresponding United States priority date to allow Xcyte to suggest that additional countries be added to the list or that one or more countries be deleted from the list. ARCH agrees to timely file applications in each of the countries requested by Xcyte unless it otherwise notifies Xcyte under Section 4.B. below.

(3) Xcyte agrees to cooperate, and agrees to cause its Sublicensees and Affiliates of either to cooperate, with ARCH in the preparation, filing, prosecution and maintenance of the Licensed Patents by disclosing such information as may be necessary for the same and by promptly executing such documents as ARCH may reasonably request in connection therewith. Xcyte and its Sublicensees and Affiliates of either will bear their own costs in connection with their cooperation with ARCH under this Section 4.A.(3).

(4) ARCH will provide Xcyte copies of all material documents received or prepared by ARCH in the prosecution and maintenance of the Licensed Patents. Xcyte will have reasonable opportunities to advise ARCH concerning, and ARCH will cooperate with Xcyte with respect to, filing, registration, prosecution and maintenance of all patents and patent applications within the Licensed Patents. "Reasonable opportunities" means that Xcyte will receive from ARCH or its patent counsel copies of all documents and materials relating to filing, registration, prosecution and maintenance of patent applications and patents within the Licensed Patents as soon as is reasonably practical after ARCH has received such documents and materials, and at least forty-five (45) days or the maximum time provided by the Patent Office before any date imposed upon ARCH for action or response with respect to such patent applications and patents. ARCH agrees to incorporate into the final version of such documents and materials any reasonable change(s) and/or claims (s) requested by Xcyte thereof prior to submission to the applicable government agencies or other parties. In addition, to avoid any prejudice and added unnecessary costs to Xcyte, ARCH will adhere to the applicable deadlines, and Xcyte will not be responsible for the costs of any time extensions for reasons that are not approved in advance by Xcyte.

B. Xcyte's Rights to Prosecute and Maintain Patents. ARCH will notify Xcyte in writing of any country(ies) where it either previously declared its intention to file under

Section 4.A. and subsequently decided not to file in such country(ies) or previously filed and decided to abandon the patent application or issued patent. Such notice will be given so as to allow Xcyte a reasonable time, but not less than sixty (60) days, within which to file in countries where ARCH either does not intend to file a patent application or is not going to continue the prosecution or maintenance of the application or patent, whichever is relevant. In all cases where Xcyte elects to file, Xcyte will file, prosecute and maintain the applications and patents in ARCH's name and at Xcyte's expense. Such applications and patents will be included in the definition of Licensed Patents for all purposes of this Agreement.

C. Patent Costs. Xcyte agrees to pay all necessary and reasonable third party fees and out-of-pocket expenses incurred by ARCH in obtaining and maintaining the Licensed Patents, including those incurred by ARCH prior to the Effective Date within 30 days after receipt of an invoice for such prior fees and expenses. Payment for fees and expenses incurred after the Effective Date will be invoiced to Xcyte on a monthly basis and Xcyte agrees to pay such invoices within 30 days of receipt. Xcyte also agrees upon reasonable request by ARCH to make timely reasonable estimated advanced payments for the filing of national applications in countries selected by Xcyte; provided, that ARCH provides Xcyte with invoices for such amounts at least thirty (30) days prior to the date payment must be made by ARCH to a third party. Documentation received from third party vendors to support the amounts invoiced, in a form reasonably acceptable to Xcyte, will be included with each invoice. Xcyte will raise any objections to such amounts invoiced within the 30 day time period for payment. Invoices for advanced payments will be reconciled with the advance payments made by Xcyte every six (6) months. Any excess payment by Xcyte will be credited to future patent costs specified in this Section 4.C.

5. Due Diligence and Milestones.

A. Research and Development Expenditures. Xcyte or its Sublicensees will use commercially reasonable diligent efforts to develop and commercialize Licensed Products. Through September 30, 2000, "commercially reasonable diligent efforts" will automatically be deemed to have been met if [*] The foregoing Milestone may be satisfied by Xcyte and/or its Affiliates or Sublicensees or a combination thereof.

B. Progress Report. Within 30 days of the end of each June 30 during the term of this Agreement, Xcyte will submit a written report to ARCH covering the preceding year and summarizing the progress of Xcyte toward achieving the development and commercialization of Licensed Products. Xcyte agrees to immediately notify ARCH in writing when commercial products are first sold and when Xcyte's obligation to begin making running Royalty payments begins.

C. Termination Rights of ARCH. If Xcyte fails to use commercially reasonable diligent efforts (as defined in Section 5.A. above) to develop and commercialize at least one Licensed Product, ARCH may terminate this Agreement pursuant to Section 10.C.

6. Data Access and Usage.

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

ARCH will make reasonable efforts in cooperation with the University and the Inventors to supply Xcyte with all data, materials, documents, reports, analyses and other information that relate to and support the claims or practice of the Licensed Patents or Licensed Products (including, without limitation, protocols, procedures and written communications to regulatory and other agencies) (collectively, "Patent Related Materials"), within thirty (30) days of execution of this Agreement by both parties. To the extent Xcyte requests additional Patent Related Materials from ARCH during the term hereof and ARCH or the University has such additional Patent Related Materials in its possession, ARCH will make reasonable efforts in cooperation with the University and the Inventors to supply such additional Patent Related Materials. Xcyte will pay the actual handling and shipping costs for any additional Patent Related Materials provided. Promptly following the execution of this Agreement and thereafter upon Xcyte's request, ARCH will use reasonable efforts in cooperation with the University and Inventors to disclose and provide to Xcyte all tangible materials associated with the Patent Related Materials. Xcyte shall have the right, free of charge, to refer to, access, cross reference and otherwise use all Patent Related Materials and all associated tangible materials so provided for any purpose relevant to this License Agreement, and to provide the same to third parties under reasonable conditions of confidentiality customary in patent-based product development.

7. Warranties; Disclaimer Indemnification, Insurance.

A. ARCH. ARCH represents and warrants that: (i) except for the ownership rights of the Foundation as set forth in the ARCH-Foundation Agreement attached hereto as Exhibit B, ARCH is the sole and exclusive owner of all right, title and interest in the Licensed Patents; (ii) it has the right to grant the rights and licenses granted herein, and the Licensed Patents are free and clear of any lien, encumbrance, security interest or restriction on license; (iii) it has not previously granted, and will not grant during the term of this Agreement, any right, license or interest in and to the Licensed Patents, or any portion thereof, inconsistent with the license granted to Xcyte herein; and (iv) to its knowledge there are no threatened or pending actions, suits, investigations, claims or proceedings in any way relating to the Licensed Patents.

B. Disclaimer of Warranties. Except as expressly provided above, ARCH makes no representations or warranties of any kind, express or implied, with respect to the invention(s) claimed in the Licensed Patents or with respect to the Licensed Patents themselves, including but not limited to, any representations or warranties about (i) the validity, scope or enforceability of any of the Licensed Patents; (ii) the accuracy, safety or usefulness for any purpose of any information provided by ARCH to Xcyte, its Sublicensees or Affiliates of either, with respect to the invention(s) claimed in the Licensed Patents or with respect to the Licensed Patents themselves and any products developed from or covered by them; (iii) whether the practice of any claim contained in any of the Licensed Patents will or might infringe a patent or other intellectual property right owned or licensed by a third party; (iv) the patentability of any invention claimed in the Licensed Patents; or (v) the accuracy, safety, or usefulness for any purpose of any product or process made or carried out in accordance with or through the use of the Licensed Patents.

C. Indemnification. Xcyte agrees, and agrees to cause its Sublicensees and Affiliates of either, to indemnify, defend and hold harmless ARCH, its Affiliates and all trustees, directors, officers, employees, fellows and agents of any of the foregoing (including ARCH and its Affiliates, each an "Indemnified Person") from and against any and all third party claims, demands, loss, damage, penalty, cost or expense (including attorneys' and witnesses' fees and costs) of any kind or nature, arising from the development, production, use, sale or other disposition of Licensed Products and all activities associated therewith by Xcyte, its Sublicensees or Affiliates of either, or any use by Xcyte and its Sublicensees or Affiliates of information provided by ARCH to Xcyte. ARCH will be entitled to participate at its option and expense through counsel of its own selection, and may join in any legal actions related to any such third party claims, demands, losses, damages, costs, expenses and penalties. Xcyte, its Sublicensees and Affiliates of either, will not enter into any settlement which includes an express or implied admission of liability, negligence or wrongdoing by any Indemnified Person, without the prior written consent of such Indemnified Person, which consent will not be unreasonably withheld.

D. Assumption of Risk. The entire risk as to the performance, safety and efficacy of any invention claimed in the Licensed Patents resulting from the practice thereof by Xcyte or its Affiliates or Sublicensees or of any Licensed Products made by Xcyte or its Affiliates or Sublicensees is assumed by Xcyte, its Sublicensees and Affiliates of either, provided that such assumption of the risk will not apply to the intentional misconduct or gross negligence by Indemnified Persons. Indemnified Persons will not, except for their intentional misconduct or gross negligence, be responsible or liable for any injury, loss, or damage of any kind, including but not limited to direct, indirect, special, incidental or consequential damages or lost profits to Xcyte, any Sublicensee, Affiliates of either or customers of any of the foregoing, or for any such injury, loss or damage to any other individual or entity, regardless of legal theory based on the development, manufacture, use, sale or other disposition of Licensed Products and all activities associated therewith. The above limitations on liability apply even though the Indemnified Person may have been advised of the possibility of such injury, loss or damage. Xcyte will not, and will require all Sublicensees and Affiliates of either to not, make any agreements, statements, representations or warranties or accept any liabilities or responsibilities whatsoever with regard to any person or entity which are inconsistent with this Section.

E. Insurance. Xcyte will, at its sole cost and expense, procure prior to the initiation of any human clinical trials of a Licensed Product, and maintain thereafter, a comprehensive general liability insurance policy naming the Indemnitees as additional insureds. The limits of such insurance shall not be less than, [*] per incident and [*] annual aggregate for any Phase I clinical trials of any Licensed Product, [*] per incident and [*] annual aggregate for any later phase clinical trials of any Licensed Product and [*] per incident and [*] annual aggregate upon the first commercial distribution or sales (other than for the purpose of obtaining regulatory approvals) of any Licensed Product by Xcyte or by a Sublicensee or agent of Xcyte.

Such comprehensive general liability insurance will provide (a) product liability coverage, and (b) broad form contractual liability coverage for Xcyte's indemnification under Section 7.C. of this Agreement. If Xcyte elects to self-insure all or part of the limits described above (including deductibles or retentions which are in excess of [*] annual aggregate), such self-insurance

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

program must be reasonably acceptable to ARCH. The minimum amounts of insurance coverage required under these provisions will not be construed to create a limit of Xcyte's liability with respect to its indemnification obligation under Section 7.C. of this Agreement. Xcyte will provide ARCH with written evidence of such insurance upon written request. Xcyte will provide ARCH with written notice at least fifteen (15) days prior to the cancellation, non-renewal or material change in such insurance. Xcyte will maintain such comprehensive general liability insurance beyond the expiration or termination of this Agreement during (i) the period that any product, process, or service, relating to, or developed pursuant to, this Agreement is being commercially distributed or sold (other than for the purpose of obtaining regulatory approvals) by Xcyte or by a Sublicensee or agent of Xcyte, and (ii) a reasonable period after the period referred to in (i) above which in no event will be less than fifteen (15) years.

8. Confidentiality.

A. Confidentiality, Publications and Data Access. All information submitted by one party to the other concerning the invention(s) claimed in the Licensed Patents and Licensed Products identified as confidential at the time of disclosure will be considered as confidential ("Confidential Information") and will be utilized only pursuant to the licenses granted hereunder. During the term of this Agreement and for a period of ten (10) years thereafter, neither party will disclose to any third party any Confidential Information received from the other party without the specific written consent of such party. The foregoing will not apply where such Information a) was or becomes public through no fault of the receiving party, b) was, at the time of receipt, already in the possession of the receiving party as evidenced by its prior written records, c) was obtained from a third party legally entitled to use and disclose the same, d) is independently developed by the receiving party without use of any Confidential Information of the disclosing party, or e) is required by law to be disclosed to a court or governmental agency.

B. Permitted Use and Disclosures. Notwithstanding Section 8.A. above, each party hereto may use or disclose information disclosed to it by the other party to the extent such use or disclosure is reasonably necessary in filing or prosecuting patent applications, prosecuting or defending litigation, complying with applicable governmental regulations or otherwise submitting information to tax or other governmental authorities, conducting clinical trials, or making a permitted sublicense or otherwise exercising its rights hereunder, provided that if a party is required to make any such disclosure of another party's confidential information, other than pursuant to a confidentiality agreement, it will give reasonable advance notice to the latter party of such disclosure and, save to the extent inappropriate in the case of patent applications, will use its best efforts to secure confidential treatment of such information prior to its disclosure (whether through protective orders or otherwise).

C. Confidential Terms. Except as expressly provided herein, each party agrees not to disclose any terms of this Agreement to any third party without the consent of the other party; provided, disclosures may be made as required by securities or other applicable laws, or to actual or prospective investors or corporate partners, or to a party's accountants, attorneys and other professional advisors.

D. Publications. ARCH will provide to Xcyte copies of (i) any proposed written publication by ARCH or the University containing any Confidential Information, (ii) any proposed written publication by the Inventor(s) containing any Confidential Information, to the extent ARCH is aware of, and has access to, such publication and (iii) proposed publications containing any information relating to the Licensed Patents, to the extent ARCH is aware of, and has access to, such publications. Xcyte will provide to ARCH copies of (i) any proposed written publication by Xcyte, its Sublicensees and/or Affiliates of either of them containing any Confidential Information and (ii) proposed publications containing any information relating to the Licensed Patents, to the extent Xcyte is aware of, and has access to, such publications. The parties will provide copies of such proposed written publications at least ninety (90) days in advance of publication. In addition, the topic and contents of any proposed oral disclosures regarding the Licensed Patents which will be made to third persons by ARCH will be disclosed in writing to Xcyte at least thirty (30) days prior to any proposed oral presentation. The receiving party may object to such proposed publication or disclosure on the grounds that (i) it contains patentable subject matter that needs patent protection or (ii) that the publication contains Confidential Information of the objecting party. At the request of the objecting party, Confidential Information of the objecting party will be deleted from the publication or oral disclosure.

9. Infringement. In the event of an infringement of a Licensed Patent the following will apply:

A. Notice. Each party will give the other written notice if one of them becomes aware of any infringement by a third party of any Licensed Patent. Upon notice of any such infringement, the parties will promptly consult with one another with a view toward reaching agreement on a course of action to be pursued.

B. Xcyte's Right to Bring Infringement Action.

(1) If a third party infringes any patent included in the Licensed Patents within the Field, Xcyte will have the first right, but not the obligation, to institute and prosecute an action or proceeding to abate such infringement and to resolve such matter by settlement or otherwise. Xcyte agrees to notify ARCH of its intention to bring an action or proceeding prior to filing the same (or responding to any declaratory judgment action) and in sufficient time to allow ARCH the opportunity to discuss with Xcyte the choice of counsel for such matter. Xcyte agrees to hire counsel reasonably acceptable to ARCH. Xcyte will keep ARCH timely informed of material developments in the prosecution or settlement of such action or proceeding. Xcyte will be responsible for all costs and expenses of any action or proceeding against infringers which Xcyte initiates. ARCH will cooperate fully in such action, including without limitation, by joining as a party plaintiff if required to do so by law to maintain such action or proceeding, and by executing and making available such documents as Xcyte may reasonably request. Xcyte agrees to promptly reimburse ARCH for its reasonable third party out-of-pocket fees and expenses incurred in joining an action or proceeding or cooperating with Xcyte. ARCH may be represented by counsel in any such legal proceedings, at ARCH's own expense, acting in an advisory but not controlling capacity.

(2) The prosecution, settlement, or abandonment of any action or proceeding under subsection 9.B.(1) will be at Xcyte's reasonable discretion provided that Xcyte will not have any right to surrender any of ARCH' s rights to the Licensed Patents.

(3) Except as provided herein, all amounts of every kind and nature recovered from an action or proceeding of infringement by Xcyte will belong to Xcyte. After deduction of the fees and expenses of both parties to this Agreement, any remaining amounts recovered will be considered Net Sales under this Agreement and subject to Royalty payments in accordance with Section 3.B.

C. ARCH's Right to Bring Infringement Action. If a third party infringes any patent included in the Licensed Patents within the Field, and ARCH wishes to initiate a legal proceeding against such infringement, ARCH will first notify Xcyte in writing and request that Xcyte bring an action or proceeding against the infringing third party. if Xcyte declines or fails to bring such an action or proceeding within three hundred sixty five (365) days of receipt of the notice, ARCH will have the right, at its discretion, to institute and prosecute an action or proceeding to abate such infringement and to resolve such matter by settlement or otherwise. Xcyte will cooperate fully by joining as a party plaintiff if required to do so by law to maintain such action and by executing and making available such documents as ARCH may reasonably request. Except as specifically provided in this Article 9, ARCH will have the right to retain all amounts recovered of every kind and nature. Amounts recovered by ARCH will not be considered Net Sales under this Agreement and will not give rise to Royalty payments under Article 3.

10. Termination.

A. Term. Unless terminated earlier, this Agreement will expire on the expiration date of the last to expire of the Licensed Patents. The term of this Agreement will commence on the Effective Date, and unless earlier terminated as provided herein, will continue in full force and effect on a country-by-country and Licensed Product-by-Licensed Product basis until there are no remaining royalty payment obligations in a country, at which time the Agreement will expire in its entirety in such country.

B. ARCH's Right to Terminate. ARCH will have the right to terminate this Agreement as follows, in addition to all other available remedies:

(1) Subject to Section 10.C., if Xcyte fails to make any Royalty or other payment when due, this Agreement will terminate effective thirty (30) days after ARCH's written notice to Xcyte to such effect, unless Xcyte makes such payment within such thirty (30) days.

(2) Subject to Section 10.C., if Xcyte fails to observe any other material obligation of this Agreement, this Agreement will terminate effective ninety (90) days after ARCH's written notice to Xcyte describing such failure, unless Xcyte cures such failure within such ninety (90) days.

(3) if Xcyte will have filed by or against it a petition under any bankruptcy or insolvency law and such petition is not dismissed within sixty (60) days of its filing, or if Xcyte makes an assignment of all or substantially all of its assets for the benefit of its creditors ARCH may terminate this Agreement by written notice effective as of the (i) date of filing by Xcyte of any such petition, (ii) date of any such assignment to creditors, or (iii) end of the sixty (60) days if a petition is filed against it and not dismissed by such time, whichever is applicable.

(4) If Xcyte will be dissolved, liquidated or otherwise ceases to exist due to insolvency, other than for reasons specified in subsection 10.B.(3) above, this Agreement will automatically terminate as of (i) the date articles of dissolution or a similar document is filed on behalf of Xcyte with the appropriate government authority or (ii) the date of establishment of a liquidating trust or other arrangement for the winding up of the affairs of Xcyte.

C. Termination for Cause. If any party materially breaches this Agreement, the Xcyte, if ARCH is the breaching party, or ARCH, if Xcyte is the breaching party, may elect to give the breaching party written notice describing the alleged breach. If the breaching party has not cured such breach within sixty (60) days after receipt of such notice, the notifying party will be entitled, in addition to any other rights it may have under this Agreement, to terminate this Agreement effective immediately; provided, however, if either party receives notification from the other of a material breach and if the party alleged to be in default notifies the other party in writing within thirty (30) days of receipt of such default notice that it disputes the asserted default, the matter will be submitted to arbitration as provided in Article 11 of this Agreement. In

such event, the nonbreaching party shall not have the right to terminate this Agreement until it has been determined in such arbitration proceeding that the other party materially breached this Agreement, and the breaching party fails to cure such breach within ninety (90) days after the conclusion of such arbitration proceeding, including any appeal subject to Section 11.B.

D. Xcyte's Right to Terminate. Xcyte may terminate this Agreement as to any of the patent applications and/or patents within the Licensed Patents and/or any country at any time by giving ARCH ninety (90) days prior written notice.

E. Effect of Termination.

(1) Accrued Rights and Obligations. Termination of this Agreement for any reason will not release any party hereto from any liability which, at the time of such termination, has already accrued to the other party or which is attributable to a period prior to such termination, nor preclude either party from pursuing any rights and remedies it may have hereunder or at law or in equity which accrued or are based upon any event occurring prior to such termination.

(2) Stock on Hand. In the event this Agreement is terminated for any reason, Xcyte and its Affiliates and Sublicensees shall have the right to sell or otherwise dispose of the stock of any Licensed Product subject to this Agreement then on hand, subject to Article 3.

(3) Sublicensees. In the event of any termination of this Agreement, any sublicenses granted by Xcyte shall remain in force and effect and shall be assigned by Xcyte to ARCH; provided, the financial obligations of each Sublicensee to ARCH shall be limited to the amounts Xcyte shall be obligated to pay to ARCH for the activities of such Sublicensee pursuant to this Agreement, and the obligations of ARCH to each Sublicensee will not exceed the obligations of ARCH to Xcyte pursuant to this Agreement.

F. Survival. The provisions of (i) Xcyte's obligation to pay Royalties and Patent Costs accrued prior to the date of termination and which were not paid or payable before termination, along with the report of Net Sales and record keeping required by Sections 3.C and 3.D, and (ii) Articles 7, 8, 11 and 12 and Sections 10.E. and 10.F. will survive termination of this Agreement for any reason.

11. Arbitration. If the parties cannot satisfactorily settle any claim, disagreement or controversy arising out of or related to this Agreement or its interpretation, performance, nonperformance, breach or their respective rights and obligations hereunder, such disagreement will, at the request of either party, be settled by arbitration as follows:

A. Panel. All such disputes will be referred to an arbitration panel comprised of three persons, one to be selected by each party hereto and the third selected by the first two. The arbitrators will be persons involved in and familiar with the licensing and technology transfer field. Each party will select an arbitrator within twenty (20) days of request for arbitration by either party. The first two arbitrators will select the third member of the panel

within fifteen (15) days after their selection. The arbitration will be held as soon as is reasonably possible after selection of the arbitration panel. The proceedings will be held in an informal manner as reasonably determined by the arbitrators. Except for the right of appeal as set forth in Section 1 1.B. below, the parties will be bound by a decision of the arbitration panel with respect to the matter in dispute. All proceedings of the arbitration panel will be held in Chicago, Illinois.

B. Appeals. There will be no appeal from an arbitration panel's unanimous decision. In the event of a majority decision by the arbitration panel, a dissatisfied party may appeal the panel's decision to the American Arbitration Association (AAA) for an independent, final, binding decision. All appeals will be heard in Chicago, Illinois. The dissatisfied party must make such an appeal within thirty (30) days after receipt of the arbitration panel's decision and if it loses the appeal must bear the parties' expenses and costs for such appeal. The AAA is hereby authorized to make arrangements for such appeal, to be held under the procedures provided by its arbitration rules. Judgment upon any award rendered by all or a majority of the appeal arbitrators or a unanimous judgment of the initial panel, may be entered in any court of competent jurisdiction, after any and all applicable appeal periods have passed.

12. Miscellaneous.

A. Marking. Xcyte will and agrees to cause its Sublicensees and Affiliates of either, to place in a conspicuous location on Licensed Products (or its packaging where marking the Product is physically impossible) sold to third parties, a patent notice in accordance with the laws concerning the marking of patented articles in the country in which such articles are sold.

B. United States Manufacture. Xcyte agrees that, to the extent required by 35 United States Code Section 204, any Licensed Product sold in the United States will be manufactured substantially in the United States of America.

C. Export Regulations. To the extent that the United States Export Control Regulations are applicable, neither Xcyte nor ARCH will, without having first fully complied with such regulations, (i) knowingly transfer, directly or indirectly, any unpublished technical data obtained or to be obtained from the other party hereto to a destination outside the United States, or (ii) knowingly ship, directly or indirectly, any product produced using such unpublished technical data to any destination outside the United States.

D. Entire Agreement, Amendment, Waiver. This Agreement together with the Exhibits attached hereto constitutes the entire agreement between the parties regarding the subject matter hereof, and supersedes all prior written or oral agreements or understandings (express or implied) between them concerning the same subject matter. This Agreement may not be amended or modified except in a document signed by duly authorized representatives of each party. No waiver of any default hereunder by either party or any failure to enforce any rights hereunder will be deemed to constitute a waiver of any subsequent default with respect to the same or any other provision hereof.

E. Notice. Any notice required or otherwise made pursuant to this Agreement will be in writing, sent by registered or certified mail properly addressed, or by facsimile with confirmed answer-back, to the other party at the address set forth below or at such other address as may be designated by written notice to the other party. Notice will be deemed effective three (3) business days following the date of sending such notice if by mail, on the day following deposit with an overnight courier, if sent by overnight courier, or upon confirmed answer-back if by facsimile.

If to ARCH: ARCH Development Corporation
5640 South Ellis, Suite 405
Chicago, Illinois 60637
Attention: President

If to Xcyte: Xcyte Therapies, Inc.
2203 Airport Way South
Suite 300
Seattle, Washington 98134
Attention: President

F. Assignment. This Agreement will be binding on the parties hereto and upon their respective successors and assigns. Either party may at any time, upon written notice to the other party, assign or delegate to a successor to all or substantially all of its business any of its rights and obligations hereunder, provided that, any such assignment or delegation will in no event relieve either party of its primary responsibility for the same. Except as provided in the preceding sentence, Xcyte may not assign or delegate any right or obligation hereunder without the prior written consent of ARCH, which consent will not be unreasonably withheld, and any attempted assignment or delegation in violation thereof will be void. ARCH may assign this Agreement at any time to any third party on written notice to Xcyte. In such event, the assignee will be substituted for ARCH as a party hereto, and ARCH will no longer be bound hereby.

G. Governing Law. The interpretation and performance of this Agreement will be governed by the laws of the State of Illinois applicable to contracts made and to be fully performed in that state.

H. The University. This Agreement is entered into by ARCH in its own private capacity and not on behalf of the University, nor as its contractor or agent. It is understood and agreed that the University is not a party to this Agreement and is not liable for nor assumes any responsibility or obligation under this Agreement, and is not liable for any action or lack thereof by ARCH.

I. Advertising. Each party agrees not to use the name of the other party in any commercial activity, marketing, advertising or sales brochures except with the prior written consent of the other party, which consent may be granted or withheld in such party's sole discretion. Xcyte agrees not to use, and will prohibit its Sublicensees and the Affiliates of either from using, the name of the University or any of the Inventor(s) in any commercial activity,

marketing, advertising or sales brochures, except to the extent required by law.

J. Independent Contractors. The relationship of the parties hereto is that of independent contractors. The parties hereto are not deemed to be agents, partners or joint venturers of the others for any purpose as a result of this Agreement or the transactions contemplated thereby.

K. Right to Develop Independently. Nothing in this Agreement will impair Xcyte' s right to independently acquire, license, develop for itself, or have others develop for it, intellectual property and technology performing similar functions as the Licensed Patents or to market and distribute Licensed Products or other products based on such other intellectual property and technology. Nothing in this Agreement will impair ARCH's or the University's right to independently acquire, license, develop for itself, or have others develop for it, intellectual property and technology (other than the Licensed Patents) performing similar functions as the Licensed Patents or to market and distribute products (other than Licensed Products) based on such other intellectual property and technology.

L. Force Majeure. Neither party shall lose any rights hereunder or be liable to the other party for damages or losses (except for payment obligations) on account of failure of performance by the defaulting party if the failure is occasioned by war, strike, fire, Act of God, earthquake, flood, lockout, embargo, governmental acts or orders or restrictions, failure of suppliers, or any other reason where failure to perform is beyond the reasonable control and not caused by the negligence, intentional conduct or misconduct of the nonperforming party and the non-performing party has exerted all reasonable efforts to avoid or remedy such force majeure; provided, however, that in no event shall a party be required to settle any labor dispute or disturbance.

M. Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES ARISING OUT OF THIS AGREEMENT, HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY.

N. Severability. In the event that any provisions of this Agreement are determined to be invalid or unenforceable by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect without said provision. The parties shall in good faith negotiate a substitute clause for any provision declared invalid or unenforceable, which shall most nearly approximate the intent of the parties in entering this Agreement.

O. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original and which together shall constitute one instrument.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their respective duly authorized officers or representatives on the date first above written.

ARCH Development Corporation	Xcyte Therapies, Inc.
By: /s/: Thomas L. Churchwell	By: /s/: Ronald J. Berenson
Thomas L. Churchwell	Ronald J. Berenson
President and CEO	President and CEO

EXHIBIT A

SCHEDULE OF LICENSED PATENTS

[*]

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

EXHIBIT 10.20

LICENSE AND SUPPLY AGREEMENT

As Amended by Diaclone and Xcyte Therapies October 15, 1999

This License and Supply Agreement ("Agreement") is entered into as of October 15th, 1999 (the "Effective Date") by and between Xcyte Therapies, Inc., a Delaware corporation having a principal place of business at 2203 Airport Way South, Suite 300, Seattle, Washington 98134, United States ("Xcyte"), and Diaclone S.A., a French corporation having a principal place of business at 1 Boulevard Fleming, B.P. 1985 F-25020 Besancon Cedex, France ("Diaclone").

RECITALS

A. Diaclone has developed and owns the Licensed Materials (as defined below).

B. Xcyte desires to obtain, and Diaclone is willing to grant to Xcyte, an exclusive worldwide license to the Licensed Materials for the development and commercialization of Licensed Products (as defined below) within the Field (as defined below), upon the terms and subject to the conditions of this Agreement.

C. Xcyte desires to obtain form Diaclone, and Diaclone is willing to manufacture and sell to Xcyte, the Licensed Antibody for use upon the terms and subject to the conditions of this Agreement.

Xcyte and Diaclone hereby agree as follows:

AGREEMENT

1. DEFINITIONS

In addition to the terms defined elsewhere in this Agreement, the following terms, whenever capitalized in this Agreement, shall have the following meanings:

1.1 "Affiliate" shall mean, with respect to a party, any entity that controls, is controlled by, or is under common control of a party. For this purpose, control of an entity shall mean direct or indirect ownership of fifty percent (50%) or more of the voting interest in, or a fifty percent (50%) or greater interest in the equity of, such corporation or other business entity, or the maximum percentage allowed by law in the country of the controlled entity.

1.2 "Diaclone" shall mean Diaclone S.A., a French corporation, and its Affiliates.

1.3 "FDA" shall mean the U.S. Food and Drug Administration or any successor agency thereof.

1.4 "Field" shall mean all ex vivo uses for (a) therapeutic purposes and (b) research applications and purposes using or relating to the Licensed Antibody or the Licensed Product.

1.5 "Licensed Antibody" shall mean the anti-CD28 antibody named [*] produced by the Licensed Cell Line, and any modifications thereof made by Xcyte or its sublicenses; provided, however, that in no event shall any antibody that is not derived from the Licensed Materials and has been made with the use of information or materials available in the public domain constitute a Licensed Antibody.

1.6 "Licensed Cell Line" shall mean the [*] cell line and all progeny, clones, derivatives and modifications thereof.

1.7 "Licensed Know-How" shall mean any and all technical information, processes, compositions, formulae, data, engineering, materials, reports, analyses, know-how, trade secrets and other subject matter owned and/or controlled by Diaclone that is necessary or useful for the development, manufacture and/or commercialization of Licensed Products in the Field.

1.8 "Licensed Materials" shall mean, collectively, the Licensed Antibody and the Licensed Cell Line.

1.9 "Licensed Product" shall mean beads coated with the Licensed Antibody and made with use of the Licensed Materials.

1.10 "Net Sales" shall mean the gross amounts actually received by Xcyte or its sublicensees from the sale of Licensed Products to Third Parties, less (i) normal and customary rebates, and cash, quantity, trade and other discounts, actually taken, (ii) sales, use, value added and/or other similar taxes or duties actually paid, (iii) packaging, handling fees and pre-paid shipping, freight and insurance, (iv) import and/or export duties actually paid, and (v) amounts allowed or credited due to returns and the like.

1.11 "Third Party" shall mean a party other than Xcyte, Diaclone or their respective Affiliates.

1.12 "Xcyte" shall mean Xcyte Therapies, Inc., a Delaware corporation, and its Affiliates.

2. LICENSE

2.1 Grant of License. Diaclone hereby grants to Xcyte a worldwide, exclusive license under the Licensed Materials and Licensed Know-How, with the right to grant and authorize sublicenses, to make, have made, import, have imported, use, offer for sale, sell and otherwise distribute Licensed Products, practice any method, process or procedure, or otherwise exploit, in each case, Licensed Materials and Licensed Know-How for use in the Field (the "License").

2.2 Transfer of Licensed Materials. Within ninety (90) days after the Effective Date, Diaclone shall transfer to Xcyte all proprietary technical data, methods and processes, and other information (in electronic and hard copy formats) and data in the possession or control of

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Diaclone relating to the Licensed Materials. In addition, upon request by Xcyte, Diaclone shall transfer to Xcyte a viable culture of the cell bank for the Licensed Cell Line, and Xcyte agrees to only use such cell bank as contemplated by and in accordance with this Agreement.

2.3 Sublicensing. Xcyte may grant and authorize sublicenses within the scope of the License. Upon request by Diaclone, Xcyte shall provide Diaclone with a copy, subject to the confidentiality provisions of Section 13, of the relevant terms of any sublicense agreement necessary to determine the rights granted under any Licensed Materials and the Licensed Know-How and the amounts due to Diaclone hereunder.

2.4 Option to Expand Field. Subject to all of the terms and conditions of this Agreement, Xcyte shall have an option (the "Option"), exercisable at any time upon written notice to Diaclone, to expand the Field hereunder to include [*] using or relating to the Licensed Antibody or the Licensed Product (the "Expanded Field"). The exercise of the Option shall be subject to the payment by Xcyte of a license fee in the amount of $75,000 and any future royalty payments pursuant to Section 6.3 with respect to the Expanded Field. Upon exercise of the Option in accordance with this Section 2.4, without further action of the parties, the Field shall automatically be amended to include the Expanded Field.

2.5 Right of First Refusal. In the event that, prior to the exercise of the Option by Xcyte, Diaclone shall agree with a Third Party upon the terms and conditions of a proposed license to such Third Party that would license to any extent the Licensed Materials in the Expanded Field, Diaclone shall provide written notice to Xcyte setting forth such proposed terms and conditions (the "Notice"), and Xcyte shall have a right of first refusal (the "Right of First Refusal") to enter into an agreement with Diaclone on such terms and conditions. Thereafter, Xcyte shall have a period of thirty (30) days in which to exercise the Right of First Refusal by written notice to Diaclone, during which period Diaclone shall not enter into such license with such Third Party. Upon exercise of the Right of First Refusal by Xcyte, the parties shall negotiate in good faith to enter into agreement on such terms and conditions as soon as reasonably practicable. In the event that Xcyte does not exercise the Right of First Refusal within such thirty (30)-day period, Diaclone shall have a period of sixty (60) days in which to grant such license to such Third Party of the Licensed Materials within the Expanded Field on terms no more favorable to such Third Party than those set forth in the Notice. In the event that Diaclone does not enter into such an agreement during such sixty (60)-day period, Diaclone may not enter into such an agreement without sending a new or revised Notice and complying with the terms and conditions of this Section 2.5. Upon receipt of the Notice by Xcyte, the Option shall not be exercisable by Xcyte unless and until (a) Xcyte fails to exercise the Right of First Refusal, and (b) Diaclone does not enter into such an agreement with such Third Party within such sixty (60)-day period.

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3. MANUFACTURE AND PURCHASE OF LICENSED ANTIBODY

3.1 Manufacture

(a) Production. Diaclone agrees to produce and test the bulk Licensed Antibody at its facilities located at 1 boulevard Fleming, B.P. 1985 F-25020 Besangon Cedex, France ("Facilities") and to sell the Licensed Antibody to Xcyte upon the terms and subject to the conditions of this Agreement. Diaclone shall manufacture and sell the Licensed Antibody for and to Xcyte on an exclusive basis for all uses within the Field, and Diaclone shall not manufacture or sell the Licensed Antibody for or to any Third Party for any use or purpose within the Field. Except as set forth in Section 4, Xcyte shall purchase the Licensed Antibody from Diacline on an exclusive basis. All Licensed Antibody provided to Xcyte by Diaclone will be produced in accordance with the manufacturing procedures identified in Exhibit A attached hereto ("Production Protocol"), will meet the specifications identified in Exhibit B attached hereto ("Specifications") and will be manufactured in accordance with "Good Manufacturing Practices." Diaclone will qualify the Licensed Cell Line as described in Exhibit C attached hereto ("Licensed Cell Line Qualification") and comply with the process validation requirements described in Exhibit D attached hereto. Diaclone shall not use the Specifications or the Production Protocol in connection with the performance of services for any Third Party.

(b) Changes. Diaclone may not make any changes to the Production Protocol, Specifications, or Licensed Cell Line Qualification without the prior written approval of Xcyte, which approval will not be unreasonably withheld. Diaclone will, however, agree to any such changes as are reasonably requested by Xcyte. Diaclone will have in place a documentation, control and change system that complies with Good Manufacturing Practices and other applicable rules, regulations and standards of the FDA, as well as any other applicable regulatory standards for the intended use of the Licensed Antibody, as such requirements may change from time to time ("Regulatory Standards"), and all changes made under this Section will conform to such Regulatory Standards. Any such changes will be made in writing and signed by authorized representatives of each party.

(c) Initial Quantity. Diaclone shall manufacture for Xcyte an initial quantity of [*] of purified bulk Licensed Antibody (the "Initial Quantity").

3.2 Purchase and Supply

(a) Amount. No later than _____, 1999, Diaclone will provide to Xcyte the Initial Quantity. Thereafter, Xcyte may, in its sole and absolute discretion, order additional purified bulk Licensed Antibody in amounts in excess of the Initial Quantity ("Additional Licensed Antibody") as set forth in Section 3.2(b). If Xcyte orders Additional Licensed Antibody, Diaclone will produce, sell and deliver such Additional Licensed Antibody to Xcyte in accordance with the terms of this Agreement upon delivery dates that are reasonable and mutually agreed to by the parties. Xcyte will be obligated to purchase such Additional Licensed Antibody.

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(b) Order Procedure. Xcyte will order Licensed Antibody under this Agreement by executing and issuing to Diaclone a purchase order ("Purchase Order") which will specify the reasonable amount of Licensed Antibody ordered, reasonable delivery dates, place of delivery, pricing pursuant to Section 6.1 and any other additional terms agreed to by the parties. Each such Purchase Order will be automatically binding upon and enforceable against Diaclone upon delivery by Xcyte if in material conformity with the Specifications and the terms and conditions of this Agreement. In all other cases, a Purchase Order will be binding upon Diaclone upon (x) written acceptance by Diaclone or (y) the failure by Diaclone to object to such Purchase Order (including objection to the specified delivery dates, which shall be reasonable and mutually agreed by the parties, as set forth in Section 3.2(a)) in writing within fifteen (15) days of receipt thereof. A Purchase Order may not be amended except by a written amendment executed according to Section 13.3. Diaclone will notify Xcyte immediately if it determines that it will not be able to meet any of the terms of a Purchase Order, including, but not limited to, delivery dates. In addition, Diaclone will notify Xcyte promptly of any supply constraints (e.g., materials, third party contracts, facilities or capacity) of which it becomes aware that may affect its ability to supply the Licensed Antibody in accordance with the terms of any Purchase Order. No such notification by Diaclone or acknowledgment of such notification by Xcyte will relieve Diaclone of any liability for a breach of this Agreement or a Purchase Order.

3.3 [*]. As set forth in Section 6.1(d), Xcyte shall reimburse Diaclone for [*] of the Licensed Antibody for Xcyte hereunder (the [*]); provided, however, that Diaclone shall not use any [*] for any purpose other than the [*] of the Licensed Antibody for Xcyte pursuant to this Agreement, and Diaclone agrees, upon Xcyte's request and [*] following any termination or expiration of this Agreement. The [*] and their respective estimated costs are set forth on Exhibit E attached hereto.

3.4 Biosafety Testing. Diaclone agrees to conduct, at Xcyte's expense, biosafety testing (the "Biosafety Testing") on all Licensed Antibody to be provided to Xcyte hereunder and under any Purchase Order. The specifications of the tests included in the Biosafety Testing, and the estimated costs therefor, are set forth in Exhibit F attached hereto. Diaclone shall provide to Xcyte all data, results and materials relating to the Biosafety Testing.

3.5 Status Conferences. Diaclone will, at the request of Xcyte, meet by telephone or otherwise to discuss with Xcyte the status of any Licensed Antibody ordered by Xcyte and not yet delivered by Diaclone.

3.6 Back-up Cell Bank; Segregation of Licensed Antibody. Diaclone will at all times have a back-up master cell bank for the Licensed Cell Line (minimum of five (5) vials) stored at some location other than the Facilities to minimize any risk of loss that could threaten the master cell bank located at the Facilities. If requested by Xcyte, Diaclone will, subject to space and storage limitations, segregate Licensed Antibody, including, but not limited to, the Initial Quantity, upon completion of manufacture thereof until shipment.

3.7 [*] Equipment and Materials. Any tooling, test equipment or other equipment or material [*] for purposes of performing its obligations hereunder [*] will remain at

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all times [*] such equipment or material (a) may not [*] without Xcyte's prior written consent, (b) may be used only for the purpose of producing the Licensed Antibody or other products produced by Diaclone for Xcyte as agreed by the parties and (c) [*] all subject to Xcyte's instructions. Diaclone will reimburse Xcyte [*]. All such equipment and material will be included, to the extent applicable, in Diaclone' calibration and document control programs, subject to Xcyte's prior written authorization.

3.8 Ownership of Licensed Antibody. The parties acknowledge and agree that Xcyte is the sole owner of all Licensed Antibody provided to Xcyte by Diaclone pursuant to this Agreement. Diaclone agrees to take any action deemed by Xcyte to be necessary or appropriate to vest such ownership position in Xcyte and to transfer and assign all right, title and interest held by Diaclone in such Licensed Antibody to Xcyte.

4. THIRD PARTY SUPPLY.

4.1 Failure to Supply. If (a) Diaclone materially fails to comply with the Regulatory Standards for a period of six (6) months or some lesser time as reasonably determined by Xcyte based on the severity of the violation, (b) Diaclone cannot (or does not wish to) produce Licensed Antibody of the quality, in the quantity or within the time frame reasonably required by Xcyte (with the applicable time frame being within thirty (30) days of the delivery date specified in the applicable Purchase Order, or within ninety (90) days in the case of a force majeure event as described in Section 11, provided that Diaclone is in compliance with the provisions of Section 11), (c) Diaclone either does not have or loses the right to use any of the technology required to produce and test the Licensed Antibody in accordance with the Specifications, the Production Protocol and any other specifications agreed upon by the parties, including, without limitation, use of viral inactivation technology acceptable to Xcyte and in compliance with the Regulatory Standards, or (d) one or more parties (other than parties that currently have an ownership interest in Diaclone) obtains the ability, through on ownership interest in the capital stock or assets of Diaclone or by other means, to influence existing or future terms of this Agreement or Diaclone's performance hereunder, then Xcyte may, in addition to all other remedies it may have under this Agreement or otherwise, at its sole option, elect to have one or more Third Parties manufacture and supply the Licensed Antibody and/or produce the Licensed Antibody itself.

4.2 Phase III Clinical Trials. At such time as Xcyte is preparing for the commencement of Phase III Clinical Trials relating to the Licensed Materials or Licensed Product, Xcyte may, at its sole option, elect to have one or more Third Parties manufacture and supply the Licensed Antibody and/or produce the Licensed Antibody itself.

4.3 Assistance. In the event that Xcyte shall elect to have one or more Third Parties manufacture and supply the Licensed Antibody and/or produce the Licensed Antibody itself pursuant to Section 4.1 or Section 4.2, Diaclone shall, upon Xcyte's request, promptly transfer a minimum of [*] of the master cell bank for the Licensed Cell Line to Xcyte or any such Third Party. In addition, Diaclone shall provide to Xcyte and/or any such Third Party all necessary information and cooperation to enable Xcyte or such Third Party to manufacture the

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Licensed Antibody in accordance with the Specifications and the Production Protocol. If requested by Xcyte, Diaclone will assist Xcyte in locating an appropriate Third Party manufacturer to produce the Licensed Antibody.

5. QUALITY CONTROL, LEGAL, REGULATORY STANDARDS

5.1 [*] Testing. Diaclone will perform [*] supplied to Xcyte hereunder in accordance with Diaclone's standard operating procedures as approved by Xcyte. [*]

5.2 Compliance with Law and Regulation. Diaclone will comply with all international, national, state and local laws, ordinances, rules and regulations applicable to the conduct of its business, including, but not limited to, the Regulatory Standards, in performing its obligations hereunder and will maintain, during the term of this Agreement, a manufacturing facility, personnel and quality control and quality assurance programs that comply with the Regulatory Standards. In the event that regulatory certification is required for the manufacture, sale or distribution of Licensed Materials, Diaclone will ensure that such certification is met at its own expense.

5.3 Contacts with Regulatory Bodies. Diaclone will advise Xcyte of all contacts with any regulatory agency concerning the Licensed Antibody and, upon request, will provide Xcyte with copies of all materials regarding the Licensed Antibody that it submits to any regulatory agency or that are provided by any regulatory agency to Diaclone.

[*]

5.5 Records Retention. All records relating to the manufacture of the Licensed Antibody and the fulfillment of each Purchase Order, including all Lot History Records, will be retained for a period of at least five (5) years from the date of manufacture. Prior to the destruction of any such records, written notice will be provided to Xcyte, and Xcyte will have the right to request and retain them.

5.6 Changes to Facilities. Diaclone will notify Xcyte in writing not less than ninety (90) days prior to making any change in the Facilities [*] No such change will be made by Diaclone without Xcyte's prior written approval, which approval may be granted or withheld in Xcyte's sole discretion.

5.7 Product Recall. Xcyte and Diaclone each will notify the other promptly if the Licensed Antibody or a Licensed Product alleged or proven to be the subject of a recall, market withdrawal or correction and the parties will cooperate in the handling and disposition of any such recall, market withdrawal or correction; provided, however, that in the event of a disagreement as to any matter related to such recall, market withdrawal or correction, Xcyte will have final authority.

5.8 Cooperation Regarding Regulatory Approval. Diaclone will provide to Xcyte [*]. Additionally, Diaclone agrees to provide Xcyte with any assistance reasonably requested by Xcyte in obtaining such governmental approvals, including, without limitation, the

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furnishing of all technical information, processes, formulae, data, engineering, materials, know-how and trade secrets owned or controlled by Diaclone that are relevant to the development and manufacture of the Licensed Materials available to Diaclone and its Affiliates.

6. SUPPLY PRICING; LICENSEE FEE; ROYALTIES

6.1 Supply Pricing.

(a) Price Per Gram. Subject to the provisions of this Section 6.1, the price to be paid for purchase of Licensed Antibody during the term of this Agreement shall be [*] per gram of Licensed Antibody.

(b) Initial Quantity. Xcyte shall pay to Diaclone [*] within thirty (30) days of acceptance by Xcyte of the Initial Quantity. Such payments shall be non-refundable, except as set forth in Section 8.1(c).

(c) [*] Xcyte shall [*] that are approved in writing in advance by Xcyte (provided that Xcyte shall also approve the price of such [*] in the event that the price therefor materially differs from the price set forth on Exhibit E attached hereto) within forty-five (45) days of receipt of an undisputed invoice with respect thereto from Diaclone.

(d) Biosafety Testing. Diaclone shall conduct and pay for the Biosafety Testing in accordance with Exhibit F attached hereto (provided that Xcyte shall pre-approve any costs that materially differ from the estimated costs set forth in Exhibit F attached hereto) and invoice Xcyte for reimbursement. Xcyte shall pay all undisputed amounts on such invoice within forty-five (45) days of receipt thereof.

(e) Cell Banks. Within forty-five (45) days of receipt of an invoice from Diaclone with respect thereto, Xcyte [*] The parties acknowledge and agree that Xcyte [*] the parties anticipate that the remainder of such costs will be an additional amount of approximately [*]

(f) Invoicing for Licensed Antibody. Diaclone will invoice Xcyte, in duplicate, accompanied (if applicable) by a bill of lading or airway bill, for all Licensed Antibody purchased hereunder promptly upon delivery of such Licensed Antibody pursuant to Section 8. The price per gram set forth in Section 6.1(a) is inclusive of all costs payable by Xcyte for purchase of the Licensed Antibody. Xcyte will, under no circumstances, be responsible for any costs in addition to such amounts, including, without limitation, costs for activities performed by Biotest AG or any other Affiliate of Diaclone. Diaclone will indemnify Xcyte for any such additional costs.

6.2 License Fee. In consideration of the License, Xcyte shall pay the following fees to Diaclone at the following times: [*] within six (6) months of the receipt by Diaclone of the payment set forth in the preceding clause (b).

6.3 Royalties

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(a) Royalties on Net Sales. Subject to the other provisions of this Section 6.3, Xcyte shall pay to Diaclone, on a product-by-product basis, a royalty [*] of Net Sales. Following the first approval by the FDA or its foreign equivalent of a Licensed Product for therapeutic uses, the amount payable to Diaclone by Xcyte under this Section 6.3 for all Licensed Products used for therapeutic uses shall be, at a minimum, [*] By way of clarification, such minimum annual amounts shall not be reduced in any manner by the provisions of Sections 6.3(b) or 6.3(c) below.

(b) Combination Products. In the event that a Licensed Product is used or sold by Xcyte in combination as a single product without or more other product(s) or service(s) which are not Licensed Products, Net Sales from such sales and/or use for purposes of calculating the amounts due under Section 6.3(a) above shall be calculated by multiplying the Net Sales of that combination by the fraction A/(A + B), where A is the gross selling price of the Licensed Product sold separately and B is the gross selling price of the other product or service sold separately. In the event that no such separate sales or use of a Licensed Product are made by Xcyte, Net Sales for royalty determination shall be calculated by Multiplying Xcyte's cost for making or having made a Licensed Product ("Cost") by 1.5 (i.e., Cost x 1.5). It is understood and agreed that Xcyte intends to use Licensed Products in connection with products and services which do not entail the use of the Licensed Materials, and that such Licensed Products shall be subject to this Section 6.3(b).

(c) Third Party Offsets. In the event that Xcyte enters into any license or other agreement with a third party with respect to intellectual property or inputs protected by intellectual property which is necessary or useful for the manufacture, use or sale of a Licensed Product, Xcyte may offset any amounts paid to such third party thereunder against royalties otherwise due Diaclone pursuant to this Section 6.3; provided, however, that the royalties that would otherwise be due to Diaclone may not be reduced by more than [*]

(d) One Royalty. For purposes of clarity, the parties acknowledge and agree that no more than one royalty payment shall be due with respect to a sale of a particular Licensed Product. In addition, no royalty shall be payable under this Section 6.3 with respect to Licensed Products distributed for use in research and/or development, in clinical trials or as promotional samples.

7. PAYMENT; REPORTS AND RECORDS

7.1 Timing of Royalty Payments; Payment Method. Xcyte agrees to pay all royalties due to Diaclone within sixty (60) days of the last day of the calendar quarter in which such royalties accrue.

7.2 Royalty Reports. Xcyte shall deliver to Diaclone within ninety (90) days after the end of each calendar quarter in which Licensed Products are sold a report setting forth in reasonable detail the calculation of the royalties payable to Diaclone for such calendar quarter, including the Licensed Products sold in each country, the Net Sales thereof, and all amounts

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received from sublicensees for sales of Licensed Products. Such reports shall be Confidential Information of Xcyte subject to Section 13.

7.3 Currency; Foreign Payments. All payments due hereunder shall be paid in United States dollars. If any currency conversion shall be required in connection with the payment of any royalties hereunder, such conversion shall be made by using the exchange rate for the purchase of U.S. Dollars reported by the Bank of America on the last business day of the calendar quarter to which such royalty payments relate. If at any time legal restrictions prevent the prompt remittance of any royalties owed with respect to Net Sales in any jurisdiction, Xcyte may notify Diaclone and make such payments by depositing the amount thereof in local currency in a bank account or other depository in such country in the name of Diaclone, and Xcyte shall have no further obligations under this Agreement with respect thereto.

7.4 Inspection of Books and Records. Xcyte shall maintain accurate books and records which enable the calculation of royalties payable hereunder to be verified. Xcyte shall retain the books and records for each quarterly period for three (3) years after the submission of the corresponding report under Section 7.2. Upon thirty (30) days prior notice to Xcyte, independent accountants selected by Diaclone and reasonably acceptable to Xcyte, after entering into a confidentiality agreement with Xcyte, may have access to Xcyte's books and records to conduct a review or audit once per calendar year, for the sole purpose of verifying the accuracy of Xcyte's payments and compliance with this Agreement. The accounting firm shall report to Diaclone only whether there has been a royalty underpayment and, if so, the amount thereof. Such access shall be permitted during Xcyte's normal business hours during the term of this Agreement and for two (2) years after the expiration or termination of this Agreement. Any such inspection or audit shall be at Diaclone' expense; provided, however, that in the event that an inspection reveals an underpayment of [*] or more in any audit period, Xcyte shall pay the costs of such inspection and promptly pay to Diaclone any underpayment.

7.5 Taxes. All royalty amounts required to be paid to Diaclone pursuant to this Agreement may be paid with deduction for withholding for or on account of any taxes (other than taxes imposed on or measured by net income) or similar government charge imposed by a jurisdiction other than the United States ("Withholding Taxes"). At Diaclone's request, Xcyte shall provide Diaclone a certificate evidencing payment of any Withholding Taxes hereunder and shall reasonably assist Diaclone to obtain the benefit of any applicable tax treaty.

7.6 Payment. The prices stated in the Pricing Schedule and referenced in each Purchase Order are stated in United States Dollars, and do not include sales, use, excise or any other similar taxes imposed by international, federal, state or local governments, or shipping charges. Such prices are inclusive of handling and all other charges unless otherwise specifically provided in the Pricing Schedule or Purchase Order. Taxes and shipping charges will be itemized separately in each invoice. Unless otherwise provided in the Purchase Order, terms of payment will be net forty-five (45) days from Xcyte's receipt of the Licensed Antibody or invoice, whichever occurs later, subject to Xcyte's acceptance of the Licensed Antibody and the resolution of any good faith disputes relating to the invoiced amount. No payment of an invoice will be deemed to constitute acceptance of the Licensed Antibody by Xcyte. If Xcyte disputes

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any invoice, Xcyte will, within forty-five (45) days of receipt of such invoice, notify Diaclone that it disputes the accuracy or appropriateness of such invoice and provide the basis for such dispute.

8. DELIVERY; ACCEPTANCE

8.1 Documentation, Inspection

(a) Documentation. With each shipment of Licensed Antibody to Xcyte under this Agreement or any Purchase Order, Diaclone will send a copy of the lot history record, [*] In addition, Diaclone will provide a material safety data sheet for the Licensed Antibody and any other documentation required by the Specifications or requested by Xcyte. Any substitution, reprocessing or reworking of the Licensed Antibody must be reported to and approved by Xcyte before any Licensed Antibody subject to such variances may be shipped. Any substituted, reprocessed or reworked Licensed Antibody must be accompanied by variance and nonconformance data in addition to the documentation described above.

(b) Acceptance and Rejection All Licensed Antibody delivered under this Agreement will be inspected and tested by Xcyte or its designee using Xcyte's standard testing procedures. Xcyte will give notice by facsimile of its rejection or acceptance of any Licensed Antibody within sixty (60) days of receipt thereof.

(c) Non-Conformance. Notwithstanding the completion of such inspection or the passing of the date for notice of rejection under Section 8.1 (b), if any Licensed Antibody is found at any time by Xcyte, or its customers or users of the Licensed Antibody or a Xcyte product in which the Licensed Antibody was incorporated, to be defective or not in conformity with the Specifications, or if Xcyte is not satisfied with the results of the Biosafety Testing, Xcyte may, at its option: (i) reject such Licensed Antibody, require Diaclone to replace such Licensed Antibody at Diaclone's expense (other than costs of Biosafety Testing and [*] which shall be borne by Xcyte in accordance with Sections 3.3 and 3.4) and provide notice to Xcyte that any Licensed Antibody delivered is replacement Licensed Antibody, provided that if Diaclone is unable to replace such Licensed Antibody within the time period specified in Section 4.1, or such other time period as may be agreed by the parties, then Xcyte may exercise its option for the manufacturing rights set forth in Section 4, or (ii) notwithstanding anything to the contrary in this Agreement, request a refund of all amounts paid to Diaclone hereunder in connection with such Licensed Antibody (other than payments made with respect to Biosafety Testing and [*] in accordance with Sections 3.3 and 3.4), in which case Diaclone will promptly refund such amounts; provided, however, that Diaclone shall be entitled to retain [*] with respect to each [*] of such Licensed Antibody if such Licensed Antibody is not defective.

8.2 Shipping and Delivery

(a) Shipping. Unless otherwise specified in the Purchase Order, all freight expenses for delivery of the Licensed Antibody will be prepaid by Diaclone and added to Diaclone's invoice to Xcyte for payment by Xcyte. Xcyte will obtain permits for importation of the Licensed Antibody into the United States and other countries as appropriate. No Licensed

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Antibody may be shipped to Xcyte's designated destination until the appropriate import permits have been obtained, and Diaclone shall assist Xcyte, upon request of Xcyte, in obtaining approvals of regulatory agencies in the applicable jurisdictions for importation of the Licensed Antibody. Diaclone shall be responsible for exporting the Licensed Antibody from France or such other location in which Diaclone may manufacture the Licensed Antibody in accordance with this Agreement and shall obtain any necessary export licenses or approvals required for such export.

(b) Delivery. Unless otherwise specified in the Purchase Order, the FOB point will be the location designated by Xcyte in the Purchase Order for delivery of the Licensed Antibody. Diaclone will bear all risk of loss or damages to the Licensed Antibody, and title to the Licensed Antibody will not transfer to Xcyte until delivery of the Licensed Antibody (including any Licensed Antibody segregated in accordance with Section 3.6 prior to shipment) to Xcyte's designated location.

9. REPRESENTATIONS AND WARRANTIES. In addition to all other express or implied warranties, Diaclone represents and warrants that it has the right (a) to use all technology it employs in the production, use and sale of the Licensed Antibody hereunder, (b) to grant all licenses granted or to be granted hereunder and (c) to perform all of its other obligations under this Agreement. Diaclone further represents and warrants that its Facilities will be maintained as required herein and that the Licensed Antibody (i) will meet the Specifications, (ii) will be manufactured in accordance with the Production Protocol and "Good Manufacturing Practices," (iii) will be free from all liens and security interests such that full ownership rights vest in Xcyte, and (iv) has been developed, labeled, packaged, manufactured, tested, stored, supplied and sold in accordance with the terms of this Agreement [*] Diaclone represents and warrants that (A) the execution, delivery and performance of this Agreement does not conflict with, violate or breach any agreement to which Diaclone is a party (B) Diaclone has not received written notice that the Licensed Materials infringe upon the intellectual property rights of any third party, (C) there are no threatened or pending actions, suits, investigations, claims or proceedings in any way relating to the Licensed Materials to which Diaclone is a party or of which Diaclone is aware, and (D) it is the exclusive owner of all right, title and interest in the Licensed Materials.

10. TERM AND TERMINATION

10.1 Term. The term of this Agreement will begin on the Effective Date and will continue, subject to early termination as provided in Section 10.2, for a period of fifteen (15) years from the date of first approval by FDA or its foreign equivalent of a Licensed Product for therapeutic uses. At the end of the fifteen (15) years, Xcyte will have a perpetual, irrevocable, fully paid up, royalty free exclusive license to the Licensed Materials and Licensed Know-Row with all of the rights granted in Section 2.1.

10.2 Termination. This Agreement may be terminated as follows:

(a) Xcyte may terminate this Agreement at any time upon thirty (30) days written notice to Diaclone;

(b) Either party may terminate this Agreement in the event of a material breach by the other party provided that the defaulting party fails to cure such breach within thirty (30) days after receipt of notice of such breach, or in the case of a breach that is not

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capable of cure within thirty (30) days, if the defaulting party fails to begin cure within thirty (30) days after receipt of notice of such breach or to continue to pursue such cure diligently thereafter;

(c) Either party may terminate in the event of (i) the making by either party of any general assignment for the benefit of creditors, (ii) the filing by or against either party of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against such party, the same is dismissed within sixty (60) days), (iii) the appointment if a trustee or receiver to take possession of substantially all of either party's assets, where possession is not restored to such party within sixty (60) days, or (iv) the attachment, execution or other judicial seizure of substantially all of either party's assets, where such seizure is not discharged within sixty (60) days; or

10.3 Effect of Termination. Neither party will be relieved of any obligations incurred under this Agreement prior to the date of such termination or expiration thereof, and the provisions of Sections 1, 3.6, 3.8, 4, 5.8, 7.4, 9, 10, 12, 13, 14, 15, and 16 will survive any such termination or expiration.

11. FORCE MAJEURE

11.1 No Liability. Neither party will be liable for any failure to fulfill any term or condition of this Agreement, other than the payment of amounts owed hereunder, nor will such failure constitute a breach of or default under this Agreement, if fulfillment has been delayed, hindered or prevented by an event of force majeure, including any war, riot, strike, acts of the elements, acts or compliance with any order of any government or agency thereof (including the enactment of any new laws, rules or regulations), sabotage or industrial accident, where the failure to perform is beyond the reasonable control and not caused by the negligence or intentional misconduct of the non-performing party, and the non-performing party has exerted all reasonable efforts to avoid or remedy the force majeure.

11.2 Notice of Force Majeure. Promptly following the date any event of force majeure occurs, the party so affected will advise the other party in writing of the date and nature of the event and the period of time such event is expected to continue. During the existence of such event, the duties and obligations of the parties under this Agreement will be suspended and the parties will take all reasonable action to ensure resumption of normal performance under this Agreement as soon as possible.

11.3 Termination Right. If, as a result of any such force majeure event, a party is unable to fully perform its obligations hereunder for a period of ninety (90) days, the other party will have the right to terminate this Agreement upon written notice, effective the date of such notice.

12. INDEMNIFICATION; LIMITATION OF LIABILITY

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12.1 By Diaclone. Diaclone will defend, indemnify and hold harmless Xcyte and its officers, directors, employees and agents (collectively, "Indemnitee") from and against any and all losses, damages, liability, settlement costs, defense costs, other expenses and attorneys' fees (a "Liability") resulting from a Third Party claim or suit related to or arising out of the development, labeling, packaging, manufacturing, storage, testing, or supply of Licensed Antibody or any breach of this Agreement by Diaclone, including, without limitation, breach of any representation or warranty contained herein.

12.2 By Xcyte. Xcyte shall defend, indemnify and hold harmless Diaclone and its officers, directors, employees and agents (collectively, "Indemnitee") from and against any and all Liabilities resulting from a Third Party claim or suit relating to or arising out of the development, labeling, packaging, manufacturing, storage, testing or sale of any Licensed Product by Xcyte or any breach of this Agreement by Xcyte, including, without limitation, breach of any representation or warranty contained herein.

12.3 Procedure. In the event that any Indemnitee intends to claim indemnification under this Section 12 it shall promptly notify the indemnifying party in writing of such alleged Liability. The indemnifying party shall have the right to control the defense and settlement thereof. The Indemnities shall cooperate with the indemnifying party and its legal representatives in the investigation of any action, claim or liability covered by this Section 12. The Indemnitee shall not, except at its own cost, voluntarily make any payment or incur any expense with respect to any claim or suit without the prior written consent of the indemnifying party, which the indemnifying party shall not be required to give. 12.4 LIMITATION OF LIABILITY. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES ARISING OUT OF THIS AGREEMENT, HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY.

13. CONFIDENTIALITY

13.1 Confidential Information. "Confidential Information" will include, but not be limited to, any information marked as confidential and all know-how, formulas, specifications, processes, product ideas, inventions and technical, business and financial plans, forecasts and strategies, and any information derived therefrom disclosed by either party to the other. Each party will hold in confidence and not use or disclose to others, except as specifically authorized by this Agreement, the Confidential Information of the other. Each party will protect the other party's Confidential Information by using the same degree of care, but not less than a reasonable degree of care, used to protect its own Confidential Information. Diaclone acknowledges that the Specifications, the Production Protocol, the quantity of the Licensed Antibody ordered or used by Xcyte and the quantity of Xcyte's product sold by Xcyte are Confidential Information of Xcyte.

This restriction does not apply to the extent it can be established by the receiving party that the information:

(a) was known to the receiving party at the time of disclosure;

(b) was part of the public domain at the time of disclosure or later entered the public domain through no fault of the receiving party;

(c) was made known to the receiving party from another source under no obligation to the disclosing party; or

(d) was independently developed by the receiving party without the use of the disclosing party's Confidential Information.

Notwithstanding the above, each party may disclose the other party's Confidential Information: (i) to employees or agents to the extent necessary to accomplish the purposes of this Agreement, provided that each such individual is first bound by an obligation of confidentiality equivalent to that described herein, (ii) to the extent necessary to comply with applicable laws, judicial orders or governmental regulations provided that each party agrees to give reasonable advance notice to the other of any such intended disclosure, and to minimize such disclosure to the extent possible, and (iii) to governmental agencies to obtain approval for commercial sale of the Licensed Antibody or any of Xcyte's products. Each party's Confidential Information will remain the property of that party, and the disclosure of Confidential Information hereunder does not constitute a grant of any right or license to such Information. The restrictions described in this Section 13 will remain in effect for five (5) years after termination of this Agreement.

13.2 Test Results. Diaclone specifically agrees that the results of any tests performed on the Licensed Cell Line or Licensed Antibody that are paid for by Xcyte belong solely to Xcyte, are part of Xcyte's Confidential Information and are subject to the protections described in this section. Diaclone further agrees that such information will not be used by Diaclone for any purpose other than to produce Licensed Antibody for Xcyte as described in this Agreement, or be used by or for the benefit of any third party without Xcyte prior consent.

13.3 Equitable Relief. The parties agree that due to the unique nature of the Confidential Information, there can be no adequate remedy at law for any breach of the receiving party's obligations under this Agreement, thereby resulting in irreparable harm to the disclosing party. Therefore, notwithstanding Section 16.6 hereof, upon any such breach of this Section 13 or any threat thereof, the disclosing party shall be entitled to seek appropriate mandatory or negative injunctive relief.

14. INTELLECTUAL PROPERTY.

14.1 Reservation of Rights. For purposes of this Section 14, "Intellectual Property" will mean all intellectual property, tangible or intangible including, without limitation, any and all data, techniques, inventions, discoveries, ideas, processes, know-how, patents, patent applications, trade secrets, and other proprietary information. Except as expressly stated herein, neither party grants any right or license to any of its Intellectual Property to the other party, and the disclosure of Confidential Information by either party to the other will not obligate the

disclosing party to grant rights in or to the subject matter of such Confidential Information to the receiving party.

14.2 Ownership. All Intellectual Property pertaining to the development, manufacture or use of the Licensed Materials will be owned by the inventor as determined under United States patent law. Any such Intellectual Property which is invented jointly by the parties ("Joint Intellectual Property") will be jointly owned by the parties. All patent applications on the Joint Intellectual Property will be agreed to by each of the parties and filed, prosecuted and maintained jointly by the parties at their joint expense. Any such Joint Intellectual Property may be used (or sublicensed) by either Diaclone or Xcyte worldwide for any purpose without accounting to the other. If for any reason Diaclone or Xcyte declines to participate in the filing, prosecution, or maintenance of any patent application or patent on the Joint Intellectual Property, (other than Joint Intellectual Property governed by Section 14.3), the other party will be entitled to assume responsibility for such activities at its sole expense, and such patent application or patent will become the sole property of such party.

14.3 Assignment. Notwithstanding the above, any Intellectual Property developed by Diaclone at Xcyte's expense will belong solely to Xcyte regardless of whether it would otherwise have been solely or jointly owned by Diaclone, and Diaclone will take any action necessary to confirm Xcyte's ownership of and assign all such Intellectual Property to Xcyte upon Xcyte's request. Xcyte will have the exclusive right to apply for or register patents and other proprietary protections in such assigned Intellectual Property and Diaclone agrees to execute such documents, render such assistance and take such other action as Xcyte may reasonably request, at Xcyte's expense, to apply for, register, perfect, confirm and protect Xcyte's rights therein.

15. COMMUNICATIONS AND NOTICES. All, notices hereunder will be in writing and will be deemed given if delivered personally or by facsimile transmission (receipt verified), telexed, or sent by express courier service to the parties at the following addresses (or to such other address as specified by either party):

If to Xcyte, addressed to:	Xcyte Therapies, Inc. 1124 Columbia Street Seattle, Washington 98104 United States Attn: Business Development Fax: (206) 262-0900
With a copy to:	Venture Law Group 4750 Carillon Point Kirkland, Washington 98033 United States Attn: Sonya Erickson Fax: (425) 739-8750
If to Diaclone:	Diaclone, S.A.

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1 boulevard Fleming, B.P. 1985
F-25020 Besancon Cedex
France
Attn: Dr. John Wijdenes
Fax:
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16. MISCELLANEOUS.

16.1 Assignment. This Agreement is binding on successors and assigns of the parties provided that this Agreement may not be assigned to a third party without the prior written consent of the other party, which consent will not be unreasonably withheld; provided, however, that Xcyte may assign this Agreement to an acquiror of all or substantially all of its assets or the resulting entity in a merger or consolidation, or in connection with any other transaction resulting in the transfer of at least fifty percent (50%) of its voting power, without the consent of Diaclone.

16.2 Entire Agreement. This Agreement, including the Exhibits, Purchase Orders and, where applicable, Xcyte's Purchasing Standard Terms and Conditions ("Ts & Cs"), constitutes the entire Agreement between the parties regarding this subject matter and supersedes all such prior understandings between the parties. Any amendment to this Agreement must be in writing and signed by an authorized representative of each party. If there is any conflict between the terms of this Agreement and the Ts & Cs or a Purchase Order, the terms of this Agreement will prevail. If there is any conflict between the Ts & Cs and a Purchase Order, the Purchase Order will prevail.

16.3 Independent Contractor. Diaclone will be an independent contractor and not an agent, partner or co-venturer of Xcyte. Neither party will have the authority to bind the other by contract or otherwise. This Agreement will not be deemed or construed as creating a partnership between Diaclone and Xcyte for any purpose.

16.4 Attorney's Fees. The prevailing party in any lawsuit or arbitration based on or arising out of this Agreement will be entitled to recover from the other party its costs and expenses (including attorney's fees) reasonably incurred in connection with such lawsuit or arbitration.

16.5 Arbitration. Any and all disputes relating to or arising from this Agreement will be resolved by binding arbitration to be held in Seattle, Washington under the American Arbitration Association Rules.

16.6 No Conflict. Each party represents and warrants that it is authorized to enter into this Agreement and that the terms of this Agreement do not create a conflict with any right, obligation or agreement that it has with any third party.

16.7 Waiver. Xcyte's failure to enforce any provision of this Agreement or a Purchase Order will not be a construed as a waiver of such provision and will not affect Xcyte's right to enforce each and every provision of this Agreement.

16.8 Severability. If any term or provision of this Agreement is held invalid or unenforceable, the remaining terms will be valid and enforced to the fullest extent permitted by applicable law.

16.9 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Washington, USA, without regard to its conflict of law rules, and not by the provisions of the 1980 U.N. Convention of Contracts for the International Sale of Goods. Except as set forth in Section 16.6, the parties hereby irrevocable submit to the jurisdiction of the state and federal courts located in King County, Washington.

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

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed by its duly authorized representative as of the date first set forth above.

DIACLONE:

DIACLONE, S.A.

By: /s/: John Wijdenes

Name: John Wijdenes

Title: President and CEO

XCYTE:

XCYTE THERAPIES, INC.

By: /s/: Ronald Jay Berenson

Name: Ronald Jay Berenson

Title: President and CEO

EXHIBIT A

PRODUCTION PROTOCOL

[*]

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EXHIBIT B

SPECIFICATIONS

[*]

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EXHIBIT C

CELL LINE QUALIFICATION

[*]

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EXHIBIT D

REGULATORY SUBMISSIONS

[*]

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EXHIBIT E

[*]

The following materials are to be dedicated to the manufacture of [*] antibody for Xcyte:

[*]

TOTAL [*]

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EXHIBIT F

BIOSAFETY TESTING

Cell Line [*]

[*]

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EXECUTION COPY
EXHIBIT 10.21

DEVELOPMENT AND SUPPLY AGREEMENT

This Development and Supply Agreement (the "Agreement") is made and entered into as of the 1st day of August, 1999 (the "EFFECTIVE DATE") by and between XCYTE THERAPIES, INC., a Delaware corporation with offices at 1124 Columbia Street. Suite 130 Seattle, Washington 98104 (hereinafter referred to as "XCYTE"), and DYNAL A.S., a Norwegian corporation, with offices at P.O. Box 158, Skoyen, N-0212 Oslo, Norway (hereinafter referred to as "DYNAL").

WITNESSETH:

WHEREAS Dynal has substantial knowledge and a proprietary position and expertise relating to research, development, manufacture and distribution of products and technology for biomagnetic separation and handling of cells, microorganisms, bacteria, proteins and nucleic acids;

WHEREAS Xcyte has substantial knowledge and a proprietary position and expertise relating to the ex vivo expansion and activation of T-cells;

WHEREAS prior to entering into this Agreement the parties executed a Letter Agreement dated October 27, 1999 (the "LETTER AGREEMENT") whereby Xcyte paid Dynal the sum of one hundred thousand U.S. dollars (U.S. $100,000) in consideration for certain development activities conducted by Dynal prior to the Signing Date; and

WHEREAS Dynal and Xcyte wish to establish a development and supply agreement whereby Dynal will develop, manufacture and supply certain products that will incorporate certain paramagnetic particles (with and without antibodies) to be commercialized by Xcyte in one or more therapies in the Field (as such term is defined below), as set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

SECTION 1: DEFINITIONS OF TERMS

1.1 "AFFILIATE" shall mean a person or entity that, directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, a party to this Agreement. As used in this definition, "CONTROL" means owning more than fifty percent (50%) of such an entity or party to this Agreement.

1.2 "ANTIBODIES" shall mean the antibodies described in the antibody specifications set forth in Attachment A hereto. The antibody specifications set forth in Attachment A may be modified from time to time by the mutual agreement of the parties (including modifications as

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may be appropriate to include the release criteria for Phase III) and neither party shall unreasonably withhold its consent to modifications proposed by the other party.

1.3 "ASSAYS" shall mean the assays determined mutually by the parties (except that Xcyte shall determine the functional Assays performed and paid for by Xcyte pursuant to Section 2.8, with Dynal's acceptance (such acceptance not to be unreasonably withheld)) and set forth in a Work Plan to be required for the completion of the work called for in such Work Plan, including all existing or to-be-developed standards, specifications, validation protocols and reports related thereto.

1.4 "NASCENT BEADS" shall mean any beads or paramagnetic particles that are not conjugated with antibodies or any other materials or substances or coated with any materials or substances.

1.5 "CD3X28 BEADS" shall mean any paramagnetic particles or beads that are doubly conjugated with antibodies to CD3 and antibodies to CD28 and that are not conjugated with any other antibodies.

1.6 "cGMP" shall mean current Good Manufacturing Practices, as defined in 21 CFR Part 210, Part 211, Part 610 and Part 680.

1.7 "DEVELOPMENT PHASE" shall mean and refer to, as the context indicates the period during the term of this Agreement starting on the Effective Date and ending when Xcyte receives final marketing approval from the U.S. Food and Drug Administration or any successor thereto (the "FDA") to use the Products in the Field for the first indication under this Agreement.

1.8 "DMF" shall mean a drug master file or device master file, as the context indicates (or the non-U.S. equivalent as appropriate in each country of the Territory) or any related regulatory filing.

1.9 "DYNABEADS(R) M-450 CD3/CD28 T" shall mean the Dynabeads(R) M-450 CD3/CD28 beads consisting of Dynabeads(R) M-450 epoxy beads conjugated with the Antibodies, to be developed and manufactured pursuant to this Agreement in accordance with the Dynabeads(R) M-450 CD3/CD28 T Specifications.

1.10 "DYNABEADS(R) M-450 EPOXY T" shall mean Dynabeads(R) M-450 epoxy beads, to be developed and manufactured pursuant to this Agreement in accordance with the Dynabeads(R) M-450 Epoxy T Specifications.

1.11 "FIELD" shall mean ex vivo expansion and/or activation of T-cells using CD3x28 Beads (whether or not in conjunction with one or more other beads, paramagnetic particles, steps or procedures) for Therapeutic Use; provided, however, that the Field shall exclude the following:

[*]

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1.12 "PATENTS" shall mean all patents and patent applications, and all additions, divisions, continuations, continuations in-part, pipeline protection, substitutions, reissues, extensions, registrations, patent term extensions, supplementary protection certificates and renewals of any of the above.

1.13 "PRODUCTS" shall mean, collectively, the Dynabeads(R) M-450 Epoxy T and the Dynabeads(R) M-450 CD3/CD28 T.

1.14 "SIGNING DATE" shall mean December 7, 1999, the date this Agreement was signed by the parties.

1.15 "SPECIFICATIONS" shall mean:

(i) the release criteria and specifications for the Dynabeads(R) M-450 Epoxy T as set forth in Attachment C hereto, and as the same may be refined and amended from time to time by Dynal (the "DYNABEADS(R) M-450 EPOXY T SPECIFICATIONS"); and

(ii) the release criteria and specifications for the Dynabeads(R) M-450 CD3/CD28 T as set forth in draft form in Attachment D hereto, and as the same may be refined, amended and finalized in the course of the development activities under this Agreement by the mutual agreement of Dynal and Xcyte (the "DYNABEADS(R) M-450 CD3/CD28 T SPECIFICATIONS").

Neither party shall unreasonably withhold its consent to an alteration or supplementation to the Dynabeads(R) M-450 CD3/CD28 T Specifications.

1.16 "TERRITORY" shall mean the world.

1.17 "THERAPEUTIC USE" shall mean the attempt to cure, improve, mitigate, treat and/or prevent disease and/or other conditions in humans.

1.18 "THIRD PARTY" shall mean any person or entity other than a party to this Agreement or an Affiliate of a party to this Agreement.

1.19 "WORK PLANS" shall mean the work plans which detail the parties' respective tasks and responsibilities with respect to the development work to be conducted during the Development Phase in connection with the Dynabeads(R) M-450 CD3/CD28 T under this Agreement in connection with filing and obtaining final marketing approval from the FDA in the United States as set forth in ATTACHMENT B, and as may be amended or modified from time to time, by mutual agreement of the parties. Subject to Section 2.5, neither party shall unreasonably withhold its consent to amendments or modifications of the Work Plans proposed by the other party.

1.20 "YEAR" shall mean a calendar year.

SECTION 2: DEVELOPMENT PHASE AND REGULATORY FILINGS

2.1 During the Development Phase, Dynal shall use its good faith and commercially reasonable efforts to complete its responsibilities under the Work Plans in accordance with the standards and time frames stated therein and the terms and conditions of this Agreement. If Xcyte does not complete its responsibilities under the Work Plans in accordance with the standards and time frames stated therein and/or the terms and conditions of this Agreement, Dynal shall not be entitled to terminate this Agreement therefor, but Dynal shall be afforded additional time to accomplish such activity to the extent necessary to account for any such delay caused by or as a result of actions or inactions of Xcyte or its Affiliates or agents. [*]

2.2 The parties shall, promptly after the Signing Date, each designate a representative to act as a contact person for the other party and to coordinate and communicate between the parties with respect to each party's respective development activities under this Agreement during the Development Phase. A party may change its designee at any time by written notice to the other party. During the Development Phase, each party shall prepare and provide to the other party written reports on a quarterly basis detailing its development activities and progress under the Work Plans under this Agreement, and each party shall also keep the other party generally updated on a monthly basis of its development activities and progress under this Agreement.

2.3 As part of Dynal's activities under the Work Plans, Dynal, at its cost, shall duly file with the FDA and the regulatory agencies in the countries included in the European Union (the "EU"), and shall own, all DMFs that are to be filed in connection with the Products. With respect to countries in the Territory outside of the United States and the EU, Dynal shall, at Xcyte's cost, if and as requested by Xcyte, duly file with the regulatory agencies in such countries, and shall own, all DMFs for the Products. During the term of this Agreement and after the term of this Agreement upon non-renewal of this Agreement or termination of this Agreement pursuant to Section 8.3 by Xcyte, Xcyte shall have the right to cross-reference all DMFs filed during the term of this Agreement by Dynal in the Territory as necessary to enable Xcyte to obtain or maintain marketing approval for use of the Products in the Field. Xcyte or its Antibody suppliers shall duly file with the FDA and the applicable regulatory agencies in the Territory outside the United States and shall own all regulatory filings for the Antibodies. [*]

2.4 In order to fund Dynal's work directed toward the accomplishment of the development activities under the Work Plans as well as for activities undertaken by Dynal prior to the Signing Date, Xcyte shall make the following non-creditable and non-refundable milestone payments to Dynal as follows:

(i) Xcyte shall pay to Dynal five hundred thousand U.S. dollars (U.S. $500,000), one hundred thousand U.S. dollars (U.S. $100,000) of which was paid by Xcyte to Dynal prior to the Signing Date pursuant to the Letter Agreement, and the remaining four hundred thousand U.S. dollars (U.S. $400,000) of which shall be paid to Dynal on January 3, 2000 ("MILESTONE PAYMENT 1");

(ii) When [*] Xcyte shall pay to Dynal five hundred thousand U.S. dollars (U.S. $500,000) ("MILESTONE PAYMENT 2") (Dynal shall have no obligation to [*] prior to receiving Milestone Payment 2 from Xcyte);

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(iii) On and as of April 1, 2000, Xcyte shall be obligated to pay Dynal one million U.S. dollars (U.S. $1,000,000), five hundred thousand U.S. dollars (U.S. $500,000) of which ("MILESTONE PAYMENT 3") shall be paid to Dynal on April 1, 2000 and the five hundred thousand U.S. dollars (U.S. $500,000) balance of which ("MILESTONE PAYMENT 4") shall be paid to Dynal on October 1, 2000;

(iv) When the [*] Xcyte shall pay to Dynal five hundred thousand U.S. dollars (U.S. $500,000) ("MILESTONE PAYMENT 5") (Dynal shall have no obligation to [*] prior to receiving Milestone Payment 5 from Xcyte); and

(v) When (a) the [*] (Xcyte shall notify Dynal when to commence the production of [*]); and (b) Dynal has [*] Xcyte shall pay to Dynal five hundred thousand U.S. dollars (U.S. $500,000) ("MILESTONE PAYMENT 6") (Dynal shall have no obligation to [*] prior to receiving Milestone Payment 6 from Xcyte).

The milestone payments set forth in this Section 2.4 shall be paid by Xcyte by wire transfer to an account designated by Dynal.

2.5 Notwithstanding anything contained in this Agreement, in no event shall Dynal be obligated to perform any activities under this Agreement that would require efforts or expenditures in excess of the scope reasonably contemplated by the parties as of the Signing Date, as reflected from time to time in Work Plans, to complete the development of the Dynabeads(R) M-450 CD3/CD28 T Product during the Development Phase in connection with obtaining marketing approval from the FDA to use the Products in the Field for the first indication under this Agreement, and as contemplated to make the regulatory filings pursuant to Section 2.3.

2.6 [*] Except as otherwise expressly set forth in this Agreement, including Sections 2.3 and 6, Xcyte shall own all clinical protocols, all results of such clinical tests, all other clinical data required for regulatory submissions and approvals, all such regulatory filings, and any and all regulatory approvals.

2.7 Dynal shall inform Xcyte of any amendments to the Dynabeads(R) M-450 Epoxy T Specifications.

2.8 Xcyte shall own any and all proprietary rights relating to the functional Assays, provided that Xcyte shall develop the functional Assays (including the inter-lab validation of the functional Assays) and shall pay for all costs and expenses associated therewith.

SECTION 3: SUPPLY AND DISTRIBUTION

3.1 During the term of this Agreement, and subject to the terms and conditions set forth herein, (a) Xcyte shall, as ordered by Dynal, supply Dynal with the Antibodies, at Xcyte's cost, for use by Dynal solely for use in the production of the Dynabeads(R) M-450 CD3/CD28 T in accordance with the specifications for the Antibodies set forth in Attachment A and the Specifications; and (b) Dynal, subject to Xcyte's obligation to supply Antibodies to Dynal, shall supply to Xcyte, and Xcyte shall purchase from Dynal, all of Xcyte's and its Affiliates'

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requirements (i) for Dynabeads(R) M-450 CD3/CD28 T for use in clinical trials and other product research, development, certification or regulatory activities conducted in connection with either or both of the Products in the Field in the Territory; and (ii) for Dynabeads(R) M-450 CD3/CD28 T for use, marketing, distribution, sale and import by Xcyte and its Affiliates in the Field in the Territory; and (iii) to be held in reasonable inventories associated with any of the foregoing.

3.2 During the term of this Agreement, Dynal shall supply to Xcyte, and Xcyte shall purchase from Dynal, all of Xcyte's and its Affiliates' requirements (a) for Dynabeads(R) M-450 Epoxy T for use in clinical trials and other product research, development, certification or regulatory activities conducted in connection with either or both of the Products in connection with the Dynabeads(R) M-450 CD3/CD28 T in the Field in the Territory; (b) for Dynabeads(R) M450 Epoxy T for use, marketing, distribution, sale, and import by Xcyte and its Affiliates in connection with the Dynabeads(R) M-450 CD3/CD28 T in the Field in the Territory; and (c) to be held in reasonable inventories associated with any of the foregoing. For the avoidance of doubt, to the extent that Dynal has to conduct any development activities with respect to the Dynabeads(R) M-450 Epoxy T, Dynal shall ensure that it conducts such activities in a timely manner so that it will be able to supply Xcyte the Dynabeads(R) M-450 Epoxy T Product when it supplies Xcyte the Dynabeads(R) M-450 CD3/CD28 T Product, as provided under this Agreement.

3.3 Xcyte shall ensure that any Products to be sold or otherwise distributed by Xcyte or its Affiliates or any of their distributors, licensees or agents, for use in the Field shall be appropriately labeled to state that the use thereof is limited to use solely within the Field. If either party becomes aware that Products are being used outside the Field or outside the Territory, it shall promptly notify the other party hereto. Xcyte shall and shall ensure that its Affiliates and each of their distributors, licensees and agents shall, use its reasonable commercial efforts to preserve the quality of the Products and shall act in accordance with any applicable quality control guidelines for the Products provided to Xcyte by Dynal.

3.4 Xcyte shall not, and shall ensure that its Affiliates and that their respective distributors, licensees and agents shall not, sell or use any Products or perform any treatments utilizing the Products not in compliance with applicable laws, regulations and orders. If either party becomes aware that Products are being used, or that treatments are being performed using the Products, not in compliance with applicable laws, regulations and orders, it shall promptly notify the other party hereto.

3.5 Xcyte shall, and shall ensure that its Affiliates and/or its and its Affiliates' distributors, licensees and agents shall, only sell and distribute the Products for use in the Field in the Territory pursuant to the terms and conditions of this Agreement, and in doing so neither Xcyte nor its Affiliates shall use or sell or otherwise distribute, and shall ensure that their respective distributors, licensees and agents shall not use or sell or otherwise distribute, the Dynabeads(R) M-450 Epoxy T for any use except in connection with the Dynabeads(R) M-450 CD3/CD28 T and only in the Field. Xcyte shall remain primarily liable and responsible for the performance and observance of all of its and its Affiliates' and each of their consultants,

distributors' and licensees' and agents' duties and obligations in accordance with the terms and conditions of this Agreement. Any agreement between Xcyte and any of its Affiliates or any of their consultants, distributors, licensees or agents shall be consistent with the terms and conditions of this Agreement and shall include appropriate obligations of confidentiality and a limitation to use of the Products solely within the Field.

3.6 During the term of this Agreement, Xcyte shall purchase all of its requirements for CD3x28 Beads and Nascent Beads for use in the Field; however, if Xcyte must substitute another CD3x28 Bead for the Dynabeads(R) M-450 CD3/CD28 T and/or another Nascent Bead for the Dynabeads(R) M-450 Epoxy T for medical (e.g., adverse medical reaction arising from use of the Dynabeads(R) M-450 CD3/CD28 T Product and/or the Dynabeads(R) M-450 Epoxy T Product) or regulatory (e.g., rejection of the Dynabeads(R) M-450 CD3/CD28 T Product and/or the Dynabeads(R) M-450 Epoxy T Product by a regulatory agency) reasons for use in the Field in any country or countries of the Territory, Xcyte shall promptly notify Dynal and provide Dynal with sufficient information and documentation to evidence the medical and/or regulatory reason or reasons that require Xcyte to substitute the Dynabeads(R) M-450 CD3/CD28 I Product and/or the Dynabeads(R) M-450 Epoxy T Product. After such notice and provision of information and documentation have been provided to Dynal by Xcyte, the parties shall discuss in good faith what would be an acceptable substitute CD3x28 Bead and/or substitute Nascent Bead, and after the parties mutually identify, or a party identifies, in writing, an acceptable substitute, unless Dynal notifies Xcyte in writing that it does not wish (as determined by Dynal in its sole discretion) to supply Xcyte with the substitute CD3x28 Bead and/or substitute Nascent Bead, the parties shall negotiate in good faith the terms and conditions of a development and/or supply agreement for the substitute CD3x28 Bead and/or substitute Nascent Bead for such country or countries upon commercially reasonable terms and conditions (subject to the limitations on Dynal's obligations set forth in Section 2.5). If the parties do not execute a full agreement which covers such development and/or supply arrangement within one hundred and twenty (120) days of commencing such good faith negotiations, Xcyte may obtain the substitute CD3x28 Bead and/or the substitute Nascent Bead from a Third Party; provided that Xcyte may not offer terms or conditions to any such Third Party which are more favorable in the aggregate to those offered to Dynal hereunder, unless such new terms and conditions have first been offered to Dynal and Dynal has not accepted such terms and conditions (or terms and conditions substantially similar thereto) in writing within sixty (60) days of such offer by Xcyte. If Dynal notifies Xcyte in writing at any time during the discussions or negotiations set forth in this Section above that it does not wish to supply Xcyte with the substitute CD3x28 Bead and/or substitute Nascent Bead as provided in this Section above, Xcyte may obtain the substitute CD3x28 Bead and/or the substitute Nascent Bead from a Third Party.

3.7 In the event that Xcyte plans to acquire, use, develop, sell or distribute any beads or paramagnetic particles (other than the Products, CD3x28 Beads and Nascent Beads) for use in the Field in addition to either or both of the Products, Xcyte shall promptly notify Dynal detailing the beads or paramagnetic particles that Xcyte requires and thereafter the parties shall in good faith attempt to negotiate the terms and conditions of a development and/or supply agreement for such beads and/or paramagnetic particles for the Territory. If the parties do not

execute an agreement which covers such development and/or supply arrangement within ninety (90) days of commencing such good faith negotiations, Xcyte may obtain such beads or paramagnetic particles from a Third Party.

3.8 Notwithstanding anything contained in this Agreement, if Xcyte undergoes a change of control during the Development Phase, such that Xcyte is directly or indirectly controlled by any person or entity that derives at least fifty percent (50%) of its revenue from the development and/or manufacture of beads and/or paramagnetic particles, Xcyte hereby agrees that it shall not, and hereby agrees to ensure that any such person or entity shall not, until the non-renewal of this Agreement or three (3) years after such change of control (whichever occurs first), disclose to such person or entity any information relating to the Products, or supply any Products to such person or entity. Notwithstanding anything contained in this Agreement, both during and after the term of this Agreement, such person or entity shall be treated as a Third Party for all purposes of this Agreement, regardless of whether such person or entity may be an "Affiliate" of Xcyte after such change of control. As used in this clause, "CHANGE OF CONTROL" means any event (whether in one or more transactions) which results in a transfer of direct or indirect ownership of more than fifty percent (50%) of the voting stock of Xcyte to a previously unaffiliated third party.

3.9 For the avoidance of doubt and without limiting either party's development and supply obligations under this Agreement, in no event shall this Agreement restrict: [*]

SECTION 4: PRICE, PAYMENT AND DELIVERY

4.1 Dynal shall supply to Xcyte reasonable quantities of samples of the Dynabeads(R) M-450 Epoxy T and of the Dynabeads(R) M-450 CD3/CD28 T, in quantities and supply schedules as are more fully described in the Work Plans for use by Xcyte and Xcyte's consultants during the Development Phase. During the Development Phase and prior to the point at which the Products being supplied will be used in Phase I clinical trials, the Products shall be provided by Dynal without charge to Xcyte.

4.2 Starting at the point during the Development Phase at which the Products being supplied to Xcyte by Dynal will be used in Phase I clinical trials, the initial price of Products sold to Xcyte shall be the applicable price set forth on Attachment E hereto (regardless of the concentration of beads in each vial, which concentration shall be determined by Xcyte, provided that no such concentration shall be in excess of 4 x 108 beads/ml in a 10 ml vial). All such prices are quoted FCA, Oslo, Norway (Incoterms 1990). Such prices shall not be increased until [*] and thereafter, Dynal may raise such prices no more often than [*] Anything in this Section 4.2 to the contrary notwithstanding, no annual increase shall have the effect of raising the previous year's price by [*]

4.3 Dynal shall deliver the Products ordered by Xcyte pursuant to this Agreement to Xcyte, FCA Oslo, Norway (Incoterms 1990). Risk of loss shall pass to Xcyte on delivery of the Products to the carrier selected by Xcyte. Dynal shall include the information as described in Attachment F with each shipment of the Products. Upon delivery of the Products to Xcyte's

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carrier, Dynal shall invoice Xcyte, and Xcyte shall make payment to Dynal within thirty (30) days from the date of the invoice. Upon request by Xcyte, Dynal shall transmit invoices by facsimile or by any other means mutually agreed to by the parties. Notwithstanding the foregoing, or anything contained in this Agreement, with respect to Dynabeads(R) M-450 CD3/CD28 T Product ordered by Xcyte and delivered to Xcyte hereunder that is part of a batch of the Dynabeads(R) M-450 CD3/CD28 T produced by Dynal for Phase I clinical trials and/or other development work to be performed during such period of the Development Phase, Xcyte may make payment to Dynal for such Dynabeads(R) M-450 CD3/CD28 T Product so ordered by Xcyte within twelve (12) months (instead of thirty (30) days) from the date of the invoices for such Product.

4.4 Xcyte shall pay interest to Dynal on any overdue payments under this Agreement at a rate of [*] per month overdue from the date due until payment.

4.5 Dynal reserves the right to alter the payment procedures set forth in this Agreement in the event that Xcyte has previously (within the then-most recent three-month period) failed to conform to the payment provisions hereof and if and for so long as Dynal is reasonably concerned about Xcyte's financial condition. Such alterations in payment terms shall be either a requirement of an irrevocable, confirmed letter of credit or a requirement of cash prior to delivery.

4.6 Xcyte shall not require a delivery date of earlier than ninety (90) days after the date of receipt of an order for Products by Dynal. Orders by Xcyte for Products shall be sent to Dynal at P.O. Box 158, Skoyen N-0212, Oslo, Norway, or as otherwise may be directed by Dynal from time to time. Dynal shall use its reasonable efforts to fill orders from Xcyte which are in accordance with this Section 4 by the delivery date requested by Xcyte. Dynal shall acknowledge each Xcyte purchase order in writing and notify Xcyte of the estimated delivery date. Dynal shall promptly notify Xcyte if at any time Dynal has reason to be concerned that Dynal will not be able to fill any Xcyte order on time or as estimated or agreed.

4.7 Xcyte shall, starting at the thirtieth (30th) day following the end of the Development Phase and thereafter on a quarterly basis (by March 31st, June 30th, September 30th, and December 31st) of each Year, provide to Dynal a forecast of Xcyte's requirements for the Products for the ensuing twelve (12) month period for the Territory. The amount of Products specified for the first quarter of such twelve (12) month period shall be binding on Xcyte, and Dynal shall supply, and Xcyte shall be required to take delivery and pay for such amount of the Products. All amounts specified for succeeding quarters of a twelve (12) month period are considered a non-binding but good faith forecast.

4.8 In addition to the forecasts provided pursuant to Section 4.7, Xcyte shall provide to Dynal good faith non-binding three (3) Year forecasts for the Products for capacity and long-term manufacturing planning purposes. This three (3) Year forecast shall be provided by Xcyte to Dynal on or before the thirtieth (30th) day following the end of the Development Phase, and thereafter by August 31st of each Year, covering the succeeding three-Year period. In the event

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that the manufacture of the volumes of Dynabeads(R) M-450 CD3/CD28 T indicated by such three-Year forecast would require Dynal to make any capital expansions (including entering into any leases), the parties may meet to discuss in good faith how to proceed and whether Xcyte would be willing to commit to such forecasts if Dynal decides to make any capital expansion and/or enter into any leases (as Dynal shall decide in its sole discretion). Subject to the provisions of Section 4.10, in no event shall Dynal be required to meet any such forecast for the Dynabeads(R) M-450 CD3/CD28 T (beyond the levels stated therein that would not require Dynal to make such capital expansions) nor to obtain such capital expansions unless the parties agree in writing how to proceed and without Xcyte agreeing to purchase sufficient volumes of the Products and to amend this Agreement to increase the minimums set forth in Section 8.5.

4.9 All sales of Products to Xcyte shall be controlled by the terms and conditions of this Agreement and the standard terms and conditions of the business forms of the parties shall not form part of the agreement of the parties.

4.10 During the term of this Agreement, Dynal shall notwithstanding Section 4.8, fill any order (or series of orders) for any calendar quarter which are in accordance with this Article 4 and that is (or are) not in excess of one hundred twenty five percent (125%) of the volumes specified for such calendar quarter in Xcyte's most recent good faith quarterly estimate for such calendar quarter (i.e., that was not a binding order for such calendar quarter under Section 4.7), and Dynal shall not be required to fill any order or series of orders that are for any calendar quarter in excess of one hundred twenty five percent (125%) of the volumes specified for such calendar in Xcyte's most recent good faith quarterly estimate for such calendar quarter. However, Dynal shall nevertheless exert commercially reasonable efforts to fill all Xcyte orders and to supply all requested volumes to the extent the same may be done without extra cost to Dynal, and in doing so Dynal would not be in violation of any other agreement.

4.11 Notwithstanding anything contained herein, in no event shall Dynal be liable for any delay or failure to deliver Products for reasons beyond the control of Dynal, provided, however, that Dynal shall notify Xcyte promptly of anticipated delays and shall use all commercially reasonable efforts to fill such orders as soon as possible.

4.12 If Dynal is not able to manufacture the Products in the quantities ordered by Xcyte in accordance with the terms and conditions of this Agreement either itself or through its Affiliates, Dynal shall undertake to engage and qualify a Third Party contract manufacturer to manufacture those quantities of the Products that Dynal and/or its Affiliates are unable to supply to Xcyte, for supply to Xcyte subject to and in accordance with the terms and conditions of this Agreement (including the terms and conditions of this Agreement relating to Specifications, quality control and assurance, price, ordering, delivery, indemnities and warranties) and Xcyte shall continue to pay Dynal for the Products in accordance with Section 4. The parties recognize that use of such a Third Party contract manufacturer would constitute a "Major Change" as such term defined in Attachment F, and that it will be handled in accordance with and shall be governed by the requirements in that Attachment.

4.13 All payments due to Dynal under this Agreement shall be paid in full, regardless of whether Xcyte or its Affiliates or their distributors or licensees are required to withhold taxes, levies or other duties on payments made under this Agreement. If Xcyte is required to withhold taxes, levies or other duties on payments made under this Agreement, then Xcyte shall gross up such payments so that Dynal receives the payment in full regardless of any withholdings, and if Dynal obtains any credit for the amount of the withholding, such amount shall be repaid by Dynal to Xcyte when it is received by Dynal.

SECTION 5: WARRANTY AND DISCLAIMER

5.1 Dynal warrants that the Products shall conform to the Specifications upon delivery to Xcyte's carrier, provided that in no event shall Dynal be responsible or liable for any failure of the Products to meet the Specifications as a result of defects in the Antibodies (other than any defect in the Antibodies caused solely because of a failure of Dynal or its Affiliates to act in conformity with any applicable quality control guidelines provided to Dynal by Xcyte). Xcyte shall promptly inspect the Products upon receipt and in accordance with any applicable quality control guidelines provided to Xcyte by Dynal, and shall promptly notify Dynal of any discovered failure of the Products to conform to the Specifications, but in no event later than thirty (30) days after Xcyte's receipt of the Products. Upon request by Dynal, Xcyte shall promptly return the non-conforming Products to Dynal. Upon verification that the Products failed to comply with the Specifications upon delivery to Xcyte's carrier other than because of defects in the Antibodies (other than any defect in the Antibodies caused solely because of a failure of Dynal or its Affiliates to act in conformity with any applicable quality control guidelines provided to Dynal by Xcyte), Xcyte shall receive, at Dynal's sole option, a credit, refund or replacement for such non-conforming Products. In the event that Dynal decides to replace such non-conforming Products with conforming Products, Dynal shall use reasonable commercial efforts to do so within sixty (60) days of such confirmation by Dynal, and Dynal shall in such event bear the cost of delivery and risk of loss or damage to the replacement Products during delivery. Notwithstanding anything to the contrary contained in this Agreement, Dynal shall not be responsible for any Products if such Products are removed from their original vials prior to inspection by Xcyte or are modified in any manner not in conformity with any applicable quality control guidelines provided to Xcyte by Dynal, nor for any use or misuse or actions or inactions by any person or entity after delivery of the Products to Xcyte's carrier.

THE FOREGOING WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, AND DYNAL EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTIES INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. EXCEPT AS SET FORTH IN SECTION 10, XCYTE'S EXCLUSIVE REMEDY FOR ANY DEFECT IN THE PRODUCTS OR BREACH OF WARRANTY SHALL AT DYNAL'S OPTION BE CREDIT, REFUND OR REPLACEMENT AS SET FORTH IN THIS SECTION 5. EXCEPT AS SET FORTH IN SECTION 10, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES BASED

UPON BREACH OF WARRANTY, BREACH OF CONTRACT, NEGLIGENCE, STRICT TORT OR ANY OTHER LEGAL THEORY.

SECTION 6: INTELLECTUAL PROPERTY

6.1 Except as provided in Section 6.2, ownership of any and all inventions or other proprietary rights ("Inventions") developed in connection with activities under or performed in connection with this Agreement, including in connection with development and acceptance testing of the Dynabeads(R) M-450 Epoxy T and the Dynabeads(R) M-450 CD3/CD28 T or during or in connection with work performed under the Work Plans, shall be determined by reference to United States laws pertaining to inventorship. For example, (a) if Inventions is developed in connection with the development activities hereunder by one (1) or more employees or consultants of each party, it shall be jointly owned ("Joint Inventions"), and if one (1) or more claims included in an issued Patent or pending Patent application which is filed in a patent office in the Territory claim such Joint Inventions such claims shall be jointly owned ("Joint Patent Rights"); and (b) if Inventions is developed in connection with development activities hereunder solely by an employee or consultant of a party, it shall be solely owned by such party, and any Patent filed claiming such solely owned Inventions shall also be solely owned by such party. Each party shall ensure that its employee and consultant inventors of Inventions developed in connection with this Agreement shall assign his/her interest in such Inventions to his/her respective party employer (e.g., Dynal or Xcyte, as the case may be), and such rights shall therefore vest in the respective party employer to whom the inventor assigns his/her rights. The parties shall discuss and consult with each other in good faith as to the filing and prosecution of any joint patent applications covering Joint Inventions, the maintenance of any ensuing Joint Patent Rights covering such Joint Inventions, and the enforcement, defense and protection of any such Joint Patent Rights.

6.2 Notwithstanding anything contained in this Agreement, including Section 6.1: (a) any Inventions, including any know-how and data relating to any Dynabeads(R), including the Dynabeads(R) M-450 and/or coupling to Dynabeads(R) and/or the coating of Dynabeads(R), shall be owned solely by Dynal regardless of inventorship and Xcyte shall assign any and all such rights that Xcyte and/or its Affiliates or any of their agents may have in or to any such Inventions to Dynal, and such rights shall therefore vest in Dynal; and (b) any Inventions, including any know-how and data relating to the Antibodies shall be owned solely by Xcyte regardless of inventorship and Dynal shall assign any and all such rights that Dynal and/or its Affiliates or any of their agents may have in or to any such Inventions to Xcyte, and such rights shall therefore vest in Xcyte.

6.3 This Agreement contains no grants to either party under any intellectual property of the other party, except as expressly set forth in this Agreement.

6.4 Xcyte retains all right, title and interest in and to the Antibodies delivered or to be delivered to Dynal hereunder. Unless otherwise agreed by the parties, Dynal shall not at any time during the term of this Agreement, divert or use any of the Antibodies for any other purpose or in

support of any other product or service than the Dynabeads(R) M-450 CD3/CD28 T to be developed and manufactured hereunder solely for supply to Xcyte, and Dynal shall not authorize anyone else to do so.

SECTION 7: TRADEMARK, LABELING AND PACKAGING

7.1 Xcyte shall use the registered trademark "Dynabeads(R)" in the package inserts, labels and packaging and, to the extent appropriate, promotion and marketing materials, used in connection with the sale of the Products or the performance of the treatments using the Products, and each such package insert, label and packing and promotion and marketing materials that uses such trademark shall state: "Dynabeads(R) is a registered trademark of Dynal A.S., Oslo Norway, licensed to Xcyte" or equivalent language approved by Dynal. Xcyte and Dynal shall cooperate reasonably in the use by Xcyte of Dynal's trademark, so that such use will be consistent with applicable regulations, including any concerning or affecting the designation of Xcyte as the manufacturer. Subject to the terms and conditions of this Agreement, during the term of this Agreement, Dynal hereby grants to Xcyte a non-exclusive license to use the Dynabeads(R) trademark to such limited extent. The registered trademark "Dynabeads(R)" is and shall remain the sole and exclusive property of Dynal and all goodwill arising from the use of the Dynabeads(R) trademark shall enure to the benefit of Dynal. If necessary in any market to maintain Dynal's rights in Dynal's trademarks, Xcyte shall enter into a reasonable separate royalty-free license or registered user agreement regulating its use of the Dynal trademarks. Approval of such material by Dynal shall not be unreasonably withheld. Approval shall be deemed given in the event that Dynal does not otherwise so notify Xcyte within twenty-one (21) days after receipt of such material from Xcyte. During any periods in which Xcyte is so using any Dynal trademark(s), Xcyte shall periodically and upon reasonable request, provide Dynal with samples of any products and packages that bear, or that have been associated with, copies of all product literature, promotional material, advertising, product inserts, labeling and packaging and other printed materials that use, the "Dynabeads(R)" trademark, in order that Dynal may monitor the quality of products associated with such trademark(s).

7.2 The Products shall be labeled and packaged for delivery to Xcyte as provided in Attachment F.

SECTION 8: TERM AND TERMINATION

8.1 This Agreement shall come into effect on the Effective Date and unless terminated earlier as provided herein shall continue for a period often (10) years. Either party shall have the option to extend the term of this Agreement for an additional five (5) years after the initial ten (10) year term, by written notice to the other at any time at least one hundred and eighty (180) days prior to the end of the initial ten (10) year term. Following the end of the initial ten (10) year term (if it is not so renewed for an additional five (5) years), or the end of such five (5) year renewal term (if the ten (10) year initial term is so renewed), this Agreement shall be automatically renewed for successive one (1) year terms unless either party gives the other party

written notice of termination of the term at least ninety (90) days prior to the conclusion of the then-current term, to be effective at the end of such current term.

8.2 This Agreement may be terminated by either party upon the happening of any of the following events:

(i) if the other party shall generally cease to pay debts as they come due; or

(ii) if the other party shall cease to do business, enter into liquidation, or become subject to any bankruptcy law or enter into any agreement with its creditors or commit any similar act.

8.3 If either party shall fail to perform its material obligations under this Agreement, the other party shall have the right to terminate this Agreement upon ninety (90) days written notice to the defaulting party, provided, however, that if:

(i) such default is cured within the notice period, this Agreement shall not be terminated therefor; or

(ii) such failure is a failure by Dynal to accomplish an activity under the Work Plans or an obligation under this Agreement that is the responsibility of Dynal, within the time frame established in the applicable Work Plan or otherwise under this Agreement for such accomplishment or obligation, Dynal shall be afforded additional time to accomplish such activity to the extent necessary to account for any factors beyond its reasonable control (such as, without limitation, as a result of any action or inaction of the FDA) or as a result of any delay caused by or as a result of actions or inactions of Xcyte or its Affiliates or agents.

8.4 Either party may terminate this Agreement upon written notice to the other party at any time prior to the first filing by Xcyte with the FDA for a marketing approval of the treatments and/or products utilizing the Products in the Field, if the parties mutually agree in writing that the Products cannot, for scientific, regulatory or technical reasons not due to a breach hereof by the party seeking such a termination, be developed and certified for commercial use in the Field. Neither party shall unreasonably withhold its consent to any such mutual agreement.

8.5 Dynal may terminate this Agreement upon at least one hundred and eighty (180) days advance written notice to Xcyte:

(i) if Xcyte does not order from Dynal at least [*] of Dynabeads(R) M-450 CD3/CD28 T (measured by the [*] pursuant to Section 4.2) prior to end of the first twelve-month period following the [*] and Dynal gives Xcyte its notice of such termination no later than sixty (60) days following the end of such twelve (12) month period; or

(ii) if Xcyte does not order from Dynal at least [*] pursuant to Section 4.2) in any twelve (12) month period that begins after the end of the first twelve-month period described

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above in clause (i) of this section and Dynal gives its notice of such termination no later than sixty (60) days following the end of such twelve (12) month period.

8.6 No termination or non-renewal of this Agreement shall extinguish any right or obligation that has accrued prior thereto, or that is a post-termination or post-non-renewal right or obligation under the terms and conditions of this Agreement, including those set forth in Section 11. Upon termination or non-renewal of this Agreement:

(i) Xcyte shall cease all use of Dynal's trademarks and other intellectual property rights and shall cooperate with Dynal in terminating any separate license or registered user agreement or recordal thereof; except that upon non-renewal of this Agreement or termination of this Agreement pursuant to Section 8.3 by Xcyte, Xcyte may continue to use the Dynabeads(R) trademark, subject to the terms and conditions of this Agreement, until the occurrence of the earlier of: (a) receipt by Xcyte of all applicable regulatory approvals to alter labeling, packaging, and promotional materials (which regulatory approvals Xcyte shall use reasonably commercial efforts to obtain as soon as possible after any such non-renewal or termination of this Agreement), and (b) one (1) year after such non-renewal or termination, and thereafter Xcyte shall cease all use of Dynal's trademarks and other intellectual property rights and shall cooperate with Dynal in terminating any separate license or registered user agreement or recordal thereof

(ii) all sums accrued hereunder prior to such termination or non-renewal shall become immediately due and payable; and

(iii) Xcyte shall continue after such termination or non-renewal to have the right to cross-reference the DMFs as provided in Section 2.3.

SECTION 9: QUALITY ASSURANCE

9.1 Certain obligations and responsibilities of Dynal and Xcyte with respect to the manufacture and quality control analysis of the Products under the Agreement shall be set forth in the applicable quality assurance guidelines set forth in Attachment F.

9.2 Certain obligations and responsibilities of Dynal and Xcyte with respect to the manufacture and quality control analysis of the Antibodies under the Agreement shall be set forth in the applicable quality assurance guidelines set forth in Attachment G.

SECTION 10: WARRANTIES; INDEMNIFICATION'S; INSURANCE

10.1 Each of Xcyte and Dynal represents and warrants to the other that:

(i) it has the full right, power and authority to enter into and perform this Agreement;

(ii) the execution and performance of this Agreement by it does not and will not violate any law or regulation, or any agreement to which it is a party or by which it is bound;

(iii) when executed and delivered, this Agreement will constitute the legal, valid and binding obligation of such party, enforceable against it in accordance with its terms; and

(iv) it has obtained, and shall at all times during the term of this Agreement hold and comply with, all licenses, permits and authorizations necessary to perform this Agreement as now or hereafter required under any applicable statutes, laws, ordinances, rules and regulations of the United States and any applicable foreign, state, and local governments and governmental entities.

10.2 Dynal hereby indemnifies and agrees to defend and to hold Xcyte, its successors and its Affiliates and each of their employees, directors, officers and agents harmless from and against all Third Party claims, liabilities, losses and expenses (other than lost profits) (including reasonable attorneys' fees) arising out of:

(i) the failure of the Products to meet the warranty set forth in Section 5; provided that in no event shall Dynal be responsible or liable for any failure of the Products to meet the Specifications as a result of: (a) defects in the Antibodies (other than any defect in the Antibodies caused solely because of a failure of Dynal or its Affiliates to act in conformity with any applicable quality control guidelines provided to Dynal by Xcyte) or (b) actions or inactions by any person or entity after delivery of the Products to Xcyte;

(ii) any Third Party claims for infringement or misappropriation of any intellectual property rights based on the method of manufacture or composition of the Dynabeads(R) included in the Product (but not for any other claims for infringement or misappropriation based on the use or sale of Dynabeads(R) or the Products, for which Xcyte shall indemnify and defend Dynal, its successors and its Affiliates and each of their employees, directors, officers and agents pursuant to Section 10.3) or

(iii) any breach or inaccuracy of any of Dynal's representations or warranties made herein.

10.3 Xcyte hereby indemnifies and agrees to defend and to hold Dynal, its successors and its Affiliates and each of their employees, directors, officers and agents harmless from and against all Third Party claims, liabilities, losses and expenses (other than lost profits) (including reasonable attorneys' fees) arising out of:

(i) the development, use, promotion, marketing, manufacture, distribution, sale or import of any of the Products and performance of treatments using any of the Products, including any actual or alleged infringement or misappropriation of any Intellectual Property of any Third Party, except for any Third Party claims expressly covered by Dynal's indemnification of Xcyte pursuant to Section 10.2 or

(ii) any breach or inaccuracy of any of Xcyte's representations or warranties made herein.

10.4 Each party shall communicate to the other notice of all claims falling within the indemnity provided by the other pursuant to Sections 10.2 and 10.3, as soon as possible after their receipt. The indemnified party shall cooperate fully with the indemnifying party in defending or otherwise resolving such claims. The indemnifying party shall have full control of the defense and settlement of all litigation brought against the indemnified party arising out of such claims, provided that any settlement or voluntary consent judgment shall require the consent of the indemnified party, such consent not to be unreasonably withheld. The indemnified party, at its expense, shall be entitled to participate in such defense through its own counsel, subject to the retention of control of such defense by the indemnifying party.

10.5 Each party shall obtain and keep in force during the term of this Agreement, and for a period of three (3) years after the non-renewal or termination of this Agreement, comprehensive general liability insurance covering bodily injury and property damage in amounts of not less than [*] per year combined single limit; covering completed operations liability and contractual liability in amounts of not less than [*] and, [*] Each party shall provide written proof of the existence of such insurance to the other party upon request.

SECTION 11: CONFIDENTIALITY AND PRESS RELEASES

11.1 It is understood by both Dynal and Xcyte that misuse or disclosure of Confidential Information of the other party could irreparably harm the business of the disclosing party or that party's Affiliates. As used herein, "Confidential Information" shall mean, subject to the exceptions set forth in Section 11.2, all confidential and proprietary information (including all other technology, know-how, data and records, whether written or oral or obtained through inspection of facilities or samples), which is obtained by a receiving party (Xcyte or Dynal, as the case may be) from a disclosing party (Xcyte or Dynal, as the case may be), where either it is identified by the disclosing party as being confidential at the time of disclosure or the circumstances of disclosure otherwise reasonably put the recipient on notice that the information or materials are treated as confidential or which receiving party should reasonably know should be treated as confidential. The parties agree:

(i) not to use such Confidential Information for any purpose other than for the purpose of this Agreement or as may otherwise be agreed by the parties in writing;

(ii) to use the same degree of care to maintain such Confidential Information in confidence as it applies to confidential information of its own of the same type, but in no event less than a reasonable standard of care, and not to disclose any portion of such Confidential Information to any person or entity other than as needed for the purposes of this Agreement;

(iii) to cause its Affiliates and each of its and its Affiliates' employees, Affiliates, licensees and consultants (and the employees of any thereof) who are to be given

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access to such Confidential Information to agree to be bound by the provisions of this Section 11 or by other provisions at least as protective as those set forth in this Section 11.

11.2 The provisions of this Section 11 shall not apply to:

(i) Information that can be demonstrated by the receiving party by credible evidence to be in the public domain at the time of disclosure.

(ii) Information that, after disclosure, can be demonstrated by the receiving party by credible evidence to have subsequently become part of the public domain other than as a consequence of a breach of this Agreement by the receiving party or its employees or agents.

(iii) Information that can be demonstrated by the receiving party by credible evidence to have been known or otherwise available to the receiving party prior to the disclosure by the disclosing party.

(iv) Information that, after disclosure, can be demonstrated by the receiving party by credible evidence to have been subsequently provided to the receiving party by a Third Party having the right to disclose such information and without obligations of confidentiality if the receiving party reasonably believes such disclosure does not violate any obligations of the Third Party to the disclosing party.

(v) Information that has been independently developed without the benefit of any reference to any disclosure hereunder from the other party.

(vi) Information that is required to be disclosed by law or regulation, provided that the party required to make such disclosure shall, to the extent practicable under such law or regulation and the circumstances, give the other party prior notice of such requirement and afford it an opportunity to seek restrictions or limitations on such disclosure.

11.3 Upon non-renewal or termination of this Agreement. the receiving party shall, upon the disclosing party's written request, promptly return to the disclosing party, all copies of Confidential Information received from the disclosing party, and shall return or destroy, and document the destruction of, all summaries, abstracts, extracts or other documents that contain any Confidential Information of the disclosing Party; except that the receiving party may retain copies of Confidential Information (including summaries, abstracts, extracts or other documents that contain any Confidential Information) received from the disclosing party if the retention of the same is necessary for regulatory purposes or is otherwise required by law or regulation, and in any event the receiving party may retain one (1) copy of Confidential Information received from the disclosing party for archival purposes.

11.4 The provisions of this Section 11 shall not terminate upon non-renewal or termination of this Agreement, but shall continue for a period of seven (7) years following the termination or non-renewal of this Agreement.

11.5 Unless otherwise agreed by the parties, the parties agree to issue, within thirty (30) days from the Signing Date, a mutually agreed upon press release. Neither party to this Agreement shall otherwise issue any press release or other publicity materials, or make any public presentation with respect to the terms or conditions of this Agreement without the prior written consent of the other party (such consent not to be unreasonably withheld or delayed). This restriction shall not apply to disclosures required by law or regulation, including as may be required in connection with any filings made with the Securities and Exchange Commission or similar non-U.S. regulatory authority, or by the disclosure policies of a major stock exchange; provided, however, that if reasonably possible, the party making such disclosures shall inform the other party prior to any such disclosures.

SECTION 12: DISPUTE RESOLUTION

12.1 The parties intend that they shall resolve disputes and differences regarding the performance of their respective obligations under this Agreement in a spirit of cooperation and common purpose. In cases in which that does not occur (other than as to a question relating to patent validity), any differences between the parties arising from or in connection with this Agreement shall be resolved in accordance with the procedures set forth in this Section 12.

12.2 Any dispute arising from or in connection with this Agreement during the Development Phase shall be first presented to a senior executive of each party (with each party designating its own senior executive that shall handle such dispute) for resolution. If the designated senior executives are unable to resolve the dispute within thirty (30) days, then either party may initiate arbitration pursuant to Section 12.3.

12.3 Subject to Section 12.2, any and all disputes or legal proceedings to enforce this Agreement (other than as to a question relating to patent validity and except for any action to compel arbitration hereunder or an action to enforce any award or judgment rendered thereby) or in any way related to this Agreement shall be governed by this Section 12.3. Both the agreement of the parties to arbitrate any and all claims and disputes under this Agreement as provided in this Section 12.3, and the results, determination, finding, judgment and/or award rendered through such arbitration, shall be final and binding on the parties thereto and may be specifically enforced by legal proceedings in a court having jurisdiction over the party in question. Arbitration proceedings under this Agreement shall be conducted under the auspices of the International Arbitration Rules of the American Arbitration Association (the "AAA") in New York. Dynal shall appoint one (1) arbitrator, and Xcyte one (1) arbitrator, within a term of thirty (30) days from the date arbitration is required or invoked by the parties, and the two (2) arbitrators so appointed shall appoint the third arbitrator within a term of thirty (30) days from the date on which the later of the two (2) arbitrators have been selected, all in accordance with the rules of the AAA. If either party fails to select its arbitrator within the term mentioned above, or in the event that the two (2) selected arbitrators are unable or unwilling to select a third arbitrator within thirty (30) days, one shall be appointed in accordance with the rules of the AAA, and the three (3) arbitrators so selected shall constitute the arbitration panel for purposes of the dispute. Unless agreed otherwise by the parties, the parties shall have thirty (30) days thereafter to submit

their position to the arbitrators, and the arbitrators shall be instructed and required to render their decision within thirty (30) days following completion of the arbitration. In any arbitration, the prevailing party shall be entitled to reimbursement of its reasonable attorneys' fees and the parties shall use all reasonable efforts to keep arbitration costs to a minimum.

12.4 Notwithstanding anything in this Section 12 to the contrary, if either party shall reasonably determine the need to seek injunctive or other expedited relief in connection with this Agreement, such party may do so in a court of competent jurisdiction.

SECTION 13: OTHER PROVISIONS

13.1 This Agreement contains the entire agreement between the parties relating to the subject matter hereof and all prior understandings, representations and warranties between the parties (including the Letter Agreement) are superseded by this Agreement.

13.2 None of the terms of this Agreement shall be deemed to be waived or amended by either party unless such a waiver or amendment specifically references this Agreement and is in writing signed by the party to be bound.

13.3 Notwithstanding anything contained herein, in no event shall either party be liable for any delay or failure hereunder for reasons beyond the control of such party, provided, however, that such party shall notify the other promptly of anticipated delays and shall use all reasonable efforts to perform as soon as possible.

13.4 All notices and demands required or permitted to be given or made pursuant to this Agreement shall be deemed effective upon receipt, in English and in writing (which term shall include telecopy) addressed to the people named below and shall be personally delivered or mailed by prepaid air mail, or sent by international courier requiring signed receipt for delivery, or sent by telecopy, provided such telecopy is promptly confirmed by electronic return receipt, addressed as follows:

If to Xcyte:	If to Dynal:
Xcyte Therapies, Inc.	Dynal A.S.
1124 Columbia St., Suite 130	P.O. Box 158 Skoyen
Seattle, WA 98104	N-0212 Oslo, Norway
Telecopy: 206-262-0900	Telecopy: 011-47-22-50-7015
Attn: President, CEO	Attn: President, CEO

or to such other address or person which either party may notify the other in writing.

13.5 This Agreement shall be binding upon and inure to the benefit of the parties and their permitted successors and assigns. This Agreement shall be assignable by either party (i) with the written consent of the other party, such consent not to be unreasonably withheld; or (ii) to an Affiliate; or (iii) to any successor by merger or upon sale of all or substantially all of its

assets. Any attempted assignment which does not comply with the terms of this Section 13.4 shall be void.

13.6 This Agreement shall be governed by the laws of the State of New York, and all rights and remedies shall be governed by such laws without regard to principles of conflicts of law. The Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.

13.7 The parties do not intend to violate any public policy or statutory or common law. However, if any sentence, paragraph, clause or combination of this Agreement is in violation of any law or is found to be otherwise unenforceable by a court from which there is no appeal, or no appeal is taken, such sentence, paragraph, clause, or combination of the same shall be deleted and the remainder of this Agreement shall remain binding, provided that such deletion does not alter the basic structure of this Agreement. The parties shall negotiate in good faith to substitute for any such invalid or unenforceable provision, a valid and enforceable provision that achieves to the greatest extent possible the economic, legal and commercial objectives of the invalid or unenforceable provision. In the event the basic structure of this Agreement is altered as a result of such deletion, the parties shall renegotiate this Agreement in good faith, but should such negotiations not result in a new Agreement within ninety (90) days of the initiation of such negotiations, then this Agreement may be terminated by either party by thirty (30) days notice to the other.

13.8 The titles to sections of this Agreement are intended for the purpose of assisting the parties when working with this Agreement, and are not intended to have any effect on the interpretation of this Agreement. Where appropriate herein, singular terms shall be interpreted in the plural and plural terms interpreted as singular.

13.9 Dynal acknowledges that it is not an agent of Xcyte and has no authority to speak for, represent, or obligate Xcyte in any way, without first receiving written authorization from Xcyte. Xcyte acknowledges that it is not an agent of Dynal and has no authority to speak for, represent, or obligate Dynal in any way, without first receiving written authorization from Dynal. This Agreement does not and shall not be deemed to create any relationship of a joint venture or a partnership.

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

* * *

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized representatives.

XCYTE THERAPIES, INC.	DYNAL A.S.
By: /s/ Ronald Jay Berenson	By: /s/ Jeff Bork
Name: Ronald Jay Berenson	Name: Jeff Bork
Title: President & CEO	Title: CEO/President
7 December 1999	7 December 1999

ATTACHMENT LIST

Attachment A	The Antibodies
Attachment B	Work Plans
Attachment C	Dynabeads(R) M-450 Epoxy T Specifications
Attachment D	Dynabeads(R) M-450 CD3/CD28 T Specifications
Attachment E	Per Vial Prices
Attachment F	Quality Assurance -- Products
Attachment G	Quality Assurance -- Antibodies

EXECUTION COPY

[*]

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Attachment A
to
Development and Supply Agreement dated as of August 1, 1999 between
Xcyte Therapies, Inc. and Dynal A.S. (the "Agreement")

(Terms used herein and not otherwise defined below
have the meanings defined in the Agreement)

The Antibodies

[*]

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Attachment B

to

Development and Supply Agreement dated as of August 1, 1999 between Xcyte Therapies, Inc. and Dynal A.S. (the "Agreement")

(Terms used herein and not otherwise defined below have the meanings defined in the Agreement)

Work Plans

Work Plans attached hereto.

[Attachment B-1 to B-4]

[illustrations/graphs]

[*]

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ATTACHMENT C

[*]

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Attachment D

[*]

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ATTACHMENT E
TO
DEVELOPMENT AND SUPPLY AGREEMENT DATED AS OF AUGUST 1, 1999 BETWEEN
XCYTE THERAPIES, INC. AND DYNAL A.S. (THE "AGREEMENT")

(Terms used herein and not otherwise defined below
have the meanings defined in the Agreement)

[*]

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

ATTACHMENT F

TO

DEVELOPMENT AND SUPPLY AGREEMENT

DATED AS OF AUGUST 1, 1999 BETWEEN

XCYTE THERAPIES, INC. AND DYNAL A.S. (THE "AGREEMENT")

(Terms used herein and not otherwise defined below

have the meanings defined in the Agreement)

QUALITY ASSURANCE -- PRODUCTS

[*]

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ATTACHMENT G
TO
DEVELOPMENT AND SUPPLY AGREEMENT DATED AS OF AUGUST 1, 1999 BETWEEN
XCYTE THERAPIES, INC. AND DYNAL A.S. (THE "AGREEMENT")

(Terms used herein and not otherwise defined below
have the meanings defined in the Agreement)

[*]

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

EXHIBIT 10.22

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (together with the attached Exhibits, the ("Agreement") is made as of July 8 (the "Effective Date") by and between Genetics Institute, Inc., a Delaware corporation with a business address at 87 Cambridge Park Drive, Cambridge, Massachusetts 02140 ("GI") and Xcyte Therapies, Inc., a Delaware corporation with a business address at 2203 Airport Way South, Suite 300, Seattle, Washington 98134 ("Xcyte").

1. BACKGROUND.

1.1 GI. GI has acquired and/or licensed the rights to certain patents, as set forth in Exhibit D to this Agreement (the "Patents"), pursuant to agreements between GI and third parties (defined below as the "Licensors").

1.2 XCYTE. Xcyte desires to license and/or sublicense the Patents from GI, to make, use and sell Products (defined below) in the Field (defined below). GI is Willing, for the consideration and on the terms set forth herein, to license and/or sublicense the Patents to Xcyte for such purposes.

1.3 AGREEMENT. In consideration of the mutual covenants and promises contained in this Agreement and other good and valuable consideration, the Parties agree as follows:

2. DEFINITIONS. As used in this Agreement, the following terms shall have the meanings set forth below.

2.1 "AFFILIATE" means any corporation, company, partnership, joint venture and/or firm which controls, is controlled by or is under common control with a Party. For purposes of this Section 2.1, "control" means (a) in the case of corporate entities, direct or indirect ownership of at least fifty percent (50%) of the stock or shares entitled to vote for the election of directors; and (b) in the case of non-corporate entities, direct or indirect ownership of at least fifty percent (50%) of the equity interest with the power to direct the management and policies of such noncorporate entities.

2.2 "COMBINATION PRODUCT" means any Product sold in combination with one or more other products which are not Products.

2.3 "CONFIDENTIAL INFORMATION" shall mean(i) any proprietary or confidential information or material in tangible form disclosed hereunder that is marked as "Confidential" at the time it is delivered to the receiving party, or (ii) proprietary or confidential information disclosed orally hereunder which is identified as confidential or proprietary when disclosed and such disclosure of confidential information is confirmed in writing within thirty (30) days by the disclosing party.

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"Confidential Information" does not include information which (a) was known to the receiving Party at the time it was disclosed, other than by previous disclosure by the disclosing Party, as evidenced by written records at the time of disclosure; (b) is at the time of disclosure or later becomes publicly known under circumstances involving no breach of this Agreement; (c) is lawfully and in good faith made available to the receiving Party by a third party who did not derive it from the disclosing Party and who imposes no obligation of confidence on the receiving Party; or (d) is developed by the receiving Party independent of any disclosure by the disclosing Party.

2.4 "DISTRIBUTOR" means a third party which is not a Xcyte Affiliate or Sublicensee and which is a distributor, wholesaler or other entity purchasing Products from Xcyte or its Affiliate or Sublicensee for resale.

2.5 "FIELD" means ex vivo activation or expansion of human T-cells (including T-cells modified through gene transfer (except as indicated below) or otherwise) for treatment and/or prevention of infectious diseases (including, without limitation, AIDS), cancer and immunodeficiency states. [*]

2.6 "IMPROVEMENTS" means any invention or discovery whether or not patentable which is used commercially by Xcyte during the term of this Agreement and which directly relates to the methods of preparing T-cells claimed in the Patents, and is within the scope thereof. It is understood and agreed that any ligand (including, without limitation, any antibody or antibody derivative) identified or used by Xcyte or its designees for the practice of the methods claimed in the Patents shall not be an Improvement.

2.7 "LICENSE AGREEMENTS" means the 1995 Acquisition Agreement between GI and Repligen Corporation, together with the following agreements, pursuant to which GI licensed the Patents which are sublicensed to Xcyte under this Agreement:

(a) "NAVY AGREEMENT" means the December 10, 1996 License Agreement between GI and the Navy, a copy of which is attached as EXHIBIT A to this Agreement.

(b) "MICHIGAN AGREEMENT" means the May 28, 1992 License Agreement between GI and Michigan, a copy of which is attached as EXHIBIT B to this Agreement

(c) "DFCI AGREEMENT" means the July 20, 1993 License Agreement between DFCI and Repligen, a copy of which is attached as EXHIBIT C to this Agreement.

2.8 "LICENSORS" means the United States of America, represented by the Secretary of the Navy (the "Navy"), the University of Michigan ("Michigan") and the Dana Farber Cancer Institute ("DFCI").

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2.9 "NET SALES" means the aggregate United States dollar equivalent of gross revenues derived by or payable to Xcyte, its Affiliates and Sublicensees from or on account of the sale or distribution of Products (including Combination Products) and Services to third parties, less (a) reasonable credits or allowances, if any, actually granted on account of price adjustments, rebates, discounts, recalls, rejection or return of items previously sold, (b) excises, sales taxes, value added taxes, consumption taxes, duties or other taxes imposed upon and paid with respect to such sales or Services (excluding income or franchise taxes of any kind) and (c) separately itemized insurance, packaging and transportation costs incurred in shipping Products (including Combination Products) to such third parties. No deduction shall be made for any item of cost incurred by Xcyte, its Affiliates or Sublicensees in preparing, manufacturing, shipping or selling Products (including Combination Products) except as permitted pursuant to clauses (a), (b) and (c) of the foregoing sentence. Net Sales shall not include any transfer between Xcyte and any of its Affiliates or Sublicensees for resale.

If Xcyte or an Affiliate or Sublicensee sells Products (including Combination Products) to a Distributor, Net Sales shall be calculated from the gross revenues received by Xcyte and/or its Affiliate or Sublicensee from the sale of Products to the Distributor.

In the event that Xcyte or any of its Affiliates or Sublicensees shall make any transfer of Products (including Combination Products) to third parties for other than monetary value, such transfer shall be considered a sale hereunder for accounting and royalty purposes. Net Sales for any such transfers shall be determined on a country-by-country basis and shall be the average price of "arms length" sales by Xcyte, its Affiliates or Sublicensees in such country during the royalty reporting period in which such transfer occurs or, if no such "arms length" sales occurred in such country during such period, during the last period in which such "arms length" sales occurred. If no "arms length" sales have occurred in a particular country, Net Sales for any such transfer in such country shall be the average price of arms length" sales in all countries in the Territory.

Notwithstanding the foregoing, no transfer of Products (including Combination Products) for testing, pre-clinical, clinical or developmental purposes or as samples shall be considered a sale hereunder.

In the event a Product or Combination Product is sold to end-users together with a Service, in calculating Net Sales the payment received by Xcyte for such Service component shall be included in Net Sales, subject to Section 5.2(b); provided, any payment received by Xcyte for any service which is not a Service shall not be included in Net Sales.

2.10 "PARTY" means GI or Xcyte; "Parties" means GI and Xcyte.

2.11 "PATENTS" means the patents and patent applications listed in EXHIBIT D attached to this Agreement and shall include any foreign counterparts of the patents and patent applications listed in EXHIBIT D (which for all purposes of this Agreement shall be deemed to include certificates of invention anti applications for certificates of invention and priority rights), together with any reissues extensions or other governmental acts which effectively extend the period of exclusivity by the patent holder, substitutions, confirmations, registrations, revalidations, additions, continuations, continuations-in-pan, or divisions of or to any of the foregoing, to the extent GI owns or controls such rights, or has acquired or licensed such rights under the License Agreements.

2.12 "PRODUCT" means any product developed by or on behalf of Xcyte, the manufacture, use or sale of which is covered by a Valid Claim of the Patents in the country of manufacture, use or sale.

2.13 "SERVICE" means any service provided by Xcyte in connection with a Product in the Field. By way of illustration and without limitation, services would include apheresis conducted in connection with the use of a Product or services relating to cell testing or cell characterization or quality assurance or quality control of Products.

2.14 "SUBLICENSEE" means a third party, including any Xcyte Affiliate, to which Xcyte has granted a further sublicense to make, use, import, offer for sale and/or sell the Products.

2.15 "TECHNOLOGY" means the technology described in the Patents related to the manufacture, use or sale of the Products in the Field.

2.16 "TERRITORY" means, with respect to each Patent, the area of the world in which GI has the rights to practice under such Patent, as set forth in applicable License Agreement under which GI obtained rights to such Patent.

2.17 "VALID CLAIM" means (a) a claim of an unexpired patent which shall not have been withdrawn, canceled or disclaimed, nor held invalid or unenforceable by a court of competent jurisdiction in an. unappealed or unappealable decision or (b) a claim of a patent application which is either: (i) the subject of a pending patent interference proceeding or (ii) supported by the disclosure of such application or any prior filed patent application for a cumulative period not exceeding seven (7) years from the earliest date of such supporting disclosure for such claim in any such patent application.

3. LICENSE FROM GI TO XCYTE.

3.1 GRANT. Subject to the fulfillment of the terms and conditions of this Agreement, including, without limitation, the conditions of sublicense set forth in Section 3.4, below, GI grants to Xcyte exclusive, royalty-bearing licenses and/or sublicenses

under the Patents, restricted to the Field, to make and have made, to use, to offer for sale, to sell and have sold, to import and have imported, and to export and have exported, the Products in the Territory.

3.2 TERM. The licenses and/or sublicenses granted in Section 3.1, above, shall run to the end of the enforceable term of the Patents or License Agreements under which such license and/or sublicense is granted.

3.3 FURTHER SUBLICENSES. Xcyte shall have the right to grant further sublicenses under the foregoing license and/or sublicense, provided the Sublicensees agree to comply with all terms and conditions of this Agreement. Notwithstanding any such further sublicenses, Xcyte shall remain primarily liable for all of such Affiliates' and Sublicensees' duties and obligations contained in this Agreement.

3.4 CONDITIONS OF SUBLICENSE. With respect to the applicable Patents or the applicable claim or claims of such Patents, the sublicenses granted to Xcyte under this Agreement are subject to the following conditions imposed on GI, as licensee, and Xcyte, as sublicensee, by the applicable Licensors:

(a) APPROVAL OF LICENSORS. Each such sublicense shall be subject to the prior written approval of the applicable Licensor to the extent required by the License Agreements.

(b) LICENSORS' RETAINED RIGHTS. Each sublicense is subject to any and all rights retained by the applicable Licensor.

(c) CONSISTENT WITH TERMS OF LICENSE AGREEMENTS. Each sublicense is granted pursuant to the terms of the applicable License Agreement. No provision of this Agreement shall be in derogation of or diminish any rights of each Licensor in the applicable License Agreement. Each sublicense under this Agreement may be modified or terminated in whole or in part upon the modification or termination in whole or in part of the applicable License Agreement; provided, GI shall not terminate or enter into any modification of any of the License Agreements if such modification or termination would affect the rights of Xcyte under this Agreement, without the prior written consent of Xcyte, and shall notify Xcyte within ten (10) business days if GI receives any notice from any Licensor that (i) such Licensor believes that GI is in default or breach of the relevant License Agreement, or (ii) such Licensor intends to terminate the relevant License Agreement, or (iii) such Licensor intends to modify GI's rights under the applicable License Agreement (e.g., by converting GI's exclusive rights under such License Agreement to non-exclusive rights). Should any sublicense granted by Xcyte under this Agreement not comply with the requirements of any License Agreement, such sublicense of rights under this Agreement may be void. If either Party becomes aware of any potential inconsistency of a sublicense granted by Xcyte with this

Agreement, it shall promptly notify the other Party, providing a detailed explanation of the potential inconsistency.

(d) GI TO FURNISH COPY. Within thirty (30) days of the Effective Date, and within thirty (30) days of any modification of this Agreement, GI may be obligated to furnish to each Licensor a true and complete copy of this Agreement and any modification hereof.

4. PRODUCT DEVELOPMENT.

4.1 DILIGENCE OBLIGATIONS. Xcyte shall exercise commercially reasonable and diligent efforts, in its scientific and business judgement, to develop at least one Product itself or through sublicensees. Each year during the term of the Agreement until the first commercial sale of a Product, Xcyte, itself or through a sublicensee, shall expend no less than five hundred thousand dollars ($500,000) annually on research and development activities directly relaxing to Product development. During the term of this Agreement, within sixty (60) days of each anniversary of the Effective Date, Xcyte shall issue to GI a progress report detailing Xcyte's progress in developing Products.

4.2 CONVERSION OF LICENSE AND/OR SUBLICENSE. In the event that Xcyte fails to satisfy the requirements set forth in Section 4.1, above, GI shall have the right, in its sole discretion, upon written notice to Xcyte, to convert the licenses and/or sublicenses granted to Xcyte under this Agreement from exclusive to non-exclusive; provided Xcyte has not cured such failure within sixty (60) days following written notice from GI of any such failure. In the event that GI converts such licenses and/or sublicense to non-exclusive, GI shall be entitled to grant additional licenses and/or sublicenses under the Patents to not more than two (2) unrelated third parties. If GI exercises its conversion right under this Section 4.2, thereafter the royalty obligation due to GI pursuant to Section 5.2 below shall be reduced by [*] but in no event shall be less than [*] of Net Sales of Product or Combination Product.

5. CONSIDERATION.

5.1 LICENSE FEE. In partial consideration for the license granted herein, on the Effective Date Xcyte shall pay to GI a license fee in the form of 145,875 shares of Xcyte preferred stock, subject to the terms and conditions of the Stock Purchase Agreement attached hereto as Exhibit E, and shall pay a total of fifty three thousand four hundred eighty-seven U.S. dollars and fifty cents ($53,487.50) to the Licensors as provided in the Letter Agreement of even date herewith between GI, Xcyte and the Licensors. In addition, upon the first to occur of(i) notice from GI to Xcyte of the issuance of the first Valid Claim within the Patents, (ii) the first grant of a sublicense by Xcyte to a third party pursuant to Section 3.3, or (iii) the third anniversary of the Effective Date, GI shall have the right to purchase 194,500 additional shares of Xcyte stock, subject to the terms and conditions of the Stock Warrant Agreement attached hereto as Exhibit F.

5.2 ROYALTY PAYMENTS.

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

(a) With respect to the sales of each Product, Xcyte shall pay GI a royalty of [*] of Net Sales of Products sold by Xcyte, its Affiliates and Sublicensees without any Services.

(b) With respect to the sales of each Product, Xcyte shall pay GI a royalty of [*] of Net Sales of Products by Xcyte, its Affiliates and Sublicensees sold together with one or more Services.

(c) With respect to the sales of each Combination Product, Xcyte shall pay GI a royalty of such Combination Product, as follows:

(i) [*] of Net Sales of each Combination Product sold by Xcyte, its Affiliates and Sublicensees, if such Combination Product is sold without any Services, and

(ii) [*] of Net Sales of each Combination Product sold by Xcyte, its Affiliates and Sublicensees, if such Combination Product is sold together with one or more Services;

provided, in each case, in determining Net Sales of Combination Products, Net Sales shall first be calculated in accordance with the definition of Net Sales and then multiplied by a fraction, the numerator of which is the current Net Selling Price of Product and the denominator of which is the current Net Selling Price of the Combination Product. If there is no Net Selling Price of Product, then the numerator shall be the fair market value of the Product for the quantity contained in the Combination Product and of the same class, purity and potency, as negotiated in good faith by the parties, or, failing such agreement, as is determined by an appraisal to be conducted by an independent third party mutually agreed to by Xcyte and GI, which determination shall be binding. However, in no event shall the royalty be less than [*] of Net Sales of each Combination Product.

(d) In addition to the royalties payable under this Section 5.2, Xcyte shall pay to GI a portion of all compensation, including license fees, advances and other payments of compensation (however characterized), which are owed to Xcyte pursuant to further sublicensing of the rights granted to Xcyte hereunder, as follows:

Sublicense Date	% of Compensation
Within 24 months of Effective Date	[*]
After 24 months after Effective Date	[*]

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Notwithstanding the above, it is understood and agreed that Xcyte shall not be obligated to pay to GI any portion of any amounts received from any Sublicensee as payments for research and development activities to be conducted by Xcyte on behalf of such Sublicensee, or amounts received from a Sublicensee for equity, or the license or sublicense of any intellectual property other than the Patents, or products other than the Products, or reimbursement for patent or other expenses.

(e) Xcyte and its Affiliates and Sublicensees shall be responsible for any payments due to third parties under licenses or similar agreements entered by Xcyte or its Affiliates or Sublicensees necessary for the manufacture, use or sale of Products. Xcyte may offset one-half of any such payments made by Xcyte or its Affiliates or Sublicensees to third parties against royalties due GI pursuant to Section 5.2(a), (b) and (c) above; provided, GI shall have the right to receive the greater of (i) [*] the amounts due pursuant to Sections 5.2(a), (b) and (c) above, or (ii) [*] of Net Sales of Product or Combination Product.

(f) Payments due under this Section 5.2 shall be payable on a country-by-country and Product-by-Product basis and shall be payable until (i) with respect to Patents owned by GI, the expiration of the last-to-expire Valid Claim, and (ii) with respect to Patents subject to the License Agreements, the expiration of the applicable license term, as set forth in Section 3.2.

(g) Regardless of any credits or offsets available to Xcyte under Section 5.2(e) of this Agreement commencing on the first anniversary of the Launch of the first Product in any country, in no year shall Xcyte pay to GI less than the greater of (i) [*] of the royalties due pursuant to Sections 5.2(a), (b) or (c) in any year with regard to any Product or (ii) [*] of Net Sales of Product or Combination Product. Any credits or offsets not creditable against royalties in the year such credit or offset is earned may be carried forward until fully applied.

5.3 REPORTS AND PAYMENT. Xcyte shall deliver to GI, within sixty (60) days after the end of each calendar quarter, a written report showing its computation of royalties due under this Agreement upon Net Sales by Xcyte, its Affiliates and Sublicensees during such calendar quarter. All Net Sales shall be segmented in each such report according to sales by Xcyte, each Affiliate and each Sublicensee, as well as on a country-by-country basis, including the rates of exchange used to convert such royalties to United States Dollars from the currency in which such sales were made. Subject to the provisions of Sections 5.4 and 5.5 of this Agreement, simultaneously with the delivery of each such report, Xcyte shall tender payment in United States Dollars of all royalties shown to be due therein.

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

For purposes hereof, the rates of exchange to be used for converting royalties hereunder to United States Dollars shall be the closing price published for the purchase of United States Dollars in the East Coast Edition of the Wall Street Journal for the last business day of the calendar quarter for which payment is due.

5.4 FOREIGN ROYALTIES. Where royalties are due hereunder for sales of Products in a country where, by reason of currency regulations or taxes of any kind, it is impossible or illegal for Xcyte, any Affiliate or Sublicensee to transfer royalty payments to GI for Net Sales in that country, such royalties shall be deposited in whatever currency is allowable by the person or entity not able to make the transfer for the benefit or credit of GI in an accredited bank in that country that is reasonably acceptable to GI.

5.5 TAXES. Any and all income or similar taxes imposed or levied on account of the receipt of royalties payable under this Agreement which are required to be withheld by Xcyte shall be paid by Xcyte, its Affiliates or Sublicensees on behalf of GI and shall be paid to the proper taxing authority. Proof of payment shall be secured and sent to GI by Xcyte, its Affiliates or Sublicensees as evidence of such payment in such form as required by the tax authorities having jurisdiction over Xcyte, its Affiliates or Sublicensees. Such taxes shall be deducted from the royalty that would otherwise be remittable by Xcyte, its Affiliates or Sublicensees.

5.6 RECORDS. Xcyte shall keep, and shall require all Affiliates and Sublicensees to keep, for a period of at least two (2) years, full, true and accurate books of accounts and other records containing all information and data which may be necessary to ascertain and verify the royalties payable hereunder. During the term of this Agreement and for a period of two (2) years following its termination, GI shall have the right from time to time (not to exceed once during each calendar year) to inspect in confidence, or have an agent, accountant or other representative inspect in confidence, such books, records and supporting data.

6. REPRESENTATION, WARRANTY AND INDEMNITY.

6.1 REPRESENTATION AND WARRANTY OF GI. GI represents and warrants to Xcyte that, subject to the terms and conditions of this Agreement and the License Agreements, (i) it has an interest licensable or sublicensable to Xcyte in the Patents; (ii) it has full right, power and authority to grant the licenses and / sublicense granted by it under this Agreement; (iii) GI has not previously granted, and will not grant during the term of this Agreement, any right, license or interest in and to the Patents, or any portion thereof, inconsistent with the license granted to Xcyte herein; (iv) as of the Effective Date, there are no actions, suits, investigations, claims or proceedings pending or threatened in any way relating to the Patents except as set forth on Schedule 6.1 to this Agreement; and (v) during

the term of this Agreement, GI shall use its reasonable efforts not to breach any of the License Agreements.

6.2 REPRESENTATION AND WARRANTY OF XCYTE. Xcyte represents and warrants to GI that, subject to the terms and conditions of this Agreement and the License Agreements, during the term of this Agreement, Xcyte shall use its reasonable efforts not to breach any of the License Agreements.

6.3 INDEMNITY OF GI BY XCYTE. Xcyte shall defend, indemnify and hold GI (and its agents, directors, officers and employees) harmless, at Xcyte's cost and expense, from and against any and all losses, costs, liabilities, damages, fees and expenses, including reasonable attorneys' fees and expenses (collectively, "Liabilities") arising out of or in connection with the manufacture, promotion, sale or other disposition of the Products by Xcyte, its Affiliates and Sublicensees, and any actual or alleged injury, damage, death or other consequence occurring to any third person as a result, directly or indirectly, of the possession, consumption or use of the Products sold by Xcyte or its Affiliates or Sublicensees, regardless of the form in which any such claim is made.

6.4 EFFECT OF REPRESENTATIONS AND WARRANTIES. It is understood that if the representations and warranties made by a party under this Article 6 are not true and accurate, the party making such representations and warranties shall indemnify and hold the other party harmless from and against any Liabilities incurred as a result.

6.5 EXCLUSION. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY, OR ANY OF ITS OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES OR AGENTS, OR ANY OTHER PERSON OR ENTITY, FOR ANY INCIDENTAL, CONSEQUENTIAL, OR OTHER SPECIAL DAMAGES, INCLUDING WITHOUT LIMITATION, LOST PROFITS OR OPPORTUNITIES INCURRED BY SUCH PARTY, OR ANY OTHER PERSON OR ENTITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE LICENSES AND RIGHTS GRANTED HEREIN, THE PRODUCT, PATENTS OR IMPROVEMENTS, OR ACTUAL OR ALLEGED NEGLIGENCE, STRICT LIABILITY, BREACH OF REPRESENTATIONS OR WARRANTIES, OR ANY OTHER CAUSE OF ACTION.

6.6 PROCEDURE. A party entitled to indemnification hereunder agrees to give prompt written notice to the indemnifying party after the receipt by such party of any written notice of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing for which such party will claim indemnification pursuant to this Agreement. Unless, in the reasonable judgment of the indemnified party, a conflict of interest may exist between the indemnified party and the indemnifying party with respect to a claim, the indemnifying party may assume the defense of such claim with counsel reasonably satisfactory to the

indemnified party. if the indemnifying party is not entitled to, or elects not to, assume the defense of a claim, it will not be obligated to pay the fees and expenses of more than one counsel with respect to such claim. The indemnifying party will not be subject to any liability for any settlement made without its consent, which consent shall not be unreasonably withheld or delayed.

7. INTELLECTUAL PROPERTY.

7.1 IMPROVEMENTS. Xcyte shall own the entire right, title and interest in and to all Improvements.

7.2 OPTION; RIGHT OF FIRST REFUSAL. Xcyte grants to GI an option to execute an exclusive, worldwide, royalty-bearing commercialization license, with the right to grant sublicenses, to the Improvements, to commercialize products based on or incorporating Improvements outside the Field, on terms to be negotiated by the parties in good faith.

GI may exercise its option by written notice to Xcyte within three (3) months of notice by Xcyte to GI of such Improvement and receipt by GI of sufficient technical information to evaluate such Improvement. If GI exercise its option, the parties will negotiate in good faith to reach agreement on a commercialization license for up to 120 days. If GI does not exercise its option, or the parties do not reach agreement within 120 days, Xcyte may commercialize such Improvement outside the Field, itself or license such Improvement to a third party, without obligation to GI. Before entering into any transaction with a third party on terms which, taken as a whole, are materially more favorable than those offered to GI in writing to license such Improvement, Xcyte will inform GI and shall allow GI sixty (60) days in which to elect whether to license such Improvement under all the terms of the proposed transaction with the third party. Nothing in this Section 7.2 shall imply the grant of any license under the Patents to Xcyte outside the Field.

7.3 PATENT MAINTENANCE. GI shall have the right to seek or continue to seek or maintain patent protection on the Patents in any country. GI shall obtain the advice of Xcyte concerning the countries in which to seek or maintain patent protection, and the nature and text of such patents and prosecutions matters related thereto prior to the filing thereof and provide Xcyte a reasonable opportunity to review and comment on all proposed submissions to any patent office before submittal, and provided further that GI shall keep Xcyte reasonably informed as to the status of such patent applications by promptly providing Xcyte copies of all communications relating to such patent applications that are received from any patent office. Xcyte shall reimburse GI for any reasonable expenses incurred by GI during the term of this Agreement in preparing, filing, prosecuting and maintaining any Patents containing claims relating to the Field. If GI elects not to seek or continue to seek or maintain patent protection on any patent

application or patent within the Patents in any country, Xcyte shall have the right, at its expense, to file, procure and maintain in such countries such Patents. If Xcyte elects not to continue to make payments to seek or continue to seek or maintain patent protection on any patent application or patent within the Patents in any country, it may notify GI, and its obligation to make such payments shall cease and its license with regard to such patent application or patent shall terminate. Xcyte shall have the right, at Xcyte cost and expense, to audit all expenses relating to the preparing, filing, prosecuting and maintaining of the Patents.

7.4 PATENT INFRINGEMENT.

(a) Each Party shall promptly report in writing to the other Party during the term of this Agreement any known infringement or suspected infringement of any of the Patents, and promptly shall provide the other Party with all available evidence supporting said infringement, suspected infringement, or unauthorized use or misappropriation.

(b) Except as provided in Section 7.4(c) below, Xcyte shall have the right to initiate an infringement or other appropriate suit anywhere in the Territory against any third party who at any time has infringed, or is suspected of infringing, any of the Patents in the Field. Xcyte shall give GI sufficient advance notice of its intent to file said suit and the reasons therefor, and shall provide GI with an opportunity to make suggestions and comments regarding such suit. Xcyte shall keep GI promptly informed, and shall from time to time consult with GI regarding the status of any such suit and shall provide GI with copies of all documents filed in, and all written communications relating to, such suit. Xcyte shall have the sole and exclusive right to select counsel for any such suit and shall, except as provided below, pay all expenses of the suit, including without limitation attorneys' fees and court costs. GI, in its sole discretion, may elect, within sixty (60) days after the commencement of such litigation, to contribute to the costs incurred by Xcyte in connection with such litigation and, if it so elects, any damages, royalties, settlement fees or other consideration received by Xcyte or any of its Affiliates for infringement as a result of such litigation shall be shared by Xcyte and GI pro rata based on their respective sharing of the costs of such litigation. In the event that Gl elects not to contribute to the costs of such litigation, Xcyte and/or its Sublicensees shall be entitled to retain any damages, royalties, settlement fees or other consideration for infringement resulting therefrom. If necessary, GI shall join as a party to the suit but shall be under no obligation to participate except to the extent that such participation is required as the result of being a named party to the suit. GI shall offer reasonable assistance to Xcyte in connection therewith at no charge to Xcyte except for reimbursement of reasonable out-of-pocket expenses,

incurred in rendering such assistance. GI shall have the right to participate and be represented in any such suit by its own counsel at its own expense.

(c) In the event that Xcyte elects not to initiate an infringement or other appropriate suit pursuant to Section 7.4(b) above, Xcyte shall promptly advise GI of its intent not to initiate such suit, and GI shall have the right, at the expense of GI, of initiating an infringement or other appropriate suit against any third party who at any time has infringed, or is suspected of infringing, any of the Patents in the Field. GI shall have the sole and exclusive right to select counsel for any such suit and shall, except as provided below, pay all expenses of the suit including without limitation attorneys' fees and court costs. Xcyte, in its sole discretion, may elect, within sixty (60) days after the commencement of such litigation, to contribute to the costs incurred by GI in connection with such litigation and, if it so elects, any damages, royalties, settlement fee or other consideration received by GI or any of its Affiliates for infringement as a result of such litigation shall be shared by GI and Xcyte pro rata based on their respective sharing of the costs of such litigation. In the event that Xcyte elects not to contribute to the costs of such litigation, GI and/or its Affiliates shall be entitled to retain any damages, royalties, settlement fees or other consideration for infringement resulting therefrom. If necessary, Xcyte shall join as a party to the suit but shall be under no obligation to participate except to the extent that such participation is required as a result of being a named party to the suit. At GI's request, Xcyte shall offer reasonable assistance to GI in connection therewith at no charge to GI except for reimbursement of reasonable out-of-pocket expenses incurred in rendering such assistance. Xcyte shall have the right to participate and be represented in any such suit by its own counsel at its own expense.

7.5 CLAIMED INFRINGEMENT.

(a) In the event that a third party at any time provides written notice of a claim to, or brings an action, suit, or proceeding against, either Party or any of their respective Affiliates or Sublicensees, claiming infringement of its patent rights or unauthorized use or misappropriation of its know-how, based upon an assertion or claim arising out of the development, use, manufacture, distribution, or sale of Products, such Party shall promptly notify the other Party of the claim or the commencement of such action, suit, or proceeding, enclosing a copy of the claim and/or all papers served. Each Party agrees to make available to the other Party its advice and counsel regarding the technical merits of any such claim at no cost to the other Party.

(b) THE FOREGOING STATES THE ENTIRE RESPONSIBILITY OF THE PARTIES IN THE CASE OF ANY CLAIMED INFRINGEMENT OR

VIOLATION OF ANY THIRD PARTY'S RIGHTS OR UNAUTHORIZED USE OR MISAPPROPRIATION OF ANY THIRD PARTY'S KNOW-HOW.

8. CONFIDENTIAL INFORMATION.

8.1 NONDISCLOSURE OF CONFIDENTIAL INFORMATION. Each Party shall not directly or indirectly publish, disseminate or otherwise disclose, deliver or make available to any person outside its organization any of the other Party's Confidential information. Each Party may disclose the other Party's Confidential Information to persons within its organization and to its Affiliates and Sublicensees who/which have a need to receive such Confidential Information in order to further the purposes of this Agreement and who/which are bound to protect the confidentiality of such Confidential Information, as set forth in Section 8.4 below. Each Party may disclose the other Party's Confidential Information to a governmental authority or by order of a court of competent jurisdiction, provided that such disclosure is subject to all applicable governmental or judicial protection available for like material and reasonable advance notice is given to the other Party.

8.2 USE OF CONFIDENTIAL INFORMATION. Each Party shall use the other Party's Confidential Information solely for the purposes contemplated in this Agreement or for such other purposes as may be agreed upon by the Parties in writing.

8.3 PHYSICAL PROTECTION OF CONFIDENTIAL INFORMATION. The Parties shall exercise commercially reasonable precautions to physically protect the integrity and confidentiality of the other Party's Confidential Information.

8.4 AGREEMENTS WITH PERSONNEL AND THIRD PARTIES. The Parties have or shall obtain agreements with all personnel and third parties who will have access to the other Party's Confidential Information which impose comparable confidentiality obligations as are set forth in this Agreement on such personnel and third parties.

9. TERM AND TERMINATION.

9.1 TERM. Unless sooner terminated in accordance with the provisions of this Section 9, this Agreement shall continue in force on a country-by-country and Product-by-Product basis for the period set forth in Section 3.2.

9.2 TERMINATION FOR BREACH. Each Party shall be entitled to terminate this Agreement by written notice to the other party in the event that the other party shall be in default of any of its material obligations hereunder, and shall fail to remedy any such default within sixty (60) days after notice thereof by the non-breaching party. Any such notice shall specifically state that the non-breaching party intends to terminate this Agreement in the event that the breaching party shall fail to remedy the default.

9.3 PERMISSIVE TERMINATION. Xcyte may terminate this Agreement with thirty (30) days notice to GI.

9.4 EFFECT OF TERMINATION.

(a) ACCRUED OBLIGATIONS. Termination of this Agreement for any reason shall not release any Party hereto from any liability which, at the time of such termination, has already accrued to the other Party or which is attributable to such termination, nor shall it preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement.

(b) RETURN OF CONFIDENTIAL INFORMATION. Subject to any license granted pursuant to Section 7.2, upon any termination of this Agreement each Party shall return to the other Party all Confidential Information received from the other Party (except one copy of which may be retained for archival purposes), and neither Party shall use any such Confidential Information of the other Party for any purpose.

(c) STOCK ON HAND. In the event this Agreement is terminated for any reason, Xcyte, its Affiliates and its Sublicensees shall have the right for six (6) months following the date of termination to sell or otherwise dispose of the stock of any Licensed Product subject to this Agreement then on hand, subject to the right of GI to receive payment thereon as provided in Section 5.

9.5 SURVIVAL OF OBLIGATIONS. Notwithstanding any termination of this Agreement, the obligations of the Parties under Sections 5.3, 5.6, 6,7.1, 8,9.4, 9.5 and 10 shall survive and continue to be enforceable.

10. MISCELLANEOUS.

10.1 PUBLICITY. Neither Party shall originate any publicity, news release or other public announcement, written or oral, relating to this Agreement or the existence of an arrangement between the Parties, without the prior written approval of the other Party, which approval shall not be unreasonably withheld, except as otherwise required by law. It is expressly understood that nothing in this Section 10.1 shall prevent a Party from making a disclosure in connection with any required filings with the Securities and Exchange Commission or in connection with the offering of securities or any financing.

10.2 EXPORT CONTROL. The Parties acknowledge that the export of technical data, materials, or products is subject to the exporting Party receiving the necessary export licenses and that the Parties cannot be responsible for any delays attributable to export controls which are beyond the reasonable control of either Party. The Parties agree that regardless of any disclosure made by the Party

receiving an export of an ultimate destination of any technical data, materials, or products, the receiving Party will not reexport either directly or indirectly, any technical data, material, or products without first obtaining the applicable validated or general license from the United States Department of Commerce, United States Food and Drug Administration, and/or any other agency or department of the United States Government, as required. The receiving Party shall provide the exporting Party with any information, materials, certifications, or other documents which may be reasonably required in connection with such exports under the Export Administration Act of 1979, as amended, its rules and regulations, the Federal Food, Drug and Cosmetic Act, and other applicable export laws.

10.3 NO IMPLIED LICENSES. Only the licenses granted pursuant to the express terms of this Agreement shall be of any legal force and effect. No license tights shall be created by implication or estoppel.

10.4 NO AGENCY. Nothing herein shall be deemed to constitute either Party as the agent or representative of the other Party, or both Parties as joint venturers or partners for any purpose. Each Party shall be an independent contractor, not an employee or partner of the other Party, and the manner in which each Party renders its services under this Agreement shall be within its sole discretion. Neither Party shall be responsible for the acts or omissions of the other Party, and neither Party will have authority to speak for, represent or obligate the other Party in any way without prior written authority from the other Party.

10.5 NOTICE. All notices required under this Agreement to be given by one Party to the other shall be in writing and shall be given by addressing the same to the other at the address or facsimile number set forth below, or at such other address or facsimile number as either may specify in writing to the other. All notices shall become effective when deposited in the United States Mail with proper postage for first class registered or certified mail prepaid, return receipt requested, or when delivered personally, or, if promptly confirmed by mail as provided above, when dispatched by facsimile.

GI: Genetics Institute, Inc.
87 Cambridge Park Drive
Cambridge, Massachusetts 02140
Telecopier (617) 876-5851
Attn: Legal Department

Xcyte: Xcyte Therapies, Inc.
2203 Airport Way South
Suite 300
Seattle, Washington 98134
Telecopier (206) 328-7316

Attn: President and CEO

10.6 ASSIGNMENT. This Agreement, and the rights and obligations hereunder, may not be assigned or transferred, in whole or in part, by either Party without the prior written consent of the other Party, except that neither Party shall require the other Party's consent to assign this Agreement to any Affiliate, or to any entity acquiring such Party or substantially all of the assets of such Party as to which this Agreement relates whether by sale, operation of law or otherwise, or to any successor entity of such Party as the result of a merger or consolidation.

10.7 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement of the Parties with regard to its subject matter, and supersedes all previous written or oral representations, agreements and understandings between the Parties.

10.8 NO MODIFICATION. This Agreement may be changed only by a writing signed by the Parties.

10.9 HEADINGS. The headings contained in this Agreement are for convenience of reference only and shall not be considered in construing this Agreement.

10.10 WAIVER. The waiver by either Party of a breach or a default of any provision of this Agreement by the other Party shall not be construed as a waiver of any succeeding breach of the same or any other provision, nor shall any delay or omission on the part of either Party to exercise or avail itself of any right, power or privilege that it has or may have hereunder operate as a waiver of any right, power, or privilege by such Party.

10.11 SEVERABILITY. In the event that any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and all other provisions shall remain in full force and effect. If any of the provisions of this Agreement is held to be excessively broad or invalid, illegal or unenforceable in any jurisdiction, it shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law in conformance with its original intent. In the event that after such reformation, a Party's rights or obligations are materially changed, then such Party may terminate this Agreement.

10.12 FORCE MAJEURE. Any delays in or failures of performance by either party under this Agreement shall not be considered a breach of this Agreement if and to the extent caused by occurrences beyond the reasonable control of the party affected, including but not limited to: acts of God, acts, regulations or laws of any government; strikes or other concerted acts of workers; fires; earthquakes; floods; explosions; riots; wars; rebellion; and sabotage. Any time for performance imposed hereunder shall be extended by the actual time of delay caused by any such occurrence.

10.13 LIMITATION OF LIABILITY. NEITHER. PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES ARISING OUT OF THIS AGREEMENT, HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY.

10.14 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their successors and permitted assigns.

10.15 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

10.16 APPLICABLE LAW. This Agreement shall in all events and for all purposes be governed by, and construed in accordance with, the law of The Commonwealth of Massachusetts without regard to any choice of law principle that would dictate the application of the law of another jurisdiction.

10.17 HSR. Xcyte represents and warrants that neither Xcyte nor any ultimate parent entity of Xcyte has $10 million in sales or total assets and therefore does not meet the size of person test under Title II of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the regulations promulgated thereunder.

IN WITNESS WHEREOF, duly-authorized representatives of the Parties have signed this Agreement as a document under seal as of the Effective Date.

GENETICS INSTITUTE, INC.

By /s/ Egon E. Berg

Print Name

Title

XCYTE THERAPIES, INC.

By /s/ Ronald Jay Berenson

Print Name Ronald Jay Berenson

Title President & CEO

EXHIBIT 10.23

NON-EXCLUSIVE LICENSE AGREEMENT
[As Amended by FHCRC and Licensee on December 1, 2000]

This Agreement is entered into as of the 20th day of October, 1999 ("Effective Date") by and between the Fred Hutchinson Cancer Research Center, a Washington non-profit corporation ("FHCRC") and Xcyte Therapies, Inc ("LICENSEE"), a Delaware corporation having a place of business at 2203 Airport Way S., Suite 300, Seattle, Washington 98134. All references to LICENSEE shall include its AFFILIATES.

RECITALS

A. FHCRC has developed and owns the valuable [*];

B. FHCRC is committed to a policy that ideas or creative works produced at FHCRC should be used for the greatest possible public benefit and believes that every reasonable incentive should be provided for the prompt introduction of such ideas into public use, all in a manner consistent with the public interest;

C. LICENSEE desires to obtain a worldwide license in and to the above-referenced rights; and

D. FHCRC is willing to grant such a license to LICENSEE subject to the terms and conditions of this Agreement.

TERMS AND CONDITIONS

The parties agree as follows:

ARTICLE 1 - DEFINITIONS

1.1 "AFFILIATE" shall mean any corporation or other entity which is directly or indirectly controlling, controlled by or under the common control with a party hereto which has agreed in writing to be bound by the terms of this Agreement. For the purpose of this Agreement, "control" shall mean the direct or indirect ownership of at least thirty percent (30%) of the outstanding shares or other voting rights of the subject entity to elect directors, or if not meeting the preceding, any entity owned or controlled by or owning or controlling at the maximum control or ownership right permitted in the country where such entity exists. "Affiliates" includes only Affiliates of LICENSEE and does not include Affiliates of LICENSEE's Affiliates.

1.2 "LICENSED CELL LINE" means the [*]. Such derivatives and modifications shall not include antibodies which are not derived from or developed using the Licensed Materials and which have been entirely made with the use of information or materials available in the public domain.

1.3 "LICENSED MONOCLONAL ANTIBODY" means the [*], produced by or derived from the licensed CELL LINE.

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

1.4 "LICENSED PRODUCTS" means any product, including reagents, devices, kits and packages that contain, or are derived from, or result from the use of the LICENSED MONOCLONAL ANTIBODY including without limitation beads coated with the LICENSED MONOCLONAL ANTIBODY either by itself or in combination with other antibodies. LICENSED PRODUCTS does not include the LICENSED CELL LINE.

1.5 "LICENSED SERVICES" means any service performed for a third party using a LICENSED PRODUCT or the LICENSED MONOCLONAL ANTIBODY. Services performed on biological materials from a single patient which are clinically defined to constitute a single course of treatment shall constitute the performance of a single LICENSED SERVICE procedure for purposes of Section 5.2 of this Agreement.

1.6 "FIELD" means [*].

1.7 "NET SALES" means the amount actually received by LICENSEE and its AFFILIATES or sublicensees on sales of LICENSED PRODUCTS and LICENSED SERVICES less:

(a) Customary trade, quantity or cash discounts and non-affiliated brokers' or agents' commissions actually allowed and taken;

(b) Amounts repaid or credited by reason of rejection or return; and/or

(c) To the extent separately stated on purchase orders, invoices or other documents of sales, taxes levied on and/or other governmental charges made as to production, sale, transportation, delivery or use and paid by or on behalf of LICENSEE; and/or Import and I or export duties actually paid.

(d) NET SALES shall include all consideration received for a sale and shall be based on the usual full arms length third party price in the event that LICENSED PRODUCT is transferred at a lower sum.

ARTICLE 2 - GRANT

2.1 Non-Exclusive License. FHCRC hereby grants to LICENSEE and LICENSEE accepts subject to the terms and conditions hereof the following licenses:

(a) a non-exclusive license to use, possess, culture and employ the LICENSED CELL LINE at its business premises solely in the United States;

(b) a worldwide, non-exclusive license to the LICENSED MONOCLONAL ANTIBODY to make and have made, to use, to sell, have sold and offer for sale the LICENSED PRODUCTS and the LICENSED SERVICES in the FIELD for the term of this Agreement (collectively the "Licenses"). Notwithstanding any other provision of this Agreement, (1) LICENSEE and its Affiliates shall not use the LICENSED CELL LINE or LICENSED MONOCLONAL ANTIBODY for any purpose other than that expressly described in this Agreement (2) shall not transfer the LICENSED CELL LINE to any

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third party or AFFILIATE for any purpose except to a sublicensee as provided in Section 2.2(a) of this Agreement and (3) shall in no event transfer the LICENSED CELL LINE outside of the United States.

2.2 Sublicensing

(a) LICENSEE shall have no right or power to grant sublicenses of the LICENSED CELL LINE, under section 21. (a), except LICENSEE shall have the right to sublicense third parties to make the LICENSED MONOCLONAL ANTIBODY on behalf of LICENSEE solely for the use of LICENSEE, its AFFILIATES and sublicensees subject to FHCRC's prior written consent, which consent shall not be unreasonably withheld. If FHCRC does not respond in thirty (30) days to written request for consent from LICENSEE, such non-response shall constitute consent by FHCRC hereunder. In addition to any other requirements imposed under this Agreement, a sublicense of the LICENSED CELL LINE shall require that the LICENSED CELL LINE be maintained in and not transferred from the United States and will prohibit the sublicensee from sublicensing or otherwise transferring the LICENSED CELL LINE to any other person or entity. Upon the prior written approval of FHCRC, which shall not be unreasonably withheld, LICENSEE may sublicense on third party to make the LICENSED MONOCLONAL ANTIBODY in Europe on behalf of LICENSEE solely for the use of LICENSEE, its AFFILIATES and sublicensees upon terms and conditions agreeable to FHCRC. A determination by FHCRC that a sublicense will affect adversely its rights in the LICENSED CELL LINE or the LICENSED MONOCLONAL ANTIBODY or its ability to enforce those rights shall be deemed a reasonable basis to withhold consent to that sublicense for purposes of this Section 2.2(a).

(b) LICENSEE may grant and authorize sublicenses to permit third parties to perform LICENSED SERVICES and to make, have made, use and sell LICENSED PRODUCTS (but not the LICENSED CELL LINE) within the scope of the License described in Section 2.1(b) of this Agreement with FHCRC's prior written consent, which consent will not be unreasonably withheld. If FHCRC does not respond in thirty (30) days to written request for consent from LICENSEE, such non-response shall constitute consent by FHCRC hereunder. All sublicenses granted by LICENSEE under this Section 2.2(b) shall include a requirement that the sublicensesee use reasonable efforts to introduce the LICENSED PRODUCTS into the commercial market as soon as reasonably possible, consistent with sound and reasonable business practices and judgment, and thereafter endeavor to keep LICENSED PRODUCTS reasonably available to the public.

(c) In addition to any other requirements of this Agreement, any sublicense agreement under this Section 2.2 shall bind the sublicensee to meet all LICENSEE's obligations to FHCRC under this Agreement. Royalties charged for sublicenses by LICENSEE shall be commercially reasonable. LICENSEE shall promptly provide FHCRC with a copy of any sublicense agreement subject to the confidentiality provisions of Article 10 of this Agreement.

(d) Notwithstanding 2.2 (a)-(c), LICENSEE may transfer the LICENSED MONOCLONAL ANTIBODY to third parties, and if required by such third party, sublicense the LICENSED MONOCLONAL ANTIBODY for the purpose of testing, analysis, development or manufacturing of LICENSED PRODUCTS or LICENSED SERVICES to be sold or offered for sale by LICENSEE or authorized sublicensees; provided that the third party to whom the transfer is made has agreed (1) in writing to use the LICENSED MONOCLONAL ANTIBODY solely for that limited purpose and has agreed (2) not to make, use or sell or offer for sale or otherwise distribute or exploit the LICENSED MONOCLONAL ANTIBODY or any LICENSED PRODUCT or LICENSED SERVICE and (3) to be bound by the Confidentiality provisions in Article 10 of this Agreement.

2.3 Restrictions on License. Notwithstanding any other provision of this Agreement, the License is subject to the following policies, obligations and/or conditions:

(a) FHCRC's Patents and Inventions Policy adopted September 30, 1983, Public Laws 96-517 and 98-620 and FHCRC's obligations under agreement with other sponsors of research. Any right granted in this Agreement greater than that permitted under Public Laws 96-5 17 or 98-620 shall be subject to modification as may be required to conform to the provisions of the statutes.

(b) LICENSEE agrees during the term of the License that any LICENSED MONOCLONAL ANTIBODY produced for sale in the United States will be manufactured substantially in the United States.

ARTICLE 3 - TERM OF AGREEMENT

3.1 Term. The term of this Agreement commences on the Effective Date and, subject to earlier termination as provided in Article 9, shall remain in effect for fifteen (15) years following the first sale of a LICENSED PRODUCT or LICENSED SERVICE by LICENSEE to a customer who is not an AFFILIATE or sublicensee ("First Commercial Sale"). Upon expiration of the term, provided LICENSEE is not in material breach of this Agreement, the licenses granted LICENSEE under this Agreement shall be deemed fully paid-up.

ARTICLE 4 - DELIVERY OF LICENSED MATERIAL

4.1 Delivery of [*]. Within thirty (30) days of receipt by FHCRC of any Signing Fee owed under this Agreement, the Effective Date, FHCRC shall provide to LICENSEE [*] from the Manufacturer's Working Cell Bank ("MWCB").

4.2 Replacement of [*]. If the [*] dies during the Term of this Agreement, FHCRC will, after it has been reimbursed its reasonable costs and expenses by LICENSEE, and no more than two occasions during the Term, provide to LICENSEE sufficient quantities of additional seed stock from the MWCB to replace the cell line, but in no event more then a total of two additional vials.

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4.3 Antibody Production. The parties acknowledge that LICENSEE has contracted with FHCRC for production and supply of the [*] pursuant to a Laboratory Services Agreement dated even herewith.

ARTICLE 5 - PAYMENTS

5.1 Signing Fee. LICENSEE shall pay to FHCRC a non-refundable signing fee in the sum of Fifty Thousand Dollars ($50,000). FHCRC acknowledges receipt of Twenty Five Thousand Dollars ($25,000). The remaining Twenty Five Thousand Dollars shall be due and payable within five (5) days of the Amendment Effective Date.

5.2 Earned Royalties. LICENSEE shall pay to FHCRC a royalty in the amount of [*] of the NET SALES of all LICENSED PRODUCTS and [*] of the NET SALES of all LICENSED SERVICES sold by LICENSEE during the Term. The royalty payable with respect to the performance of a single LICENSED SERVICE procedure shall not exceed [*] per single LICENSED SERVICE procedure (the "LICENSED SERVICES Royalty Cap") for a period of three (3) years following the date of the first commercial sale of a LICENSED SERVICE hereunder. Thereafter, the LICENSED SERVICES Royalty Cap shall increase at the rate of [*] per calendar year. LICENSEE shall also pay FHCRC a) [*] of all non-royalty consideration other than equity and [*] of all non-royalty consideration which is equity received as a result of a sublicense of LICENSED SERVICES, b) and [*] of all non-royalty consideration received as a result of a sublicense of LICENSED PRODUCTS, all within thirty (30) days of receipt of such consideration; provided, however, that to the extent the non-royalty consideration received as a result of a sublicense is paid to LICENSEE as funding for a specific research project, LICENSEE may at its option elect to give FHCRC a negotiable promissory note in the principal amount of such funding payable in twenty-four (24) months from the date the funding is received by LICENSEE together with interest thereon at a per annum rate equal to the prime rate of Bank of America, adjusted quarterly. Non-cash consideration received by LICENSEE on account of a sublicense shall be appraised at LICENSEE's expense using a third party acceptable to FHCRC. Non-cash consideration includes, without limitation, debt, equity or other financial instruments, real property, tangible personal property, rights and patents, patent applications, trade secrets and licenses to such patents, patent applications and trade secrets. Non-royalty sublicense income includes, without limitation, signing fees, upfront fees, license issue fees, license maintenance fees, milestone payments or other payments paid as consideration for the right to sell or otherwise distribute LICENSED PRODUCTS or LICENSED SERVICES whether structured as a sublicense, joint venture, collaboration or other arrangement. On sales between LICENSEE and its AFFILIATES or authorized sublicensees for resale royalties shall be paid on the resale.

5.3 Combined Products. In the event that any of the LICENSED PRODUCTS or LICENSED SERVICES are used or sold by LICENSEE in combination as a single product or service with one or more other product(s) or service(s) whose sale and/or use are not within the scope of the this Agreement, and do not entail the use of the LICENSED MONOCLONAL ANTIBODY, NET SALES from such sales and/or use for purposes of calculating the amounts due under Section 5.2 above shall be calculated by multiplying the NET SALES of that combination by the faction A/(A+B), where A is the gross selling price of the LICENSED PRODUCT or LICENSED SERVICE sold separately and B is the gross selling price of the other product or service sold separately. In the event that no such separate sales or use are made by LICENSEE, NET SALES for purposes of royalty determination shall be as reasonably allocated by LICENSEE between such LICENSED PRODUCT or LICENSED SERVICE and such other product or service, based upon their relative importance and proprietary protection. It is

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understood and agreed that LICENSEE intends to use LICENSED PRODUCTS and LICENSED SERVICES in connection with products and services provided by LICENSEE which do not entail the use of the LICENSED MONOCLONAL ANTIBODY, and that such products and services shall be subject to this Section 5.3.

5.4 One Royalty. No more than one royalty payment shall be due with respect to a sale of a particular LICENSED PRODUCT. No royalty shall be payable under this Article 5 with respect to LICENSED PRODUCTS, distributed at no charge, for use in research and/or development, in clinical, in clinical trials or as promotional samples. When a LICENSED PRODUCT is used, sold or sublicensed as part of LICENSED SERVICES, the royalty rate and other changes applicable to LICENSED SERVICES shall apply and no royalty or charge shall be made for the LICENSED PRODUCT in that case.

5.5 Equity Consideration. Within thirty days of the Amendment Effective Date Xcyte Therapies, Inc. will issue Equity Consideration and deliver to FHCRC [*] shares of common stock of Xcyte Therapies, Inc. These shares will be issued by Xcyte Therapies, Inc. under a stock subscription agreement acceptable to FHCRC.

ARTICLE 6 - REPORTING AND ROYALTY PAYMENT TERMS

6.1 First Sales. LICENSEE shall report to FHCRC the date of first sale of LICENSED PRODUCTS and or LICENSED SERVICES in each country within thirty (30) days of occurrence.

6.2 Sales Reports and Royalty Payments. Commencing upon the First Commercial Sale, LICENSEE shall submit to FHCRC within sixty (60) days after June 30 and December 31 of each year during the Term, and upon the effective termination Of this Agreement, reports for the preceding six (6) month period identifying the amount of the LICENSED PRODUCTS or LICENSED SERVICES sold by LICENSEE, its AFFILIATES and sublicensees in each country, the sales volume and NET SALES, and the amount of royalty due to FHCRC together with payment of such royalty amount. Such report shall be certified as correct by an officer of LICENSEE and shall include a detailed listing of all deductions from NET SALES, sublicensee income or from royalties as specified herein. If no royalties are due to FHCRC for any reporting period, the written report shall so state. All payments due hereunder shall be paid in United States Dollars. If any currency conversion shall be required in connection with the payment of any royalties hereunder, such conversion shall be made by using the exchange rate for the purchase of United States Dollars reported by the Bank of America on the last business day of the calendar quarter to which such royalty payments relate. If at any time legal restrictions prevent the prompt remittance of any royalties owed on NET SALES in any jurisdiction, LICENSEE shall notify FHCRC and make such payments by depositing the amount thereof in local currency in a bank account or other depository in such country in the name of FHCRC. All payments shall be without deduction of exchange, collection or other charges. Without regard to or waiver of any other remedies that may be available under this Agreement, any royalty payments not made when due shall bear interest at the rate of [*] per annum, compounded daily.

6.3 Withholding Taxes on Royalties. To the extent that any earned royalties due FHCRC under this Agreement are subject to taxation where the taxes are imposed on FHCRC, FHCRC agrees to bear such taxes. FHCRC hereby authorizes LICENSEE or sublicensee to withhold such taxes from the payment which are otherwise payable to FHCRC in accordance with this Agreement if LICENSEE or sublicensee is either required to do so under the tax laws of the

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country of sale or in the United States or directed to do so by an agency of either such government. LICENSEE shall furnish FHCRC with relevant documentation showing assessment of the taxes and the best available evidence of payment whenever LICENSEE or sublicensee deducts such tax from any payments due FHCRC.

6.4 Confidentiality of Reports. All such reports shall be maintained in confidence by FHCRC, except as required by law, including Public Laws 96-517 and 98-620.

ARTICLE 7 - RECORD KEEPING

7.1 Recordkeeping. LICENSEE shall maintain and require each sublicensee to maintain complete and accurate books of account and records showing all sales of LICENSED PRODUCTS and all NET SALES (including the amount of gross sales and allowable deductions attributable to such sales). For purposes of verifying the accuracy of the royalties paid by LICENSEE pursuant to this Agreement or verifying performance of LICENSEE of any other obligation to FHCRC hereunder, such books and records shall be open to inspection and copying, during usual business hours, by an independent certified public accountant. Such accountant shall not disclose to FHCRC any information other than information relating to accuracy of reports and calculations of amounts due to FHCRC made under this Agreement. In the event that any such inspection shows any underreporting and underpayment by LICENSEE in excess of five percent (5%) for any twelve (12) month period, then LICENSEE shall pay the cost of such examination. Such books and records shall be maintained for at least three (3) years following the reporting period to which the books and records relate.

ARTICLE 8 - INDEMNIFICATION AND INSURANCE

8.1 Indemnification. LICENSEE, including any successor to LICENSEE, shall, and shall obligate its AFFILIATES or its sublicensees, if any, to indemnify, defend and hold harmless FHCRC, its AFFILIATES and their respective directors, officers, employees, agents and contractors (each an "Indemnitee") from and against any and all liabilities, damages, losses, costs or expenses (including reasonable attorneys' and professionals' fees and other expenses of litigation and/or arbitration (a "Liability")) resulting from a claim, suit or proceeding brought against an Indemnitee, arising out of or in connection with or resulting from (i) any misrepresentation with regard to, or breach of, any of the representations and warranties of LICENSEE set forth in Section 12 of this Agreement, (ii) the use, development, manufacture, distribution, sublicensing or sale of the LICENSED PRODUCTS or LICENSED SERVICES by LICENSEE or its AFFILIATES or sublicensees except to the extent caused by the negligence or willful misconduct of FHCRC, including without limitation any Liabilities resulting from infringement of third party intellectual property rights, and (iii) any other activities performed by LICENSEE or its AFFILIATES or sublicensees pursuant to this Agreement.

8.2 FHCRC. FHCRC shall indemnify, defend and hold harmless LICENSEE and its directors, officers and employees (each an "Indemnitee") from and against any and all liabilities, damages, losses, costs or expenses (including reasonable attorneys' and professionals' fees and other expenses of litigation and/or arbitration) resulting from a claim, suit or proceeding brought against an Indemnitee, arising out of or in connection with any misrepresentation with regard to,

or breach of, any of the representations and warranties of FHCRC set forth in Section 12, except to the extent caused by the negligence or willful misconduct of LICENSEE.

8.3 Insurance. In the event of any testing or use in human subjects of LICENSED PRODUCTS, LICENSEE will have FHCRC named as an additional insured on LICENSEE'S product liability insurance policies, with limits of at least [*]. Upon the First Commercial Sale, LICENSEE will have FHCRC named as an additional insured on LICENSEE's product liability insurance policies, with limits of [*]. Such policies shall not be terminated without thirty (30) days prior written notice to FHCRC. LICENSEE shall provide FHCRC with written evidence of the insurance and a copy of the policy upon request.

8.4 Legal Action. In the event any legal action is commenced against LICENSEE involving the LICENSED MONOCLONAL ANTIBODY, LICENSED CELL LINE, LICENSED PRODUCTS and/or LICENSED SERVICES, whether or not FHCRC is named as a party to the legal action, LICENSEE shall keep FHCRC or its attorney nominee fully advised of the progress of the legal action and shall reimburse FHCRC for its reasonable legal costs (including attorney's fees) incurred as a result of FHCRC's employees or agents being called as witnesses therein or asked to testify for or consult with LICENSEE in connection therewith. FHCRC agrees to cooperate with LICENSEE, to the extent reasonably possible, in any legal action brought pursuant to this Article 8.

ARTICLE 9 - DISPUTE RESOLUTION

9.1 The parties do not favor litigation. Therefore, unless a party is entitled to injunctive relief, as ultimately determined by a court of competent jurisdiction, because (i) the party is exposed to irreversible losses unless the conduct is enjoined, (ii) there is no adequate remedy in the form of compensatory damages, and (iii) there is a substantial likelihood that the party will prevail on the merits, the parties agree to submit all disputes relating to the interpretation, enforcement, or breach of this Agreement to non-binding mediation before a mediator acceptable to both parties in accordance with its Commercial Mediation Rules or such alternative mediator as the parties may approve in writing.

9.2 If the parties are unable to resolve their differences through mediation as provided in this Article 14 or if the matter is not subject to mediation under this Article 14, either party may initiate a lawsuit to resolve the dispute.

ARTICLE 10 - CONFIDENTIALITY

10.1 Definition of Confidential Information. It is contemplated that in the course of the performance of this Agreement each party may, from time to time, disclose proprietary and confidential information to the other ("Confidential Information"). Confidential Information shall include all disclosures made hereunder or under previous confidentiality agreements between the Parties in writing and identified as being "Confidential," or if disclosed orally, which are reduced to writing within thirty (30) days of oral disclosure and clearly identified as being "Confidential." FHCRC and LICENSEE agree that this Agreement shall supersede all

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previous confidentiality agreements between the parties and all disclosures made under any previous confidentiality agreements shall be subject to the terms of this Section 10.

10.2 Nondisclosure of Confidential Information. Except to the extent expressly authorized by this Agreement or otherwise agreed to in writing, during the term of this Agreement and for a period of five (5) years following the termination of this Agreement, each party shall take such reasonable measures to protect the secrecy of and avoid disclosure or use of such Confidential Information of the other party in order to prevent it from falling into the public domain or the possession of any person other than those persons authorized under this Agreement to have any such information. Such measures shall include, but not be limited to, the highest degree of care the receiving party takes to protect its own proprietary and confidential information of a similar nature, which shall be no less than reasonable care. Neither party shall disclose or permit disclosure of any Confidential Information of the other party to third parties or to employees of the party receiving Confidential Information, other than directors, officers, employees, consultants and agents who are required to have the information in order to carry out the terms of this Agreement. Each party shall notify the other in writing of any actual or suspected misuse, misappropriation or unauthorized disclosure of the other party's Confidential Information that may come to such party's attention. Not withstanding the foregoing, Confidential Information from FHCRC shall include but not be limited to devices, cell lines, monoclonal antibodies, methods, processes, data regarding testing and experiments, drawings, documentation, patent applications and product development plans, is FHCRC's confidential, proprietary, trade secret information.

10.3 Exceptions. The following information shall not be considered Confidential Information:

(a) information which was already known to the receiving party, other than under an obligation of confidentiality to the disclosing party, at the time of disclosure by the other party as shown by the receiving parties written records;

(b) information which was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving party;

(c) information which becomes generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving party in breach of this Agreement;

(d) information which was disclosed to the receiving party, other than under an obligation of confidentiality, by a third party who had no obligation to the disclosing party not to disclose such information; or

(e) information which was developed independently without reference to Confidential Information received from the other party hereunder as evidenced by the receiving party's own written records.

10.4 Permitted Usage. Notwithstanding the provisions of Section 10.1 above, the receiving party may use or disclose Confidential Information of the disclosing party in connection with the

exercise of its rights hereunder (including commercialization and/or sublicensing) or the fulfillment of its obligations and/or duties hereunder and in filing for, prosecuting or maintaining any proprietary rights, prosecuting or defending litigation, complying with applicable governmental regulations and/or submitting information to tax or other governmental authorities; provided that if the receiving party is required by law to make any public disclosures of Confidential Information of the disclosing party, to the extent it may legally do so, it shall give reasonable advance notice to the disclosing party of such disclosure and shall use its reasonable efforts to secure confidential treatment of Confidential Information prior to its disclosure (whether through protective orders or otherwise); and, provided, further, that to the extent that the receiving party is disclosing information to a third party for commercialization or sublicensing that the third party has agreed to terms at least as restrictive as the terms of this Article 10 and may not further disclose the information to any third party and FHCRC has been provided with a copy of the agreement.

ARTICLE 11 - TERMINATION OF AGREEMENT

11.1 Termination on Payment Default. At FHCRC's option, FHCRC may terminate this Agreement effective thirty (30) days after giving written notice in the event LICENSEE fails to pay any royalties or other amounts owed under this Agreement when due. During the thirty (30) day period after written notice of payment default, LICENSEE has the right to cure any payment default and prevent termination under this Section 11.1.

11.2 Termination on Other Defaults. This Agreement may be terminated by either party upon a material breach by the other party other than a payment default which is governed by Section 11.1, effective ninety (90) days after giving written notice to the breaching party of such termination under this Section and specifying such breach, unless the breach is cured or shown to be non-existent within the ninety (90) day period, in which case the Agreement will remain in effect.

11.3 Termination on Bankruptcy or Insolvency. Subject to any provisions of the federal bankruptcy laws limiting rights of termination, FHCRC may terminate this Agreement if LICENSEE files for protection under federal bankruptcy laws, becomes insolvent, makes an assignment for the benefit of creditors, appoints or suffers appointment of a receiver or trustee over its property, files a petition under any bankruptcy or insolvency act or has any such petition filed against it or files for dissolution.

11.4 Termination by LICENSEE. LICENSEE may terminate this Agreement in its entirety for any reason or no reason with thirty (30) days written notice to FHCRC.

11.5 Effect of Termination. Upon termination of this Agreement, each party will turn over to the other party all Confidential Information of such other party and all documents or data storage media containing any such Confidential Information and any and all copies thereof and will delete all such Confidential Information from its documents or data storage media. In addition, upon termination of this Agreement, LICENSEE shall return to FHCRC or destroy, at FHCRC's option and expense all of the LICENSED CELL LINE and all LICENSED MONOCLONAL ANTIBODY in possession of LICENSEE or any AFFILIATE sublicensee or other third party

who has received the LICENSED CELL LINE or LICENSED MONOCLONAL ANTIBODY from LICENSEE provided that LICENSEE shall be entitled to sell LICENSED PRODUCT as provided in Section 11.7 of this Agreement. Upon termination of this Agreement the Licenses shall terminate. Neither party shall be able to claim from the other party any damages or compensation for loses or expenses resulting solely from termination of this Agreement as permitted under this Section 11.

11.6 Effect of Termination on Sublicensees. Any sublicenses granted by LICENSEE under this Agreement shall provide for termination or assignment to FHCRC at FHCRC's sole discretion, of LICENSEE's interests therein upon termination of this Agreement for any reason.

11.7 Sale of Products on Termination. In the event of any early termination of this Agreement in accordance with this Article 11, for a period of six (6) months after termination LICENSEE shall have the right to sell all LICENSED PRODUCTS on hand at the time of such termination, provided that LICENSEE shall make all payments with respect thereto to FHCRC in accordance with this Agreement.

11.8 Final Report. Upon termination, a final report shall promptly be submitted in accordance with the provisions of Section 5.4, together with any royalty payments and unreimbursed patent expenses due to FHCRC.

11.9 Survival of Rights and Duties. Rights and duties hereunder which by their terms or nature survive the termination or expiration of this Agreement shall so survive such termination or expiration, including without limitation LICENSEE's duties under Articles 5 through 11 and 15.

ARTICLE 12 - REPRESENTATIONS AND COVENANTS

12.1 LICENSEE Representations and Warranties. LICENSEE represents and warrants to FHCRC that it has obtained and will at all times during the Term hold and comply with all licenses, permits and authorizations necessary to LICENSEE's complete and timely performance of its obligations under this Agreement which are required under any applicable statutes, laws, ordinances, rules and regulations of the United States as well as those of all applicable foreign governmental bodies, agencies and subdivisions, having, asserting or claiming jurisdiction over LICENSEE or LICENSEE's performance of the terms of this Agreement. In particular, LICENSEE:

(a) will be responsible for obtaining all necessary United States Food and Drug Administration approvals and all approvals required by similar governmental bodies or agencies of all applicable foreign countries; and

(b) understands and acknowledges that the transfer of certain commodities and technical data is subject to United States laws and regulations controlling the export of such commodities and technical data, including all Export Administration Regulations of the United States Department of Commerce. These laws and regulations, among other things, prohibit or require a license for the export of certain types of technical data to certain specified countries. LICENSEE hereby agrees and gives written assurance that it

will comply with all United States laws and regulations controlling the export of commodities and technical data, that it will be solely responsible for any violation of such by LICENSEE or its AFFILIATES or sublicensees, and that it will defend and hold FHCRC harmless in the event of any legal action of any nature occasioned by such violation.

12.2 FHCRC Representations and Covenants. FHCRC warrants and represents to LICENSEE that: (i) it has and will maintain the full right and authority to enter into this Agreement and grant the rights and licenses granted herein; (ii) it has not previously granted and will not grant any rights or licenses in conflict with the rights and licenses granted herein; (iii) to its knowledge no action, suit or claim has been initiated or threatened with respect to the LICENSED MATERIALS that would call into question FHCRC's right to enter into and perform its obligations under this Agreement;

12.3 Disclaimer of Warranty. To Licensee, its AFFILIATES, its sublicensees and customers or otherwise, express or implied, oral or written, arising by law, course of dealing, course of performance usage of trade or otherwise, with respect to the LICENSED CELL LINE, LICENSED MONOCLONAL ANTIBODY, LICENSED PRODUCT, LICENSED TECHNICAL INFORMATION, including without limitation all warranties as to the condition, manufacture, sale, use, operation, design, quality, capacity, latent defects, compliance with any law, ordinance, regulation, rule, contract or specification, "merchantability," fitness for any particular purpose, and all other qualities and characteristics whatsoever. FHCRC neither assumes nor authorizes LICENSEE or any person to assume for FHCRC any liability in connection with the manufacture, sale or use of any LICENSED PRODUCT. In no event shall FHCRC be liable for any consequential, incidental or special damages or expenses (including without limitation labor, transportation, loss of use, loss of profits and damage to persons or property) even if FHCRC has been advised of the possibility thereof.

ARTICLE 13 - COMMERCIALLY REASONABLE EFFORTS

13.1 Reasonable Efforts. LICENSEE shall use reasonable effort to introduce the LICENSED PRODUCTS into the commercial market within five (5) years of the Effective Date, consistent with sound and reasonable business practices and judgment, and thereafter endeavor to keep LICENSED PRODUCTS reasonably available to the public.

ARTICLE 14 - NOTICES

14.1 Notices. All communications, including payments, notices, demands or requests required or permitted to be given hereunder, shall be given in writing and shall be:

(a) personally delivered;

(b) sent by facsimile or other electronic means of transmitting written documents; or

(c) sent to the parties at their respective addresses indicated herein by registered or certified U.S. mail, return receipt requested and postage prepaid, or by private overnight

mail courier service. The respective addresses to be used for all such payments, notices, demands or requests are as follows:

If to FHCRC: Fred Hutchinson Cancer Research Center
1100 Fairview Ave. N., C2M-027
Seattle, Washington 98109
Attention: Rosalie Beer,
Senior Licensing Associate
Facsimile: (206) 667-4732

With copies to: Douglas J. Shaeffer, Esq.
Fred Hutchinson Cancer Research Center
1100 Fairview Ave. N., C2M-027
Seattle, Washington 98109
Facsimile: (206) 667-6590

If to LICENSEE: Xcyte Therapies, Inc.
2203 Airport Way South, Suite 300
Seattle, WA 98134
Attention: Business Development
Facsimile: (206) 328-7316

With copies to: Venture Law Group
4750 Carillon Point
Kirkland, Washington 98033-7355
Attn: William W. Ericson
Facsimile: (425) 739-8750

If personally delivered, such communication shall be deemed delivered upon actual receipt. If electronically transmitted pursuant to this section, such communication shall be deemed delivered when transmitted. If sent by overnight courier pursuant to this section, such communication shall be deemed delivered within twenty-four hours of deposit with such courier. If sent by U.S. mail pursuant to this section, such communications shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service, or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal. Any party to this Agreement may change their address for the purposes of this Agreement by giving notice in accordance with this Section.

ARTICLE 15 - MISCELLANEOUS

15.1 Governing Law. The rights and obligations of the parties under this Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

15.2 Amendments. This Agreement may not be amended except by an instrument in writing signed by both parties.

15.3 Assignability. The Agreement shall be binding on the parties hereto and upon their respective heirs, administrators, successors and assigns. This Agreement may not be assigned by LICENSEE or by operation of law without the prior written consent of FHCRC, which consent shall not be unreasonably withheld; except either party may assign this Agreement, without such consent, to (i) an AFFILIATE of such party; or (ii) an entity that acquires all or substantially all of the business or assets of such party to which this Agreement pertains, whether by merger, reorganization, acquisition, sale or otherwise, and that agrees in writing to be strictly bound by the terms and conditions of this Agreement.

15.4 Non-Profit Status. LICENSEE acknowledges that FHCRC is a non-profit organization qualifying for and holding the status of an exempt organization under Section 50l(c)(3) of the United States Internal Revenue Code. If the Internal Revenue Service determines, or a determination by FHCRC based on advice of legal or tax counsel is reasonably made, that any part or all of this Agreement will jeopardize FHCRC's Section 501(c)(3) status, the parties agree to meet and confer in good faith to amend this Agreement to the extent necessary to satisfy Internal Revenue Service requirements for retention of FHCRC's Section 50l(c)(3) status. If FHCRC and LICENSEE cannot agree within 30 days after commencing negotiations regarding the amendments to be made to this Agreement in order for FHCRC to retain its Section 501(c)(3) status, FHCRC may terminate this Agreement effective upon giving written notice to LICENSEE of termination under this Section 10.

15.5 Conflicts with Grants. LICENSEE understands and acknowledges that agreements between FHCRC and agencies of the United States Government funding FHCRC's programs may contain clauses granting patent and/or other rights to the agencies or the U.S. Government; LICENSEE agrees that the rights granted to it under this Agreement shall be subject to any rights of the agencies and the U.S. Government. If a conflict arises, the provisions of any U.S. Government agency funding agreement and/or regulation shall prevail over any conflicting provisions of this Agreement and FHCRC will have no liability to LICENSEE as a result of such conflict. If such a conflict arises or is reasonably anticipated, FHCRC will promptly give notice to LICENSEE of the nature of the conflict and copies of any correspondence relating thereto in accordance with Section 14.1.

15.6 Use of Name. Neither party shall use the name of the other party or reveal the terms of this Agreement in any publicity or advertising without the prior written approval of the other party, except that (i) either party may use the text of a written statement approved in advance by both parties without further approval; (ii) either party shall have the right to identify the other party and to disclose the terms of this Agreement as required by applicable securities laws or other applicable law or regulation; and (iii) either party may disclose that a licensing relationship exists between the parties and may disclose the name of the other party in that context.

15.7 Written Notices. All letters, documents, or other materials of a written or physical nature, required by or relating to this Agreement shall be in English and sent to the party at the address given in Article 14.

15.8 Independent Parties. The parties to this Agreement are independent contractors and not agent of the other. This Agreement shall not constitute a partnership or joint venture, and neither party may be bound by the other to any contract, arrangement or understanding except as specifically stated herein.

15.9 Enforceability. Should a court of competent jurisdiction later consider any provision of this Agreement to be invalid, illegal, or unenforceable, it shall be considered severed from this Agreement. All other provisions, rights and obligations shall continue without regard to the severed provision, provided that the remaining provisions of this Agreement are in accord with the intention of the parties.

15.10 Actions. In the event any party to this Agreement commences any action or proceeding, including an appeal of an action or proceeding, against the other, or otherwise retains an attorney, by reason of any breach or claimed breach of any provision of this Agreement, or to seek a judicial declaration of rights hereunder or judicial or equitable relief, the prevailing party in such action or proceeding shall be entitled to recover its reasonable attorneys' fees and costs. At the option of FHCRC, venue of any such legal or equitable action shall lie in Seattle, Washington. LICENSEE hereby submits to the jurisdiction of the Federal District Court of Western Washington located in Seattle, Washington, and hereby agrees to accept service of process by certified mail, return receipt requested, effective upon delivery to LICENSEE.

15.11 Force Majeure. LICENSEE and FHCRC shall not be liable for loss, damage, detention or delay resulting from any cause whatsoever beyond its reasonable control or resulting from a force majure, including, without limitation, fire, flood, strike, lockout, civil or military authority, insurrection, war, embargo, container or transportation shortage or delay of suppliers due to such causes, and delivery dates shall be extended to the extent of any delays resulting from the foregoing or similar causes. The party so affected shall give prompt notice to the other party of such cause, and shall take whatever reasonable steps are necessary to relieve the effect of such cause as rapidly as reasonably possible. The party giving such notice shall thereupon be excused from such of its obligations hereunder as it is thereby disabled from performing for so long as it is so disabled and for thirty (30) days thereafter, whichever is longer; provided, however, that such affected party commences and continues to take reasonable and diligent actions to cure such cause.

IN WITNESS WHEREOF, the parties have executed this Agreement through duly authorized representatives as of the date first above written.

FRED HUTCHINSON CANCER RESEARCH CENTER

By /s/ Douglas J. Shaeffer

Printed
Name Douglas J Shaeffer
Title, V.P. and General Counsel

XCYTE THERAPIES INC.

By /s/ Ronald Jay Berenson

Printed
Name Ronald Jay Berenson

Title President & CEO

EXHIBIT 10.24

AGREEMENT

FOR SERVICES RELATING TO THE [*]

EXPRESSING [*]

BETWEEN

LONZA BIOLOGICS PLC

AND

XCYTE THERAPIES, INC.

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

AGREEMENT

For Services Relating to the [*]

Expressing [*]

between

LONZA BIOLOGICS PLC

and

XCYTE THERAPIES, INC.

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THIS AGREEMENT is made the 6 day of June, 2000

BETWEEN

1. LONZA BIOLOGICS PLC, the registered office of which is at 228 Bath Road, Slough, Berkshire SL1 4DY, England ("LB"), and

2. XCYTE THERAPIES, INC., of 1124 Columbia Street, Suite 130, Seattle, Washington 98104, USA, ("Customer").

WHEREAS

A. Customer is the proprietor of, or licensed to use, the [*] (designated at LB as [*]) expressing [*], and

B. LB has the expertise in the development of process for and manufacture of similar products, and

C. Customer wishes to contract with LB for services to develop a Process for and manufacture Product, and

D. LB is prepared to perform such Services for Customer on the terms and conditions set out herein, and

E. LB will where scientifically possible perform such Services in parallel with Services to produce [*] for Customer.

NOW THEREFORE it is agreed as follows:

1. In this Agreement, its recitals and the schedules hereto, the words and phrases defined in Schedule 4 hereto and in the Standard Terms for Contract Services set out in Schedule 5 hereto shall have the meanings set out therein.

2. Subject to the Standard Terms for Contract Services set out in Schedule 5 and any Special Terms, LB agrees to perform the Services and the Customer agrees to pay the Price together with any additional costs and expenses that fall due hereunder.

3. 3.1 Any notice or other communication to be given under this Agreement shall be delivered personally or sent by facsimile transmission, or if facsimile transmission is not available, by first class pre-paid post addressed as follows:

3.1.1 if to LB to:

Lonza Biologics plc
228 Bath Road

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Slough
Berkshire SL1 4DY

Facsimile: 01753 777001
For the attention of the Head of Legal Services

3.1.2 if to the Customer to:
Xcyte Therapies, Inc.
1124 Columbia Street
Suite 130
Seattle
Washington 98104

Facsimile: 206 262 0900
For the attention of Director, Business Development

or to such other destination as either party hereto may hereafter notify to the other in accordance with the provisions of this clause.

3.2 All such notices or other communications shall be deemed to have been served as follows:

3.2.1 if delivered personally, at the time of such delivery;

3.2.2 if sent by facsimile, upon receipt of the transmission confirmation slip showing completion of the transmission;

3.2.3 if sent by first class pre-paid post, ten (10) business days (Saturdays, Sundays and Bank or other public holidays excluded) after being placed in the post.

AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first above written.

Signed for and on behalf of
LONZA BIOLOGICS PLC

/s/ EDWIN DAVIES

President Title

Signed for and on behalf of
XCYTE THERAPIES, INC.

/s/ Ronald Jay Berenson

President & CEO Title

SCHEDULE 1

[*]

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SCHEDULE 2

SERVICES

CONTENTS

[*]

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SCHEDULE 3

PRICE AND TERMS OF PAYMENT

1.0 Price

In consideration for LB carrying out the Services as detailed in Schedule 2 the Customer shall pay LB, as follows

STAGE		PRICE (UK (POUND) STERLING)
1	[*]	(pound) 105,000
2	[*]	(pound) 64,000(1)
3	[*]	(pound) 73,500
4	[*]	(pound) 26,250
5	[*]	(pound) 79,000
6	[*]	(pound) 295,000(2)
7	[*]	(pound) 17,000(3)
8	[*]	(pound) 40,000(4)
9	[*]	(pound) 30,000
10	[*]	(pound) 57,750
11	[*]	(pound) 12,500 per time point
12	[*]	(pound) 50,000
13	[*]	(pound) 7,000

[*]

2.0 Payment

Payment by the Customer of the Price for each Stage shall be made against LB invoices on the following basis:

[*]

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SCHEDULE 4

SPECIAL TERMS

[*]

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SCHEDULE 5

TERMS FOR CONTRACT SERVICES FOR [*]
FOR XCYTE THERAPIES, INC.

1. Interpretation

1.1 In these Standard Terms, unless the context requires otherwise:

1.1.1 "Affiliate" means any Company, partnership or other entity which directly or indirectly controls, is controlled by or is under common control with the relevant party to this Agreement. "Control" means the ownership of more than fifty per cent (50%) of the issued share capital or the legal power to direct or cause the direction of the general management and policies of the party in question.

1.1.2 "Agreement" means any contract between LB and a Customer incorporating these Standard Terms.

1.1.3 "Cell Line" means the cell line, particulars of which are set out in Schedule 1.

1.1.4 "cGMP" means Good Manufacturing Practices and General Biologics Products Standards as promulgated under the US Federal Food Drug and Cosmetic Act at 21CFR (Chapters 210, 211, 600 and 610) and the Guide to Good Manufacturing Practices for Medicinal Products as promulgated under European Directive 91/356/EEC. LB's operational quality standards are defined in internal GMP policy documents. Additional product-specific development documentation and validation work may be required to support regulatory applications to conduct clinical trials or market a product.

1.1.5 "Customer" includes any person to whom a Proposal is issued by LB.

1.1.6 "Customer information" means all technical and other information not known to LB or in the public domain relating to the Cell Line, the Process and the Product, from time to time supplied by the Customer to LB.

1.1.7 "Customer Materials" means the Materials supplied by Customer to LB (if any) and identified as such by Schedule 1 hereto.

1.1.8 "Customer Tests" means the tests to be carried out on the Product immediately following receipt of the Product by the Customer, particulars of which are set out in Schedule 1.

1.1.9 "ex works" means LB has fulfilled its obligation to deliver when it has made the object of delivery available at its premises to the Customer or the Customer's agent (or to LB's carrier if the provisions of Clause 5.1 of this Schedule 5 apply). For the avoidance of doubt, unless otherwise agreed in writing, LB is not responsible for loading the object of delivery on to the vehicle provided by the Customer or the Customers agent (or to LB's nominated carrier if Clause 5.1 of this Schedule 5 applies) or for delaying the object of delivery for export.

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1.1.10 "LB Know-How" means all technical and other information relating to the Process known to LB from time to time other than confidential Customer Information and information in the public domain.

1.1.11 "Patent Rights" means all patents and patent applications of any kind throughout the world relating to the Process which from time to time LB is the owner of or is entitled to use but not in any case any patent rights owned or controlled by Customer or its licensor/supplier.

1.1.12 "Price" means the price specified in Schedule 3 for the Services.

1.1.13 "Process" means the process for the production of the Product from the Cell Line, including any improvements thereto from time to time.

1.1.14 "Product" means all or any part of the product (including any sample thereof), particulars of which are set out in Schedule 1.

1.1.15 "Proposal" means any proposal or quotation issued by LB.

1.1.16 "Services" means all or any part of the services the subject of the Agreement or Proposal (including, without limitation, cell culture evaluation, purification evaluation, master, working and extended cell bank creation, and sample and bulk production), particulars of which are set-out in Schedule 2.

1.1.17 "Special Term" means any term additional or supplemental to these Standard Terms from time to time agreed in writing between LB and the Customer. Particulars of any Special Terms at the date of the Agreement are set out in Schedule 4.

1.1.18 "Specification" means the specification for Product, particulars of which are set out In Schedule 1.

1.1.19 "Terms of Payment" means the terms of payment specified in Schedule 3.

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

1.2 Unless the context requires otherwise, words and phrases defined in any other part of the Agreement shall bear the same meanings in these Standard Terms, references to the singular number include the plural and vice versa, references to Schedules are references to schedules to the Agreement, and references to Clauses are references to clauses of these Standard Terms.

1.3 In the event of a conflict between a Special Term and these Standard Terms, the Special Term shall prevail.

2. Applicability of Standard Terms

2.1 Unless agreed otherwise, these Standard Terms shall apply to every Proposal and Agreement, and to any services additional to the Services requested by a Customer. LB shall not be bound by any terms which may be inconsistent with these Standard Terms and the Special Terms. No variation of or addition to these Standard Terms and the Special Terms or any other term of an Agreement shall be effective unless in writing and signed for and on behalf of LB and Customer. For the avoidance of doubt, amendments to the draft Specification or Specification for Product shall be effective if reduced to writing and signed by the regulatory

representative of both Parties, which regulatory representative shall be nominated from time to time by the parties.

2.2 Unless previously withdrawn, a Proposal is open for acceptance within the period stated therein. Where no period is stated, the Proposal shall be open for acceptance within thirty (30) days from the date it is issued unless withdrawn in the meantime. Any acceptance by a Customer of a Proposal shall not create a binding contract.

2.3 A binding contract shall only be created when LB has accepted in writing an offer placed by a Customer.

3. Supply by Customer

3.1 Prior to or immediately following the date of the Agreement the Customer shall supply to LB the Customer Information, together with full details of any hazards relating to the Cell Line and/or the Customer Materials, their storage and use. On review of this Customer Information, the Cell Line and/or the Customer Materials shall be provided to LB at LB's request. Property in the Cell Line and/or the Customer Materials supplied to LB shall remain vested in the Customer.

3.2 The Customer hereby grants LB [*]. LB hereby undertakes not to use the Cell Line, the Customer Materials or the Customer Information (or any part thereof) for any other purpose.

3.3 LB shall:

3.3.1 at all times use all reasonable endeavours to keep the Cell Line and/or the Customer Materials secure and safe from loss and damage in such manner as LB stores its own material of similar nature;

3.3.2 not part with possession of the Cell Line and/or the Customer Materials or the Product, save for the purpose of tests at the Testing Laboratories; and

3.3.3 procure that all Testing Laboratories are subject to obligations of confidence and restrictions to use and transfer substantially in the form of those obligations of confidence imposed on LB under these Standard Terms.

3.4 The Customer warrants to LB that:

3.4.1 the Customer is and shall at all times throughout the duration of the Agreement remain entitled to supply the Cell Line, the Customer Materials and Customer Information to LB;

3.4.2 to the best of the Customer's knowledge and belief the use by LB of the Cell Line, the Customer Materials or and the Customer Information for the Services will not infringe any rights (including, without limitation, any intellectual or industrial property rights) vested in any third party; and

3.4.3 the Customer will notify LB, in writing, immediately it knows or ought to know that it is no longer entitled to supply the Cell Line, the Customer Materials and/or the Customer Information to LB or that the use by LB of the Cell Line, the Customer Materials or the Customer Information for the Services infringes or is alleged to infringe any rights (including, without limitation, any intellectual or industrial property rights) vested in any third party.

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3.5 Provided that LB gives Customer prompt written notice and full particulars of any claim, tenders to Customer, full control of any defense or settlement and co-operates fully with Customer, the Customer undertakes to indemnify and to maintain LB promptly indemnified against any loss, damage, costs and expenses of any nature (including court costs and legal fees on a full indemnity basis), whether direct or consequential, and whether or not foreseeable or in the contemplation of LB or the Customer, that LB may suffer arising out of or incidental to any breach of the warranties given by the Customer under Clause 3.4 above or any claims alleging LB's use of the Cell Line, the Customer Materials or the Customer Information infringes any rights (including, without limitation, any intellectual or industrial property rights) vested in any third party (whether or not the Customer knows or ought to have known about the same), however it is agreed that LB will retain its own independent legal counsel with settlement of any claim requiring LB's prior written consent which shall not be unreasonably withheld.

3.6 The obligations of LB and the Customer under this Clause 3 shall survive the termination for whatever reason of the Agreement.

4. Provision of the Services

4.1 LB shall diligently carry out the Services as provided in Schedule 2 and shall use all reasonable efforts to achieve the estimated timescales therefor.

4.2 Due to the unpredictable nature of the biological processes involved in the Services, the timescales set down for the performance of the Services (including without limitation the dates for production and delivery of Product) and the quantities of Product for delivery set out in Schedule 2 are estimated only.

4.3 Provided that LB has complied with Section 4.1 the Customer shall not be entitled to cancel any unfulfilled part of the Services or to refuse to accept the Services on grounds of late performance, late delivery or failure to produce the estimated quantities of Product for delivery. LB shall not be liable for any loss, damage, costs or expenses of any nature, whether direct or consequential, occasioned by:

4.3.1 any delay in performance or delivery howsoever caused; or

4.3.2 any failure to produce the estimated quantities of Product for delivery.

4.4 LB shall comply with the regulatory requirements from time to applicable to the Services as set out in Schedule 2 hereto, including without limitation all relevant requirements of current Good Manufacturing Practices under the policies and practices of the US FDA and European Regulatory Authorities and shall consider ICH and other relevant regulatory guidance documents whether or not set forth with precision in said Schedule 2. If the Customer requests LB to comply with any other regulatory or similar legislative requirements LB shall use all reasonable commercial endeavours to do so provided that:

4.4.1 the Customer shall be responsible for informing LB in writing of the precise foreign requirements which the Customer is requesting LB to observe;

4.4.2 such foreign requirements do not conflict with any mandatory requirements under the laws of England;

4.4.3 LB shall be under no obligation to ensure that such written information complies with the applicable requirements of any foreign jurisdiction; and

4.4.4 all costs and expenses incurred by LB in complying with such foreign requirements shall be charged to the Customer in addition to the Price.

4.5 Delivery of Product shall be ex-works LB's premises (Incoterms 1990). Risk in and title to Product shall pass on delivery. Transportation of Product, whether or not under any arrangements made by LB on behalf of the Customer, shall be made at the sole risk and expense of the Customer.

4.6 Unless otherwise agreed, LB shall package and label Product for delivery ex-works in accordance with its standard operating procedures. It shall be the responsibility of the Customer to inform LB in writing in advance of any special packaging and labelling requirements for Product. All additional costs and expenses of whatever nature incurred by LB in complying with such special requirements shall be charged to the Customer in addition to the Price.

5. Transportation of Product and Customer Tests

5.1 If requested by the Customer, LB will (acting as agent of the Customer for such purpose) arrange the transportation of Product from LB's premises to the destination indicated by the Customer together with insurance cover for Product in transit at its invoiced value. All additional costs and expenses of whatever nature incurred by LB in arranging such transportation and insurance shall be charged to the Customer in addition to the Price.

5.2 Where LB has made arrangements for the transportation of Product, the Customer shall diligently examine the Product as soon as practicable after receipt. Notice of all claims (time being of the essence) arising out of:

5.2.1 damage to or total or partial loss of Product in transit shall be given in writing to LB and the carrier within three (3) working days of delivery; or

5.2.2 non-delivery shall be given in writing to LB within ten (10) days after the date of LB's dispatch notice.

5.3 The Customer shall make damaged Product available for inspection and shall comply with the requirements of any insurance policy covering the Product notified by LB to the Customer. LB shall offer the Customer all reasonable assistance (at the cost and expense of the Customer) in pursuing any claims arising out of the transportation of Product.

5.4 Promptly following receipt of Product or any sample thereof, the Customer shall carry out the Customer Tests. PROVIDED ALWAYS the Specification for such Product is not stated to be in draft form, if the Customer Tests show that the Product fails to meet Specification, the Customer shall give LB written notice thereof within forty-five (45) days from the date of delivery of the Product ex-works and shall return such Product to LB's premises for further testing. In the absence of such written notice Product shall be deemed to have been accepted by the Customer as meeting Specification. If LB is satisfied that Product returned to LB fails to meet Specification and that such failure is not due (in whole or in part) to acts or omissions of the Customer or any third party after delivery of such Product ex-works, LB shall at Customer's discretion refund that part of the Price

that relates to the production of such Product or replace such Product at its own cost and expense. In the event Customer requires LB to replace such Product, LB shall be entitled to have regard to its commercial commitments to third parties in the timing of such replacement and will consider Customer's requirements in as fair and equal manner as it considers other third party customer requirements, Customer acknowledges that there may, therefore, be a delay in the timing of the replacement of such Product.

FOR THE AVOIDANCE OF DOUBT, WHERE THE SPECIFICATION IS STATED TO BE IN DRAFT FORM LB SHALL BE OBLIGED ONLY TO USE ITS REASONABLE ENDEAVOURS TO PRODUCE PRODUCT THAT MEETS SPECIFICATION.

5.5 If there is any dispute concerning whether Product returned to LB, fails to meet Specification or whether such failure is due (in whole or in part) to acts or omissions of the Customer or any third party after delivery of such Product ex-works, such dispute shall be referred for decision to an independent expert (acting as an expert and not as an arbitrator) to be appointed by agreement between LB and the Customer or, in the absence of agreement by the President for the time being of the Association of the British Pharmaceutical Industry. The costs of such independent expert shall be borne equally between LB and the Customer. The decision of such independent expert shall be in writing and, save for manifest error on the face of the decision, shall be binding on both LB and the Customer.

5.6 The provisions of Clauses 5.4 and 5.5 shall be the sole remedy available to the Customer in respect of Product that fails to meet Specification.

6. Price and Terms of Payment

6.1 The Customer shall pay the Price in accordance with the Terms of Payment.

6.2 Unless otherwise indicated in writing by LB. all prices and charges are exclusive of Value Added Tax or of any other applicable taxes, levies, imposts, duties and fees of whatever nature imposed by or under the authority of any government or public authority, which shall be paid by the Customer (other than taxes on LB's income). All Invoices are strictly net and payment must be made within thirty (30) days of date of invoice. Payment shall be made without deduction, deferment, set-off, lien or counterclaim of any nature.

6.3 In default of payment on due date:

6.3.1 interest shall accrue on any amount overdue at the rate of [*] above the base lending rate from time to time of HSBC Bank plc, interest to accrue on a day to day basis both before and after judgement; and

6.3.2 LB shall, at its sole discretion, and without prejudice to any other of its accrued rights, be entitled to suspend the provision of the Services or to treat the Agreement as repudiated by notice in writing to the Customer exercised at any time thereafter.

7. Warranty and Limitation of Liability

7.1 LB warrants that:

7.1.1 the Services shall be performed in accordance with Clause 4.1; and

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7.1.2 the Product shall meet Specification on delivery, save where the Specification is stated to be in draft form when LB shall be obliged only to use its reasonable endeavours to produce Product that meets Specification.

7.2 Clause 7.1 is in lieu of all conditions, warranties and statements in respect of the Services and/or the Product whether expressed or implied by statute, custom of the trade or otherwise (including but without limitation any such condition, warranty or statement relating to the description or quality of the Product, its fitness for a particular purpose or use under any conditions whether or not known to LB) and any such condition, warranty or statement is hereby excluded.

7.3 Without prejudice to the terms of Clauses 5.6, 7.1. 7.2, 7.4 and 7.6, the liability of LB for any loss or damage suffered by the Customer as a direct result of any breach of the Agreement or of any other liability of LB (including misrepresentation and negligence or third party claim brought against Customer relating solely to LB know-how) in respect of the Services (including without limitation the production and/or supply of the Product) shall be limited to the payment by LB of damages which shall not exceed [*].

7.4 Subject to Clause 7.6, LB shall not be liable for the following loss or damage howsoever caused (even if foreseeable or in the contemplation of LB or the Customer):

7.4.1 loss of profits, business or revenue whether suffered by the Customer or any other person; or

7.4.2 special, indirect or consequential loss, whether suffered by the Customer or any other person; and

7.4.3 any loss arising from any claim made against the Customer by any other person.

7.5 Provided that LB gives Customer prompt written notice and full particulars of any claim, tenders to Customer, full control of any defense or settlement, and co-operate fully with Customer, the Customer shall indemnify and maintain LB promptly indemnified against all claims, actions, costs, expenses of any nature (including court costs and legal fees on a full indemnity basis) or other liabilities whatsoever in respect of the following, it been agreed, however that LB will retain its own independent legal counsel with settlement of any claim requiring LB's prior written consent which will not be unreasonably withheld:

7.5.1 any liability under the Consumer Protection Act 1987, unless such liability is caused by the negligent act or omission of LB in the production and/or supply of the Product; and

7.5.2 any product liability (other than that referred to in Clause 7.5.1) in respect of Product, unless such liability is caused by the negligent act or omission of LB in the production and/or supply of Product; and

7.5.3 any negligent or willful act or omission of the Customer in relation to the use, processing, storage or sale of the Product.

7.6 Nothing contained in these Standard Terms shall purport to exclude or restrict any liability for death or personal injury resulting directly from negligence by LB in

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carrying out the Services or any liability for breach of the implied undertakings of LB as to title.

7.7 The obligations of LB and the Customer under this Clause 7 shall survive the termination for whatever reason of the Agreement.

8. Customer Information, LB Know-How and Patent Rights

8.1 The Customer acknowledges that LB Know-How and LB acknowledges that Customer Information with which it is supplied by the other pursuant to the Agreement is supplied, subject to Clause 8.4, in circumstances imparting an obligation of confidence and each agrees to keep such LB Know-How or such Customer Information secret and confidential and to respect the other's proprietary rights therein and not at any time for any reason whatsoever to disclose or permit such LB Know-How or such Customer Information to be disclosed to any third party save as expressly provided herein.

8.2 The Customer and LB shall each procure that all their respective employees, consultants and contractors having access to confidential LB Know-How or confidential Customer Information shall be subject to the same obligations of confidence as the principals pursuant to Clause 8.1 and shall enter into secrecy agreements in support of such obligations. Insofar as this is not reasonably practicable, the principals shall take all reasonable steps to ensure that any such employees, consultants and contractors are made aware of such obligations.

8.3 LB and the Customer each undertake not to disclose or permit to be disclosed to any third party, or otherwise make use of or permit to be made use of, any trade secrets or confidential information relating to the technology, business affairs or finances of the other, any subsidiary, holding company or subsidiary or any such holding company of the other, or of any suppliers, agents, distributors, licensees or other customers of the other which comes into its possession under this Agreement.

8.4 The obligations of confidence referred to in this Clause 8 shall not extend to any information which:

8.4.1 is or becomes generally available to the public otherwise than by reason of a breach by the recipient party of the provisions of this Clause 8;

8.4.2 is known to the recipient party and is at its free disposal prior to its receipt from the other;

8.4.3 is subsequently disclosed to the recipient party without being made subject to an obligation of confidence by a third party;

8.4.4 LB or the Customer may be required to disclose under any statutory, regulatory or similar legislative requirement, subject to the imposition of obligations of secrecy wherever possible in that relation; or

8.4.5 is developed by any servant or agent of the recipient party without access to or use or knowledge of the information by the disclosing party.

8.5 The Customer acknowledges that:

8.5.1 LB Know-How and the Patent Rights are vested in LB or LB is otherwise entitled thereto; and

8.5.2 the Customer shall not at any time have any right, title, licence or interest in or to LB Know-How, the Patent Rights or any other intellectual property rights relating to the Process which are vested in LB or to which LB is otherwise entitled.

8.6 LB acknowledges that:

8.6.1 Customer has undertaken that the Customer Information is vested in the Customer or the Customer is otherwise entitled thereto; and

8.6.2 save as provided herein LB shall not at any time have any right, title, license or interest in or to the Customer information or any other Intellectual Property rights vested in Customer or to which the Customer is entitled.

8.7 The obligations of LB and the Customer under this Clause 8 shall survive the termination for whatever reason of the Agreement.

9. Termination

9.1 If it becomes apparent to either LB or the Customer at any stage in the provision of the Services that it will not be possible to complete the Services for scientific or technical reasons, a sixty (60) day period shall be allowed for discussion to resolve such problems. If such problems are not resolved within such period, LB and the Customer shall each have the right to terminate the Agreement forthwith by notice in writing. In the event of such termination, the Customer shall pay to LB a termination sum calculated by reference to all the Services performed by LB prior to such termination (including a pro rata proportion of the Price for any stage of the Services which is in process at the date of termination) and all expenses reasonably incurred by LB in giving effect to such termination, including the costs of terminating any commitments entered into under the Agreement, such termination sum not to exceed the balance of the Price for the remaining services not yet commenced, LB will engage in good faith efforts to offer to other third party customers those development resources or manufacturing slots which become available due to termination by Customer of this Agreement, and Customer will not be required to pay for that portion of the Services and related expenses that LB is able to charge to such other customers.

9.2 Customer shall be entitled to terminate this Agreement at any time for any reason by sixty (60) days' notice to LB in writing. In the event of Customer serving notice to terminate this Agreement which notice is expressed to be given pursuant to this Clause 9.2, Customer shall:

9.2.1 pay LB a termination sum calculated in accordance with the principles of Clause 9.1 above, and

9.2.2 In the event notice to terminate this Agreement pursuant to this Clause 9.2 is issued to LB within six (6) months of LB's then estimated start date for any stage of the Services which includes cGMP fermentation activities, Customer shall pay LB a sum (to the extent not already payable as noted above in accordance with the principles of Clause 9.1) equal to not less than ten percent (10%) nor more than eighty-five percent (85%) of the full Price of that stage, or those stages, in question, as provided in Clause 9.2.3

below. Such payment shall fall due to LB on or before the date of termination of the Services. For the avoidance of doubt activities relating to cGMP fermentation shall be deemed to commence with the date of removal of the vial of cells for the performance of the fermentation from frozen storage.

9.2.3 In the event of Customer serving notice to terminate this Agreement in the circumstances described in Clause 9.2.2, LB shall use reasonable endeavours to substitute a requirement for the manufacturing slot which becomes available due to Customer of the Agreement. If LB finds such an alternative third party selling the manufacturing slot, which third party requirement is not for business (i.e. LB shall not be required to reschedule parties), the fee payable by Customer under Clause 10% of the price for the manufacturing slot originally amount, if any, by which the fees to be paid for such customer is less than 85% of the price under this originally reserved for Customer. If LB is substitute a third party requirement for the such manner, Customer shall be liable to of the price under this Agreement third party termination by and is successful in previously contracted existing commitments to third parties), the fee payable by Customer under Clause 9.2.2 shall equal the greater of (a) reserved for Customer and (b) the manufacturing slot by such other Agreement for the manufacturing slot unable, by using reasonable endeavours, to manufacturing slot reserved for Customer in pay LB under Clause 9.2.2 a sum equal to 85% for the manufacturing slot.

9.3 LB and the Customer may each terminate the Agreement forthwith by notice in writing to the other upon the occurrence of any of the following events:

9.3.1 if the other commits a breach of the Agreement which (in the case of a breach capable of remedy) is not remedied within thirty (30) days of the receipt by the other of notice identifying the breach and requiring its remedy; or

9.3.2 if the other ceases for any reason to carry on business or compounds with or convenes a meeting of its creditors or has a receiver or manager appointed in respect of all or any part of its assets or is the subject of an application for an administration order or of any proposal for a voluntary arrangement or enters into liquidation (whether compulsorily or voluntarily) or undergoes any analogous act or proceedings under foreign law.

9.4 Upon the termination of the Agreement for whatever reason:

9.4.1 LB shall promptly return all Customer Information to the Customer and shall dispose of or return to the Customer the Customer Materials (and where supplied by Customer the Cell Line) and any materials therefrom, as directed by the Customer;

9.4.2 the Customer shall promptly return to LB all LB Know-How it has received from LB;

9.4.3 the Customer shall not thereafter use or exploit the Patent Rights or the LB Know-How in any way whatsoever;

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

9.4.5 LB and the Customer shall do all such acts and things and shall sign and execute all such deeds and documents as the other may reasonably require to evidence compliance with this Clause 9.4.

9.5 Termination of the Agreement for whatever reason shall not affect the accrued rights of either LB or the Customer arising under or out of this Agreement and all provisions which are expressed to survive the Agreement shall remain in full force and effect.

10. Force Majeure

10.1 If LB is prevented or delayed in the performance of any of its obligations under the Agreement by Force Majeure and shall give written notice thereof to the Customer specifying the matters constituting Force Majeure together with such evidence as LB reasonably can give and specifying the period for which it is estimated that such prevention or delay will continue, LB shall be excused from the performance or the punctual performance of such obligations as the case may be from the date of such notice for so long as such cause of prevention or delay shall continue.

10.2 The expression "Force Majeure" shall be deemed to include any cause affecting the performance by LB of the Agreement arising from or attributable to acts, events, acts of God, omissions or accidents beyond the reasonable control of LB.

11. Governing Law, Jurisdiction and Enforceability

11.1 The construction, validity and performance of the Agreement shall be governed by the laws of England, to the jurisdiction of whose courts LB and the Customer submit.

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

11.3 The illegality or invalidity of any provision (or any part thereof) of the Agreement or these Standard Terms shall not affect the legality, validity or enforceability of the remainder of its provisions or the other parts of such provision as the case may be.

12. Miscellaneous

12.1 Neither party shall be entitled to assign, transfer, charge or in any way make over the benefit and/or the burden of this Agreement without the prior written consent of the other which consent shall not be unreasonably withheld or delayed, save that either LB or the Customer shall respectively be entitled without the prior written consent of the other to assign, transfer, charge, sub-contract, deal with or

in any other manner make over the benefit and/or burden of this Agreement to an Affiliate or to any 50/50 joint venture company of which either party is the beneficial owner or fifty per cent (50%) of the issued share capital thereof or to any company with which either party may merge or to any company to which that party may transfer its assets and undertakings.

12.2 The text of any press release or other communication to be published by or in the media concerning the subject matter of the Agreement shall require the prior written approval of LB and the Customer.

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

EXHIBIT 10.25

AGREEMENT

FOR SERVICES RELATING TO THE [*]

EXPRESSING [*]

BETWEEN

LONZA BIOLOGICS PLC

AND

XCYTE THERAPIES, INC.

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

AGREEMENT

For Services Relating to the [*]

Expressing [*]

between

LONZA BIOLOGICS PLC

and

XCYTE THERAPIES, INC.

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

THIS AGREEMENT is made the 6 day of June, 2000

BETWEEN

1. LONZA BIOLOGICS PLC, the registered office of which is at 228 Bath Road, Slough, Berkshire SL1 4DY, England ("LB"), and

2. XCYTE THERAPIES, INC., of 1124 Columbia Street, Suite 130, Seattle, Washington 98104, USA, ("Customer").

WHEREAS

A. Customer is the proprietor of, or licensed to use, the [*] (designated at LB as [*]) expressing [*], and

B. LB has the expertise in the development of process for and manufacture of similar products, and

C. Customer wishes to contract with LB for services to develop a Process for and manufacture Product, and

D. LB is prepared to perform such Services for Customer on the terms and conditions set out herein, and

E. LB will where scientifically possible perform such Services in parallel with Services to produce [*] for Customer.

NOW THEREFORE it is agreed as follows:

1. In this Agreement, its recitals and the schedules hereto, the words and phrases defined in Schedule 4 hereto and in the Standard Terms for Contract Services set out in Schedule 5 hereto shall have the meanings set out therein.

2. Subject to the Standard Terms for Contract Services set out in Schedule 5 and any Special Terms, LB agrees to perform the Services and the Customer agrees to pay the Price together with any additional costs and expenses that fall due hereunder.

3. 3.1 Any notice or other communication to be given under this Agreement shall be delivered personally or sent by facsimile transmission, or if facsimile transmission is not available, by first class pre-paid post addressed as follows:

3.1.1 if to LB to:

Lonza Biologics plc
228 Bath Road

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\

Slough
Berkshire SL1 4DY

Facsimile: 01753 777001
For the attention of the Head of Legal Services

3.1.2 if to the Customer to:
Xcyte Therapies, Inc.
1124 Columbia Street
Suite 130
Seattle
Washington 98104

Facsimile: 206 262 0900
For the attention of Director, Business Development

or to such other destination as either party hereto may hereafter notify to the other in accordance with the provisions of this clause.

3.2 All such notices or other communications shall be deemed to have been served as follows:

3.2.1 if delivered personally, at the time of such delivery;

3.2.2 if sent by facsimile, upon receipt of the transmission confirmation slip showing completion of the transmission;

3.2.3 if sent by first class pre-paid post, ten (10) business days (Saturdays, Sundays and Bank or other public holidays excluded) after being placed in the post.

AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first above written.

Signed for and on behalf of
LONZA BIOLOGICS PLC

/s/ EDWIN DAVIES

President Title

Signed for and on behalf of
XCYTE THERAPIES, INC.

/s/ Ronald Jay Berenson

President & CEO Title

SCHEDULE 1

[*]

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SCHEDULE 2

SERVICES

CONTENTS

[*]

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SCHEDULE 3

PRICE AND TERMS OF PAYMENT

1.0 Price

In consideration for LB carrying out the Services as detailed in Schedule 2 the Customer shall pay LB, as follows

STAGE		PRICE (UK (POUND) STERLING)
1	[*]	(pound) 105,000
2	[*]	(pound) 64,000(1)
3	[*]	(pound) 73,500
4	[*]	(pound) 26,250
5	[*]	(pound) 79,000
6	[*]	(pound) 295,000(2)
7	[*]	(pound) 17,000(3)
8	[*]	(pound) 40,000(4)
9	[*]	(pound) 30,000
10	[*]	(pound) 57,750
11	[*]	(pound) 12,500 per time point
12	[*]	(pound) 50,000
13	[*]	(pound) 7,000

[*]

2.0 Payment

Payment by the Customer of the Price for each Stage shall be made against LB invoices on the following basis:

[*]

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SCHEDULE 4

SPECIAL TERMS

[*]

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SCHEDULE 5

TERMS FOR CONTRACT SERVICES FOR [*]
FOR XCYTE THERAPIES, INC.

1. Interpretation

1.1 In these Standard Terms, unless the context requires otherwise:

1.1.1 "Affiliate" means any Company, partnership or other entity which directly or indirectly controls, is controlled by or is under common control with the relevant party to this Agreement. "Control" means the ownership of more than fifty per cent (50%) of the issued share capital or the legal power to direct or cause the direction of the general management and policies of the party in question.

1.1.2 "Agreement" means any contract between LB and a Customer incorporating these Standard Terms.

1.1.3 "Cell Line" means the cell line, particulars of which are set out in Schedule 1.

1.1.4 "cGMP" means Good Manufacturing Practices and General Biologics Products Standards as promulgated under the US Federal Food Drug and Cosmetic Act at 21CFR (Chapters 210, 211, 600 and 610) and the Guide to Good Manufacturing Practices for Medicinal Products as promulgated under European Directive 91/356/EEC. LB's operational quality standards are defined in internal GMP policy documents. Additional product-specific development documentation and validation work may be required to support regulatory applications to conduct clinical trials or market a product.

1.1.5 "Customer" includes any person to whom a Proposal is issued by LB.

1.1.6 "Customer information" means all technical and other information not known to LB or in the public domain relating to the Cell Line, the Process and the Product, from time to time supplied by the Customer to LB.

1.1.7 "Customer Materials" means the Materials supplied by Customer to LB (if any) and identified as such by Schedule 1 hereto.

1.1.8 "Customer Tests" means the tests to be carried out on the Product immediately following receipt of the Product by the Customer, particulars of which are set out in Schedule 1.

1.1.9 "ex works" means LB has fulfilled its obligation to deliver when it has made the object of delivery available at its premises to the Customer or the Customer's agent (or to LB's carrier if the provisions of Clause 5.1 of this Schedule 5 apply). For the avoidance of doubt, unless otherwise agreed in writing, LB is not responsible for loading the object of delivery on to the vehicle provided by the Customer or the Customers agent (or to LB's nominated carrier if Clause 5.1 of this Schedule 5 applies) or for delaying the object of delivery for export.

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1.1.10 "LB Know-How" means all technical and other information relating to the Process known to LB from time to time other than confidential Customer Information and information in the public domain.

1.1.11 "Patent Rights" means all patents and patent applications of any kind throughout the world relating to the Process which from time to time LB is the owner of or is entitled to use but not in any case any patent rights owned or controlled by Customer or its licensor/supplier.

1.1.12 "Price" means the price specified in Schedule 3 for the Services.

1.1.13 "Process" means the process for the production of the Product from the Cell Line, including any improvements thereto from time to time.

1.1.14 "Product" means all or any part of the product (including any sample thereof), particulars of which are set out in Schedule 1.

1.1.15 "Proposal" means any proposal or quotation issued by LB.

1.1.16 "Services" means all or any part of the services the subject of the Agreement or Proposal (including, without limitation, cell culture evaluation, purification evaluation, master, working and extended cell bank creation, and sample and bulk production), particulars of which are set-out in Schedule 2.

1.1.17 "Special Term" means any term additional or supplemental to these Standard Terms from time to time agreed in writing between LB and the Customer. Particulars of any Special Terms at the date of the Agreement are set out in Schedule 4.

1.1.18 "Specification" means the specification for Product, particulars of which are set out In Schedule 1.

1.1.19 "Terms of Payment" means the terms of payment specified in Schedule 3.

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

1.2 Unless the context requires otherwise, words and phrases defined in any other part of the Agreement shall bear the same meanings in these Standard Terms, references to the singular number include the plural and vice versa, references to Schedules are references to schedules to the Agreement, and references to Clauses are references to clauses of these Standard Terms.

1.3 In the event of a conflict between a Special Term and these Standard Terms, the Special Term shall prevail.

2. Applicability of Standard Terms

2.1 Unless agreed otherwise, these Standard Terms shall apply to every Proposal and Agreement, and to any services additional to the Services requested by a Customer. LB shall not be bound by any terms which may be inconsistent with these Standard Terms and the Special Terms. No variation of or addition to these Standard Terms and the Special Terms or any other term of an Agreement shall be effective unless in writing and signed for and on behalf of LB and Customer. For the avoidance of doubt, amendments to the draft Specification or Specification for Product shall be effective if reduced to writing and signed by the regulatory

representative of both Parties, which regulatory representative shall be nominated from time to time by the parties.

2.2 Unless previously withdrawn, a Proposal is open for acceptance within the period stated therein. Where no period is stated, the Proposal shall be open for acceptance within thirty (30) days from the date it is issued unless withdrawn in the meantime. Any acceptance by a Customer of a Proposal shall not create a binding contract.

2.3 A binding contract shall only be created when LB has accepted in writing an offer placed by a Customer.

3. Supply by Customer

3.1 Prior to or immediately following the date of the Agreement the Customer shall supply to LB the Customer Information, together with full details of any hazards relating to the Cell Line and/or the Customer Materials, their storage and use. On review of this Customer Information, the Cell Line and/or the Customer Materials shall be provided to LB at LB's request. Property in the Cell Line and/or the Customer Materials supplied to LB shall remain vested in the Customer.

3.2 The Customer hereby grants LB [*]. LB hereby undertakes not to use the Cell Line, the Customer Materials or the Customer Information (or any part thereof) for any other purpose.

3.3 LB shall:

3.3.1 at all times use all reasonable endeavours to keep the Cell Line and/or the Customer Materials secure and safe from loss and damage in such manner as LB stores its own material of similar nature;

3.3.2 not part with possession of the Cell Line and/or the Customer Materials or the Product, save for the purpose of tests at the Testing Laboratories; and

3.3.3 procure that all Testing Laboratories are subject to obligations of confidence and restrictions to use and transfer substantially in the form of those obligations of confidence imposed on LB under these Standard Terms.

3.4 The Customer warrants to LB that:

3.4.1 the Customer is and shall at all times throughout the duration of the Agreement remain entitled to supply the Cell Line, the Customer Materials and Customer Information to LB;

3.4.2 to the best of the Customer's knowledge and belief the use by LB of the Cell Line, the Customer Materials or and the Customer Information for the Services will not infringe any rights (including, without limitation, any intellectual or industrial property rights) vested in any third party; and

3.4.3 the Customer will notify LB, in writing, immediately it knows or ought to know that it is no longer entitled to supply the Cell Line, the Customer Materials and/or the Customer Information to LB or that the use by LB of the Cell Line, the Customer Materials or the Customer Information for the Services infringes or is alleged to infringe any rights (including, without limitation, any intellectual or industrial property rights) vested in any third party.

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3.5 Provided that LB gives Customer prompt written notice and full particulars of any claim, tenders to Customer, full control of any defense or settlement and co-operates fully with Customer, the Customer undertakes to indemnify and to maintain LB promptly indemnified against any loss, damage, costs and expenses of any nature (including court costs and legal fees on a full indemnity basis), whether direct or consequential, and whether or not foreseeable or in the contemplation of LB or the Customer, that LB may suffer arising out of or incidental to any breach of the warranties given by the Customer under Clause 3.4 above or any claims alleging LB's use of the Cell Line, the Customer Materials or the Customer Information infringes any rights (including, without limitation, any intellectual or industrial property rights) vested in any third party (whether or not the Customer knows or ought to have known about the same), however it is agreed that LB will retain its own independent legal counsel with settlement of any claim requiring LB's prior written consent which shall not be unreasonably withheld.

3.6 The obligations of LB and the Customer under this Clause 3 shall survive the termination for whatever reason of the Agreement.

4. Provision of the Services

4.1 LB shall diligently carry out the Services as provided in Schedule 2 and shall use all reasonable efforts to achieve the estimated timescales therefor.

4.2 Due to the unpredictable nature of the biological processes involved in the Services, the timescales set down for the performance of the Services (including without limitation the dates for production and delivery of Product) and the quantities of Product for delivery set out in Schedule 2 are estimated only.

4.3 Provided that LB has complied with Section 4.1 the Customer shall not be entitled to cancel any unfulfilled part of the Services or to refuse to accept the Services on grounds of late performance, late delivery or failure to produce the estimated quantities of Product for delivery. LB shall not be liable for any loss, damage, costs or expenses of any nature, whether direct or consequential, occasioned by:

4.3.1 any delay in performance or delivery howsoever caused; or

4.3.2 any failure to produce the estimated quantities of Product for delivery.

4.4 LB shall comply with the regulatory requirements from time to applicable to the Services as set out in Schedule 2 hereto, including without limitation all relevant requirements of current Good Manufacturing Practices under the policies and practices of the US FDA and European Regulatory Authorities and shall consider ICH and other relevant regulatory guidance documents whether or not set forth with precision in said Schedule 2. If the Customer requests LB to comply with any other regulatory or similar legislative requirements LB shall use all reasonable commercial endeavours to do so provided that:

4.4.1 the Customer shall be responsible for informing LB in writing of the precise foreign requirements which the Customer is requesting LB to observe;

4.4.2 such foreign requirements do not conflict with any mandatory requirements under the laws of England;

4.4.3 LB shall be under no obligation to ensure that such written information complies with the applicable requirements of any foreign jurisdiction; and

4.4.4 all costs and expenses incurred by LB in complying with such foreign requirements shall be charged to the Customer in addition to the Price.

4.5 Delivery of Product shall be ex-works LB's premises (Incoterms 1990). Risk in and title to Product shall pass on delivery. Transportation of Product, whether or not under any arrangements made by LB on behalf of the Customer, shall be made at the sole risk and expense of the Customer.

4.6 Unless otherwise agreed, LB shall package and label Product for delivery ex-works in accordance with its standard operating procedures. It shall be the responsibility of the Customer to inform LB in writing in advance of any special packaging and labelling requirements for Product. All additional costs and expenses of whatever nature incurred by LB in complying with such special requirements shall be charged to the Customer in addition to the Price.

5. Transportation of Product and Customer Tests

5.1 If requested by the Customer, LB will (acting as agent of the Customer for such purpose) arrange the transportation of Product from LB's premises to the destination indicated by the Customer together with insurance cover for Product in transit at its invoiced value. All additional costs and expenses of whatever nature incurred by LB in arranging such transportation and insurance shall be charged to the Customer in addition to the Price.

5.2 Where LB has made arrangements for the transportation of Product, the Customer shall diligently examine the Product as soon as practicable after receipt. Notice of all claims (time being of the essence) arising out of:

5.2.1 damage to or total or partial loss of Product in transit shall be given in writing to LB and the carrier within three (3) working days of delivery; or

5.2.2 non-delivery shall be given in writing to LB within ten (10) days after the date of LB's dispatch notice.

5.3 The Customer shall make damaged Product available for inspection and shall comply with the requirements of any insurance policy covering the Product notified by LB to the Customer. LB shall offer the Customer all reasonable assistance (at the cost and expense of the Customer) in pursuing any claims arising out of the transportation of Product.

5.4 Promptly following receipt of Product or any sample thereof, the Customer shall carry out the Customer Tests. PROVIDED ALWAYS the Specification for such Product is not stated to be in draft form, if the Customer Tests show that the Product fails to meet Specification, the Customer shall give LB written notice thereof within forty-five (45) days from the date of delivery of the Product ex-works and shall return such Product to LB's premises for further testing. In the absence of such written notice Product shall be deemed to have been accepted by the Customer as meeting Specification. If LB is satisfied that Product returned to LB fails to meet Specification and that such failure is not due (in whole or in part) to acts or omissions of the Customer or any third party after delivery of such Product ex-works, LB shall at Customer's discretion refund that part of the Price

that relates to the production of such Product or replace such Product at its own cost and expense. In the event Customer requires LB to replace such Product, LB shall be entitled to have regard to its commercial commitments to third parties in the timing of such replacement and will consider Customer's requirements in as fair and equal manner as it considers other third party customer requirements, Customer acknowledges that there may, therefore, be a delay in the timing of the replacement of such Product.

FOR THE AVOIDANCE OF DOUBT, WHERE THE SPECIFICATION IS STATED TO BE IN DRAFT FORM LB SHALL BE OBLIGED ONLY TO USE ITS REASONABLE ENDEAVOURS TO PRODUCE PRODUCT THAT MEETS SPECIFICATION.

5.5 If there is any dispute concerning whether Product returned to LB, fails to meet Specification or whether such failure is due (in whole or in part) to acts or omissions of the Customer or any third party after delivery of such Product ex-works, such dispute shall be referred for decision to an independent expert (acting as an expert and not as an arbitrator) to be appointed by agreement between LB and the Customer or, in the absence of agreement by the President for the time being of the Association of the British Pharmaceutical Industry. The costs of such independent expert shall be borne equally between LB and the Customer. The decision of such independent expert shall be in writing and, save for manifest error on the face of the decision, shall be binding on both LB and the Customer.

5.6 The provisions of Clauses 5.4 and 5.5 shall be the sole remedy available to the Customer in respect of Product that fails to meet Specification.

6. Price and Terms of Payment

6.1 The Customer shall pay the Price in accordance with the Terms of Payment.

6.2 Unless otherwise indicated in writing by LB. all prices and charges are exclusive of Value Added Tax or of any other applicable taxes, levies, imposts, duties and fees of whatever nature imposed by or under the authority of any government or public authority, which shall be paid by the Customer (other than taxes on LB's income). All Invoices are strictly net and payment must be made within thirty (30) days of date of invoice. Payment shall be made without deduction, deferment, set-off, lien or counterclaim of any nature.

6.3 In default of payment on due date:

6.3.1 interest shall accrue on any amount overdue at the rate of [*] above the base lending rate from time to time of HSBC Bank plc, interest to accrue on a day to day basis both before and after judgement; and

6.3.2 LB shall, at its sole discretion, and without prejudice to any other of its accrued rights, be entitled to suspend the provision of the Services or to treat the Agreement as repudiated by notice in writing to the Customer exercised at any time thereafter.

7. Warranty and Limitation of Liability

7.1 LB warrants that:

7.1.1 the Services shall be performed in accordance with Clause 4.1; and

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7.1.2 the Product shall meet Specification on delivery, save where the Specification is stated to be in draft form when LB shall be obliged only to use its reasonable endeavours to produce Product that meets Specification.

7.2 Clause 7.1 is in lieu of all conditions, warranties and statements in respect of the Services and/or the Product whether expressed or implied by statute, custom of the trade or otherwise (including but without limitation any such condition, warranty or statement relating to the description or quality of the Product, its fitness for a particular purpose or use under any conditions whether or not known to LB) and any such condition, warranty or statement is hereby excluded.

7.3 Without prejudice to the terms of Clauses 5.6, 7.1. 7.2, 7.4 and 7.6, the liability of LB for any loss or damage suffered by the Customer as a direct result of any breach of the Agreement or of any other liability of LB (including misrepresentation and negligence or third party claim brought against Customer relating solely to LB know-how) in respect of the Services (including without limitation the production and/or supply of the Product) shall be limited to the payment by LB of damages which shall not exceed [*].

7.4 Subject to Clause 7.6, LB shall not be liable for the following loss or damage howsoever caused (even if foreseeable or in the contemplation of LB or the Customer):

7.4.1 loss of profits, business or revenue whether suffered by the Customer or any other person; or

7.4.2 special, indirect or consequential loss, whether suffered by the Customer or any other person; and

7.4.3 any loss arising from any claim made against the Customer by any other person.

7.5 Provided that LB gives Customer prompt written notice and full particulars of any claim, tenders to Customer, full control of any defense or settlement, and co-operate fully with Customer, the Customer shall indemnify and maintain LB promptly indemnified against all claims, actions, costs, expenses of any nature (including court costs and legal fees on a full indemnity basis) or other liabilities whatsoever in respect of the following, it been agreed, however that LB will retain its own independent legal counsel with settlement of any claim requiring LB's prior written consent which will not be unreasonably withheld:

7.5.1 any liability under the Consumer Protection Act 1987, unless such liability is caused by the negligent act or omission of LB in the production and/or supply of the Product; and

7.5.2 any product liability (other than that referred to in Clause 7.5.1) in respect of Product, unless such liability is caused by the negligent act or omission of LB in the production and/or supply of Product; and

7.5.3 any negligent or willful act or omission of the Customer in relation to the use, processing, storage or sale of the Product.

7.6 Nothing contained in these Standard Terms shall purport to exclude or restrict any liability for death or personal injury resulting directly from negligence by LB in

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carrying out the Services or any liability for breach of the implied undertakings of LB as to title.

7.7 The obligations of LB and the Customer under this Clause 7 shall survive the termination for whatever reason of the Agreement.

8. Customer Information, LB Know-How and Patent Rights

8.1 The Customer acknowledges that LB Know-How and LB acknowledges that Customer Information with which it is supplied by the other pursuant to the Agreement is supplied, subject to Clause 8.4, in circumstances imparting an obligation of confidence and each agrees to keep such LB Know-How or such Customer Information secret and confidential and to respect the other's proprietary rights therein and not at any time for any reason whatsoever to disclose or permit such LB Know-How or such Customer Information to be disclosed to any third party save as expressly provided herein.

8.2 The Customer and LB shall each procure that all their respective employees, consultants and contractors having access to confidential LB Know-How or confidential Customer Information shall be subject to the same obligations of confidence as the principals pursuant to Clause 8.1 and shall enter into secrecy agreements in support of such obligations. Insofar as this is not reasonably practicable, the principals shall take all reasonable steps to ensure that any such employees, consultants and contractors are made aware of such obligations.

8.3 LB and the Customer each undertake not to disclose or permit to be disclosed to any third party, or otherwise make use of or permit to be made use of, any trade secrets or confidential information relating to the technology, business affairs or finances of the other, any subsidiary, holding company or subsidiary or any such holding company of the other, or of any suppliers, agents, distributors, licensees or other customers of the other which comes into its possession under this Agreement.

8.4 The obligations of confidence referred to in this Clause 8 shall not extend to any information which:

8.4.1 is or becomes generally available to the public otherwise than by reason of a breach by the recipient party of the provisions of this Clause 8;

8.4.2 is known to the recipient party and is at its free disposal prior to its receipt from the other;

8.4.3 is subsequently disclosed to the recipient party without being made subject to an obligation of confidence by a third party;

8.4.4 LB or the Customer may be required to disclose under any statutory, regulatory or similar legislative requirement, subject to the imposition of obligations of secrecy wherever possible in that relation; or

8.4.5 is developed by any servant or agent of the recipient party without access to or use or knowledge of the information by the disclosing party.

8.5 The Customer acknowledges that:

8.5.1 LB Know-How and the Patent Rights are vested in LB or LB is otherwise entitled thereto; and

8.5.2 the Customer shall not at any time have any right, title, licence or interest in or to LB Know-How, the Patent Rights or any other intellectual property rights relating to the Process which are vested in LB or to which LB is otherwise entitled.

8.6 LB acknowledges that:

8.6.1 Customer has undertaken that the Customer Information is vested in the Customer or the Customer is otherwise entitled thereto; and

8.6.2 save as provided herein LB shall not at any time have any right, title, license or interest in or to the Customer information or any other Intellectual Property rights vested in Customer or to which the Customer is entitled.

8.7 The obligations of LB and the Customer under this Clause 8 shall survive the termination for whatever reason of the Agreement.

9. Termination

9.1 If it becomes apparent to either LB or the Customer at any stage in the provision of the Services that it will not be possible to complete the Services for scientific or technical reasons, a sixty (60) day period shall be allowed for discussion to resolve such problems. If such problems are not resolved within such period, LB and the Customer shall each have the right to terminate the Agreement forthwith by notice in writing. In the event of such termination, the Customer shall pay to LB a termination sum calculated by reference to all the Services performed by LB prior to such termination (including a pro rata proportion of the Price for any stage of the Services which is in process at the date of termination) and all expenses reasonably incurred by LB in giving effect to such termination, including the costs of terminating any commitments entered into under the Agreement, such termination sum not to exceed the balance of the Price for the remaining services not yet commenced, LB will engage in good faith efforts to offer to other third party customers those development resources or manufacturing slots which become available due to termination by Customer of this Agreement, and Customer will not be required to pay for that portion of the Services and related expenses that LB is able to charge to such other customers.

9.2 Customer shall be entitled to terminate this Agreement at any time for any reason by sixty (60) days' notice to LB in writing. In the event of Customer serving notice to terminate this Agreement which notice is expressed to be given pursuant to this Clause 9.2, Customer shall:

9.2.1 pay LB a termination sum calculated in accordance with the principles of Clause 9.1 above, and

9.2.2 In the event notice to terminate this Agreement pursuant to this Clause 9.2 is issued to LB within six (6) months of LB's then estimated start date for any stage of the Services which includes cGMP fermentation activities, Customer shall pay LB a sum (to the extent not already payable as noted above in accordance with the principles of Clause 9.1) equal to not less than ten percent (10%) nor more than eighty-five percent (85%) of the full Price of that stage, or those stages, in question, as provided in Clause 9.2.3

below. Such payment shall fall due to LB on or before the date of termination of the Services. For the avoidance of doubt activities relating to cGMP fermentation shall be deemed to commence with the date of removal of the vial of cells for the performance of the fermentation from frozen storage.

9.2.3 In the event of Customer serving notice to terminate this Agreement in the circumstances described in Clause 9.2.2, LB shall use reasonable endeavours to substitute a requirement for the manufacturing slot which becomes available due to Customer of the Agreement. If LB finds such an alternative third party selling the manufacturing slot, which third party requirement is not for business (i.e. LB shall not be required to reschedule parties), the fee payable by Customer under Clause 10% of the price for the manufacturing slot originally amount, if any, by which the fees to be paid for such customer is less than 85% of the price under this originally reserved for Customer. If LB is substitute a third party requirement for the such manner, Customer shall be liable to of the price under this Agreement third party termination by and is successful in previously contracted existing commitments to third parties), the fee payable by Customer under Clause 9.2.2 shall equal the greater of (a) reserved for Customer and (b) the manufacturing slot by such other Agreement for the manufacturing slot unable, by using reasonable endeavours, to manufacturing slot reserved for Customer in pay LB under Clause 9.2.2 a sum equal to 85% for the manufacturing slot.

9.3 LB and the Customer may each terminate the Agreement forthwith by notice in writing to the other upon the occurrence of any of the following events:

9.3.1 if the other commits a breach of the Agreement which (in the case of a breach capable of remedy) is not remedied within thirty (30) days of the receipt by the other of notice identifying the breach and requiring its remedy; or

9.3.2 if the other ceases for any reason to carry on business or compounds with or convenes a meeting of its creditors or has a receiver or manager appointed in respect of all or any part of its assets or is the subject of an application for an administration order or of any proposal for a voluntary arrangement or enters into liquidation (whether compulsorily or voluntarily) or undergoes any analogous act or proceedings under foreign law.

9.4 Upon the termination of the Agreement for whatever reason:

9.4.1 LB shall promptly return all Customer Information to the Customer and shall dispose of or return to the Customer the Customer Materials (and where supplied by Customer the Cell Line) and any materials therefrom, as directed by the Customer;

9.4.2 the Customer shall promptly return to LB all LB Know-How it has received from LB;

9.4.3 the Customer shall not thereafter use or exploit the Patent Rights or the LB Know-How in any way whatsoever;

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

9.4.5 LB and the Customer shall do all such acts and things and shall sign and execute all such deeds and documents as the other may reasonably require to evidence compliance with this Clause 9.4.

9.5 Termination of the Agreement for whatever reason shall not affect the accrued rights of either LB or the Customer arising under or out of this Agreement and all provisions which are expressed to survive the Agreement shall remain in full force and effect.

10. Force Majeure

10.1 If LB is prevented or delayed in the performance of any of its obligations under the Agreement by Force Majeure and shall give written notice thereof to the Customer specifying the matters constituting Force Majeure together with such evidence as LB reasonably can give and specifying the period for which it is estimated that such prevention or delay will continue, LB shall be excused from the performance or the punctual performance of such obligations as the case may be from the date of such notice for so long as such cause of prevention or delay shall continue.

10.2 The expression "Force Majeure" shall be deemed to include any cause affecting the performance by LB of the Agreement arising from or attributable to acts, events, acts of God, omissions or accidents beyond the reasonable control of LB.

11. Governing Law, Jurisdiction and Enforceability

11.1 The construction, validity and performance of the Agreement shall be governed by the laws of England, to the jurisdiction of whose courts LB and the Customer submit.

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

11.3 The illegality or invalidity of any provision (or any part thereof) of the Agreement or these Standard Terms shall not affect the legality, validity or enforceability of the remainder of its provisions or the other parts of such provision as the case may be.

12. Miscellaneous

12.1 Neither party shall be entitled to assign, transfer, charge or in any way make over the benefit and/or the burden of this Agreement without the prior written consent of the other which consent shall not be unreasonably withheld or delayed, save that either LB or the Customer shall respectively be entitled without the prior written consent of the other to assign, transfer, charge, sub-contract, deal with or

in any other manner make over the benefit and/or burden of this Agreement to an Affiliate or to any 50/50 joint venture company of which either party is the beneficial owner or fifty per cent (50%) of the issued share capital thereof or to any company with which either party may merge or to any company to which that party may transfer its assets and undertakings.

12.2 The text of any press release or other communication to be published by or in the media concerning the subject matter of the Agreement shall require the prior written approval of LB and the Customer.

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

Exhibit 10.26

LICENSE AGREEMENT

This LICENSE AGREEMENT (the "Agreement") effective as of July 30, 1999 (the Effective Date"), is made by and between XCYTE Therapies, Inc., a Delaware corporation having a principal place of business at 2203 Airport Way South, Suite 300, Seattle, Washington 98134 ("XCYTE") and Genecraft LLC, a Washington limited liability company having a principal place of business at 18798 Ridgefield Road N.W., Shoreline, Washington 98177 ("Genecraft").

BACKGROUND

XCYTE owns certain Patent Applications (as defined below) and Genecraft desires to obtain an exclusive license to such Patent Applications in the Genecraft Field of Use and XCYTE desires to grant such a license to Genecraft.

NOW THEREFORE, for and in consideration of the mutual covenants and promises herein contained, the parties hereto agree as follows:

1. DEFINITIONS

1.1 "Biological Materials" shall mean the biological materials listed on Exhibit A attached hereto.

1.2 "Confidential Information" shall mean (i) any proprietary or confidential information or material in tangible form disclosed hereunder that is marked as "Confidential" at the time it is delivered to the receiving party, or (ii) proprietary or confidential information disclosed orally hereunder which is Identified as confidential or proprietary when disclosed and such disclosure of confidential information is confirmed in writing within thirty (30) days by the disclosing party.

1.3 "Genecraft Field of Use" shall mean all areas other than the Retained Field of Use, including, but not limited to, soluble multifunctional molecules.

1.4 "Materials" shall mean the Biological Materials, the Notebooks, Patent Applications and related drawings, diagrams and other materials.

1.5 "Net Sales" shall mean the gross billed or invoiced amounts for Products, whether billed or invoiced by Genecraft or its affiliates or sublicensee, less the following deductions for amounts actually incurred:

(a) normal, customary trade discounts (including volume discounts), credits and rebates and allowances and adjustments for rejections, recalls or returns allowed and actually taken; and

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

(b) freight, insurance, sales, use, excise, value-added and similar taxes or duties imposed on the sales and included in the gross amount charged;

provided, however, that the aggregate value of said deductions (a) and (b) above in any royalty payment period shall not exceed 15% of the gross amount billed or invoiced for that period.

Products used in clinical trials of the safety or efficacy of Product shall not be included as Product sold under the definition of Net Sales; provided the Product is supplied to the user at no cost.

1.6 "Notebooks" shall mean copies of the laboratory research notebooks listed on Exhibit B attached hereto.

1.7 "Patent Applications" shall mean U.S. patent application 60/075,274 and 60/108,683 such patent application to incorporate by this reference all divisional and/or continuing applications)), attached hereto as Exhibit C. and all inventions, processes and compositions of matter reflected therein.

1.8 "Product" shall mean any product that Incorporates the Materials and is covered by a Valid Claim.

1.9 "Retained Field of Use" shall mean solid surface ex-vivo applications for expanding cells.

1.10 "Term" shall mean the period defined in Section 9.1.

1.11 "Territory" shall mean the entire world.

1.12 "Valid Clams" shall mean a claim of an issued and unexpired patent included within the Patent Applications which has not been held invalid or unenforceable by a court or other governmental agency of competent jurisdiction, from which no appeal has been or can be taken and which has not been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise.

2. PRODUCTION OF MATERIALS

2.1 License Grant. XCYTE hereby grants to Genecraft a worldwide, exclusive license under the Patent Applications to grant and authorize sublicenses, to create derivative works, to make, have made, import, have imported, use, offer for sale, sell and otherwise distribute and exploit Products in the Genecraft Field of Use in the Territory. Genecraft shall require that all sublicensees enter into written agreements binding each sublicensee to pay royalties due for such sublicense to XCYTE. Genecraft shall notify XCYTE in writing within thirty (30) days of the granting of a sublicense pursuant to this Section 2.1 of the name and address of the sublicensee and the type of sublicense granted.

2.2 Production of Materials. XCYTE shall deliver copies of the Notebooks listed in Exhibit B to Genecraft at the address listed in Section 10.5 below within thirty (30) days of the Effective Date.

3. ROYALTIES

3.1 Royalties. In consideration for the Materials and the license granted herein, Genecraft, its affiliates and sublicensees shall pay to XCYTE a royalty consisting of [*] of all Net Sales up to and including a final payment bringing the aggregate royalty payments under this Section 3.1 to [*]. Once Genecraft has paid to XCYTE total royalties of [*], XCYTE shall be entitled to receive ongoing royalties in the amount of [*] of Net Sales during the remainder of the Term.

3.2 Multiple License Product Royalties. In the event that a Product incorporates technology licensed from a source other than XCYTE, the royalty to be paid to XCYTE from Net Sales derived from the sale of such multiple license Products shall be decreased ratably. Notwithstanding the foregoing, in no event shall the royalty due and owing for such multiple license Products be decreased below a minimum of 50% of the royalty otherwise due under Section 3.1.

3.3 Sublicensing Revenue. Genecraft agrees to pay XCYTE [*] of non-royalty consideration derived from any permitted sublicensing of the Materials by Genecraft.

3.4 Combination Products. In the event that a Product is used or sold by Genecraft in combination as a single product or service with one or more other product(s) or service(s) whose sale and/or use are not within the scope of the this Agreement, and do not entail the use of Materials, Net Sales from such sales and/or use for purposes of calculating the amounts due under Section 3.1 above shall be calculated by multiplying the Net Sales of that combination by the fraction A/(A+B), where A is the gross selling price of the Product sold separately and B is the gross selling price of the other product or service sold separately. in the event that no such separate sales or use are made by Genecraft, Net Sales for purposes of royalty determination shall be calculated by multiplying the Net Sales of the combination (calculated using the standard Net Sales definition) by the fraction C/C+D, where C is the fair market value of the Product and D is the fair market value of the other products or services. in such event, Genecraft shah in good faith make a determination of the respective fair market values of the Product and the other products and services included in the combination, and shall notify XCYTE of such determination and provide XCYTE with data to support such determination. XCYTE shall have the right to review such determination and supporting data, and to notify XCYTE if it disagrees with such determination.

3.5 Payment Term. The amounts due pursuant to this Article 3 shall be payable on a country-by-country basis until the later of (i) [*] from the date of first commercial sale of a Product in such country or (ii) the last to expire Valid Claim covering the manufacture, use or sale of the Product in such country.

4. PAYMENTS: REPORTS AND RECORDS

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

4.1 Timing of Payments; Payment Method. Genecraft agrees to pay all amounts due to XCYTE within sixty (60) days of the last day of the calendar quarter in which they accrue. Genecraft agrees to pay a late fee for any overdue payment due XCYTE hereunder. The late fee shall be computed as the prime rate plus two percent, as set forth by the Wall Street Journal on the date on which such payment is due, of the outstanding, unpaid balance. The payment of such a late fee shall not foreclose or limit XCYTE from exercising any other rights it may have as a consequence of the lateness of any payment.

4.2 Reports. Genecraft shall deliver to XCYTE within sixty (60) days after the end of each calendar quarter in which amounts have become due a report setting forth in reasonable detail the calculation of the amounts payable to XCYTE for such calendar quarter, including the sales of Products and all amounts received from sublicenses of the Materials. Such reports shall be Confidential Information of Genecraft subject to Article 5 herein.

4.3 Currency; Foreign Payments. All payments due hereunder shall be paid in United States dollars. If any currency conversion shall be required in connection with the payment of any amounts hereunder, such conversion shall be made by using the exchange rate for the purchase of U.S. dollars reported by the Bank of America on the last business day of the calendar quarter to which such payments relate, if at any time legal restrictions prevent the prompt remittance of any amounts owed in any jurisdiction, Genecraft may notify XCYTE and make such payments by depositing the amount thereof in local currency in a bank account or other depository in such country in the name of XCYTE, and Genecraft shall have no further obligations under this Agreement with respect thereto.

4.4 Inspection of Books and Records. Genecraft shall maintain accurate books and records which enable the calculation of amounts payable hereunder to be verified. Genecraft shall retain the books and records for each quarterly period for three (3) years after the submission of the corresponding report under Section 4.2 hereof. Upon thirty (30) days prior notice to Genecraft, independent accountants selected by XCYTE, reasonably acceptable to Genecraft, after entering into a confidentiality agreement with Genecraft, may have access to Genecraft's books and records to conduct a review or audit once per calendar year, for the sole purpose of verifying the accuracy of Genecraft's payments and compliance with this Agreement. The accounting firm shall report to XCYTE only whether there has been an underpayment and, if so, the amount thereof. Such access shall be permitted during Genecraft's normal business hours during the term of this Agreement and for three (3) years after the expiration or termination of this Agreement. Any such inspection or audit shall be at XCYTE's expense, however, in the event that an inspection reveals an underpayment of ten percent (10%) or more in any audit period, Genecraft shall pay the costs of the inspection and promptly pay to XCYTE any underpayment with interest from the date such amount(s) were due, at the prime rate reported by the Chase Manhattan Bank, New York, New York.

4.5 Taxes. All amounts required to be paid to XCYTE pursuant to this Agreement may be paid with deduction for withholding for or on account of any taxes (other than taxes imposed on or measured by net Income) or similar government charge imposed by a Jurisdiction other than the United States ("Withholding Taxes"). At XCYTE's request, Genecraft shall

provide XCYTE a certificate evidencing payment of any Withholding Taxes hereunder and shall reasonably assist XCYTE to obtain the benefit of any applicable tax treaty.

5. CONFIDENTIALITY

5.1 Confidential Information. Except as expressly provided herein or as required by law, the parties agree that, for the term of this Agreement and for five (5) years thereafter, the receiving party shall keep completely confidential and shall not publish or otherwise disclose and shall not use for any purpose except for the purposes contemplated by this Agreement any Confidential Information furnished to it by the disclosing party hereto pursuant to this Agreement, except that to the extent that it can be established by the receiving party by competent proof that such Confidential Information:

(i) was already known to the receiving party, other than under an obligation of confidentiality, at the time of disclosure;

(ii) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving party;

(iii) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving party in breach of this Agreement;

(iv) was independently developed by the receiving party without reference to the Confidential Information as demonstrated by documented evidence prepared contemporaneously with such independent development; or

(v) was subsequently lawfully disclosed to the receiving party by a person other than a party hereto.

5.2 Permitted Use and Disclosures. Each party hereto may use or disclose information disclosed to it by the other party to the extent such use or disclosure is reasonably necessary in preparing and filing grant applications, preparing scientific and/or scholarly works, filing or prosecuting patent applications, prosecuting or defending litigation, complying with applicable governmental regulations or otherwise submitting information to tax or other governmental authorities, conducting clinical trials, or making a permitted sublicense, provided that if a party is required to make any such disclosure of another party's Confidential Information, other than pursuant to a confidentiality agreement, it will give reasonable advance notice to the latter party of such disclosure and, save to the extent inappropriate in the case of patent applications, will use its best efforts to secure confidential treatment of such information prior to its disclosure (whether through protective orders or otherwise).

5.3 Disclosure Notification. Prior to the submission by Genecraft of scientific and/or scholarly works pursuant to Section 5.2 Genecraft shall provide XCYTE with a copy of the proposed submission for XCYTE's review. Such review shall be for the purposes of determining whether patent applications shall need to be prepared for the research discussed in the

submission. XCYTE shall have thirty (30) days, or such lesser amount of time as mutually agreed upon by the parties, to review the proposed submission. The purposes of the review shall be solely for determining the necessity of preparing patent applications and XCYTE shall have no rights to prevent submission of such scientific and/or scholarly works.

6. PATENT PROSECUTION AND ENFORCEMENT

6.1 Genecraft's Rights. Genecraft shall have the sole right, at its expense, to control the preparation, filing, prosecution and maintenance of patent applications based upon the Materials in the Genecraft Field of Use, and any interference or opposition proceeding relating thereto, using patent counsel of its choice. XCYTE agrees to provide reasonable assistance to facilitate Genecraft's efforts to prosecute patents based upon the Patent Applications of Genecraft's expense.

6.2 XCYTE's Rights. XCYTE shall have the sole right, at its expense, to control the preparation, filing, prosecution and maintenance of patent applications based upon the Materials in the Retained Field of Use, and any interference or opposition proceeding relating thereto, using patent counsel of its choice. Genecraft agrees to provide reasonable assistance to facilitate XCYTE's efforts to prosecute patents based upon the Patent Applications at XCYTE's expense.

6.3 Infringement Claims. If the practice by Genecraft of the rights granted herein results in any allegation or claim of infringement of an intellectual property right of a third party against Genecraft or a sublicensee, Genecraft shall give XCYTE notice of such infringement claim and Genecraft shall have the exclusive right to defend any such claim, suit or proceeding, at its own expense, by counsel of its own choice and shall have the sole right and authority to settle any such suit; provided, however, XCYTE shall cooperate with Genecraft, at Genecraft's reasonable request and expense, in connection with the defense of such claim; and provided further that XCYTE shall have the right, at its own expense, to be represented in such action by counsel of its own choice. Genecraft shall be entitled to offset reasonable costs and expenses (including attorneys' and professional fees) incurred in connection with any such proceeding against up to fifty percent (50%) of the royalty amounts it would otherwise owe to XCYTE under Article 3.1.

6.4 Cooperation. At any time or from time to time on and after the date of this Agreement, XCYTE shall at the request of Genecraft (i) deliver to Genecraft such records, data or other documents consistent with the provisions of this Agreement, (ii) execute, and deliver or cause to be delivered, all such consents, documents or further instruments of transfer or license, and (iii) take or cause to be taken all such actions, as Genecraft may reasonably deem necessary or desirable in order for Genecraft to obtain the full benefits of this Agreement and the transactions contemplated hereby.

7. REPRESENTATIONS AND WARRANTIES

7.1 XCYTE. XCYTE represents and warrants that: (i) it is a corporation duly organized validly existing and in good standing under the laws of the State of Delaware; (ii) the execution, delivery and performance of this Agreement have been duly authorized by all

necessary corporate action on the part of XCYTE; (iii) it has the right to grant the rights and licenses granted herein; and (iv) to its knowledge, there are no threatened or pending actions, suits, investigations. claims or proceedings relating to any of the Materials. Notwithstanding the foregoing, with respect to the Biological Materials, XCYTE only represents and warrants that It is granting and licensing to Genecraft only the rights which XCYTE has in such Biological Materials.

7.2 Genecraft. Genecraft represents and warrants that (i) it is a limited liability company duly organized and validly existing and in good standing under the laws of the State of Washington; and (ii) the execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Genecraft.

7.3 Disclaimer. EXCEPT FOR THE WARRANTIES SET FORTH IN SECTION 7.1 AND 7.2, THE PARTIES HEREBY WAIVE, RELEASE AND DISCLAIM, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE; IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE; ANY OBLIGATION, LIABILITY, RIGHT, REMEDY OR CLAIM IN TORT (INCLUDING NEGLIGENCE, WHETHER ACTIVE, PASSIVE OR IMPUTED), PRODUCT LIABILITY, STRICT LIABILITY OR OTHER THEORY.

8. INDEMNIFICATION; LIMITATION OF LIABILITY

8.1 Genecraft. Genecraft shall and shall obligate its affiliates and sublicensees, if any, to, indemnify, defend and hold harmless XCYTE and its respective directors, officers and employees (each an "Indemnitee") from and against any and all liabilities, damages, losses, costs or expenses (including reasonable attorneys' and professionals' fees and other expenses of litigation and/or arbitration (a "Liability") resulting from a claim, suit or proceeding brought by a third party against an Indemnitee, arising out of Genecraft's manufacture, use, distribution or sale of the Materials or Products or any misrepresentation with regard to, or breach of, any of the representations and warranties of Genecraft set forth in Section 7.2.

8.2 XCYTE. XCYTE shall indemnify, defend and hold harmless Genecraft and its directors, officers and employees (each an Indemnitee) from and against any and all liabilities, damages, losses, costs or expenses (including reasonable attorneys' and professionals' fees and other expenses of litigation and/or arbitration (a "Liability")) resulting from a claim, suit or proceeding brought by a third party against an Indemnitee, arising out of or in connection with any misrepresentation with regard to, or a breach of, any of the representations and warranties of XCYTE set forth in Section 7.1.

8.3 Procedure. In the event that any Indemnitee intends to claim indemnification under this Article 8 it shall promptly notify the indemnifying party in writing of such alleged Liability. The Indemnifying party shall have the right to control the defense and settlement thereof. The Indemnitee shall cooperate with the Indemnifying party and its legal representatives in the investigation of any action, claim or liability covered by this Article 3. The Indemnity

shall not, except at its own cost, voluntarily make any payment or incur any expense with respect to any claim or suit without the prior written consent of the indemnifying party, which the indemnifying party shall not be required to give.

8.4 Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL INCIDENTAL OR INDIRECT DAMAGES ARISING OUT OF THIS AGREEMENT WHETHER ARISING IN CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE, WHETHER ACTIVE, PASSIVE OR IMPUTED), PRODUCT LIABILITY, STRICT LIABILITY OR ANY OTHER THEORY OF LIABILITY.

8.5 Insurance. Upon the earlier of any; (a) testing or use in human subjects or (b) sale of a Product, Genecraft will put in place, and have XCYTE named as an additional insured on, product liability insurance policies, with limits consistent with sound business practice. Any termination of such policies shall be a material breach of this Agreement. Genecraft shall provide XCYTE with written evidence of the insurance and a copy of the policy upon request.

9. TERM AND TERMINATION

9.1 Term. The Term of this Agreement shall commence on the Effective Date and shall continue in full force and effect until the payment obligations of Genecraft under Section 3 terminate subject to earlier termination pursuant to Section 9.2, 9.3 or 9.5. Upon expiration of Genecraft's payment obligations, Genecraft shall have non-exclusive, perpetual fully-paid license under the Patent Applications in the Genecraft Field of Use.

9.2 Breach. Failure by either party to comply with any of the material obligations contained in this Agreement shall entitle the other Party (the "Non-defaulting Party") to give the party (the "Defaulting Party") in default written notice specifying the nature of the default and requiring it to make good such default. If such default is not cured within sixty (60) days after the receipt of such notice, the Non-Defaulting Party shall be entitled, without prejudice to any other rights conferred on it by this Agreement and in addition to any other remedies available to it by law or in equity, immediately to terminate this Agreement by giving written notice to the Defaulting Party. The right of a party to terminate this Agreement, as hereinafter provided, shall not be affected in any way by its waiver or failure to take action with respect to any previous default.

9.3 Insolvency or Bankruptcy. Either party may, in addition to any other remedies available to it by law or in equity, terminate this Agreement effective on written notice to the other party in the event the other party shall have become insolvent or bankrupt, or shall have made an assignment for the benefit of its creditors, or there shall have been appointed a trustee or receiver of the other party or for all or a substantial part of its property, or any case or proceeding shall have been commenced or other action taken by or against the other party in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganization or other similar act or law of any jurisdiction now or hereafter in effect, or there shall have been Issued a warrant of attachment, execution, restraint or similar process against any substantial

party of the property of the other party, and any such event shall have continued for ninety (90) days undismissed, unbonded and undischarged.

9.4 Failure to Exploit. In the event that Genecraft does not (A) either: (i) receive funding to support the development and commercialization of the Materials in the Genecraft Field of Use or (ii) create corporate partnerships, strategic alliances or other relationships intended to financially support the development and commercialization of the Materials in the Genecraft Field of Use prior to the expiration of three (3) years from the data of this Agreement and (B) file an IND covering a Product prior to expiration of eight (8) years from the date of this Agreement, then XCYTE shall have the right, in its sole discretion, to terminate the license granted pursuant to Section 2.1 and all rights to and in the Materials shall revert to XCYTE.

9.5 Survival. Sections 6. 2 and 6.3, and Articles 5, 7, 8 and 10 of this Agreement shall survive termination of this Agreement for any reason.

10. MISCELLANEOUS

10.1 Governing Law; Venue. This Agreement shall be interpreted, construed and enforced in all respects in accordance with the laws of the State of Washington, without reference to its rules relating to choice of laws.

10.2 Independent Contractors. The relationship of the parties hereto is that of independent contractors. The parties hereto are not deemed to be agents, partners or joint venturers of the other for any purpose as a result of the Agreement or the transactions contemplated thereby.

10.3 Assignment. Neither party shall assign any of its rights or obligations hereunder except: (a) as incident to the merger, consolidation, reorganization or acquisition of stock or assets affecting substantially all of the assets or voting control of the assigning party; (b) to any wholly owned subsidiary if the assigning party remains liable and responsible for the performance and observance of all of the subsidiary's duties and obligations hereunder; or (c) with the prior written consent of the other party (which consent shall not be unreasonably withheld). This Agreement shall be binding upon the successors and permitted assigns of the parties, and the name of a party appearing herein shall be deemed to include the names of such party's successors and permitted assigns to the extent necessary to carry out the intent of this Agreement. Any assignment not in accordance with this Section 10.3 shall be void.

10.4 Right to Independently Develop. Nothing in this Agreement will impair Genecraft's right to independently acquire, license, develop for itself, or have others develop for it, technology or intellectual property performing the same or similar functions as the Patent Applications or to market and distribute Products based on such other intellectual property and technology.

10.5 Notices. Any notice or communication required or permitted to be given by either party hereunder, shall be deemed sufficiently given, if mailed by certified mail, return receipt requested, and addressed to the party to whom notice is given as follows:

If to Genecraft, to:
Genecraft LLC
18798 Ridgefield Rd. N.W.
Shoreline, WA 98177
Attn: Jeffrey A. Ledbetter

If to XCYTE, to:
XCYTE Therapies, Inc.
2203 Airport Way South. Suite 300
Seattle, WA 98134
Attn: Ron Berenson

10.6 Force Majeure. Neither party shall lose any rights hereunder or be liable to the other party for damages or losses (except for payment obligations) on account of failure of performance by the defaulting party if the failure is occasioned by war, strike, fire, Act of God, earthquake, flood, lockout, embargo, governmental acts or orders or restrictions, failure of suppliers, or any other reason where failure to perform is beyond the reasonable control and not caused by the negligence, intentional conduct or misconduct of the nonperforming party has exerted all reasonable efforts to avoid or remedy such force majeure; provided, however, that in no event shall a party be required to settle any labor dispute or disturbance.

10.7 Compliance With Laws. Each party shall furnish to the other party any information requested or required by that party during the term of this Agreement or any extensions hereof to enable that party to comply with the requirements of any U.S. or foreign federal, state and/or government agency.

10.8 Severability. In the event that any provisions of this Agreement are determined to be invalid or unenforceable by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect without said provision. The parties shall in good faith negotiate a substitute clause for any provision declared invalid or unenforceable which shall most nearly approximate the intent of the parties in entering this Agreement.

10.11 Modification; Waiver. This Agreement may not be altered, amended or modified in any way except by a writing signed by both parties. The failure of a party to enforce any provision of the Agreement shall not be construed to be a waiver of the right of such party to thereafter enforce that provision or any other provision or right.

10.12 Advice of Counsel. Each party has been advised by counsel with regard to this Agreement.

10.13 Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not constitute a part hereof.

10.14 Entire Agreement. This Agreement including its Exhibits, sets forth the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersedes all prior discussions, agreements, and writings in relating thereto.

10.15 Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original and which together shall constitute one instrument.

10.16 Public Announcements. Except as may otherwise be required by law or regulation, neither party shall make any public announcement concerning this Agreement or the

subject matter hereof without the prior consent of the other party unless the nature of the information has been previously approved for disclosure, if the nature of the information has been approved, this Section 10.16 will no longer apply to that information.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, in duplicate originals, by their respective officers hereunto duly authorized, the day and year herein written.

Genecraft LLC	XCYTE Therapies, Inc.
By /s/ Martha Hayden Ledbetter	By /s/ Mark J. Murray
Name: Martha Hayden Ledbetter	Name: Mark J. Murray
Title: Manager	Title: V.P. Business Development

EXHIBIT A

BIOLOGICAL MATERIALS

[*]

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

EXHIBIT B

NOTEBOOKS

[*]

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

EXHIBIT 16.1

December 21, 2000

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Commissioners:

We have read the statements made by Xcyte Therapies, Inc. (copy attached), which we understand will be filed with the Commission, pursuant to Item 11(i) of Form S-1, as part of the Company's Form S-1 dated December 21, 2000. We agree with the statements concerning our Firm in such Form S-1.

Very truly yours,

/s/ PricewaterhouseCoopers, LLP

CHANGE IN INDEPENDENT PUBLIC ACCOUNTANTS

Effective January 12, 2000, Ernst & Young LLP was engaged as our independent auditors and replaced other auditors who were dismissed as our independent accountants on the same date. The decision to change auditors was approved by our board of directors.

Prior to January 12, 2000, our former auditors issued reports on our financial statements for the period from inception to December 31, 1998 and for each of the two years in the period ended December 31, 1998. These reports of our former auditors did not contain any adverse opinion or disclaimer of opinion nor were such reports qualified or modified as to audit scope or accounting principle. In connection with the audits for the periods from inception to December 31, 1998, there were no disagreements with our former auditors on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements if not resolved to the satisfaction of our former auditors, would have caused them to make reference thereto in their reports.

Prior to January 12, 2000, we had not consulted with Ernst & Young LLP on items that involved our accounting principles or the form of audit opinion to be issued on our financial statements. We have requested that our former auditors furnish us with a letter addressed to the SEC stating whether or not they agree with the above statements. A copy of this letter is filed as an exhibit to the registration statement of which this prospectus forms a part.

Exhibit 23.1

Consent of Ernst & Young LLP, Independent Auditors

We consent to the reference to our firm under the captions "Experts" and "Selected Financial Data" and to the use of our report dated June 25, 2000 (except for paragraph 2 of Note 5, as to which the date is August 14, 2000, paragraph 1 of Note 12, as to which the date is November 7, 2000 and the last paragraph of Note 1, as to which the date is December 20, 2000) in the Registration Statement (Form S-1) and the related Prospectus of Xcyte Therapies, Inc. for the registration of shares of its common stock.

ERNST & YOUNG LLP

Seattle, Washington
December 20, 2000

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated September 1, 1999, except as to the last paragraph of Note 1 which is as of December 20, 2000, relating to the financial statements of Xcyte Therapies, Inc., which appears in such Registration Statement. We also consent to the references to us under the headings "Experts" and "Selected Financial Data" in such Registration Statement.

PricewaterhouseCoopers LLP

Portland, Oregon
December 20, 2000

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YEAR	
	DEC-31-1999
	JAN-01-1999
	DEC-31-1999
	124
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	0
	0
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	206
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	0
	0
	0
	(6,947)
	(1.15)
	(1.15)