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

FORM 10-Q

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

For the quarterly period ended June 30, 2020

OR

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

Commission file number 001-38129

Mersana Therapeutics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**04-3562403**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

840 Memorial Drive Cambridge, MA 02139
(Address of principal executive offices)
(Zip Code)

(617) 498-0020
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value	MRSN	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

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

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

There were 68,415,100 shares of Common Stock ($0.0001 par value per share) outstanding as of August 4, 2020.

Unless otherwise stated or the context requires otherwise, all references to "us," "our," "we," the "Company" and similar designations in this Quarterly Report on Form 10-Q refer to Mersana Therapeutics, Inc. and its consolidated subsidiary, Mersana Securities Corp.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, our clinical results and other future conditions. The words "aim," "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "goal," "intend," "may," "on track," "plan," "possible," "potential," "predict," "project," "seek," "should," "target," "will," "would" or the negative of these terms or other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

These forward-looking statements include, among other things, statements about:

- the initiation, cost, timing, progress and results of our current and future research and development activities and preclinical and clinical studies;
- the adequacy of our inventory of XMT-1536 and XMT-1592 to support our ongoing clinical studies, as well as the outcome of planned manufacturing runs;
- the timing of, and our ability to obtain and maintain, regulatory approvals for our product candidates;
- unmet need of ovarian cancer and non-small cell lung cancer;
- our ability to quickly and efficiently identify and develop additional product candidates;
- our ability to advance any product candidate into, and successfully complete, clinical studies;
- our intellectual property position, including with respect to our trade secrets;
- the potential benefits of strategic partnership agreements and our ability to enter into selective strategic partnerships;
- our estimates regarding expenses, future revenues, capital requirements, the sufficiency of our current and expected cash resources and our need for additional financing; and
- the potential impact of the ongoing COVID-19 pandemic.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in our Annual Report on Form 10-K for the year ended December 31, 2019 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, particularly in the "Risk Factors" sections, that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

In addition, while we expect that the COVID-19 pandemic might adversely affect our preclinical and clinical development efforts, business operations and financial results, the extent of the impact and the value of and market for our common stock will depend on future developments that are highly uncertain and cannot be predicted with confidence at this time, such as the ultimate duration of the pandemic, travel restrictions, quarantines, physical distancing and business closure requirements in the U.S. and in other countries, and the effectiveness of actions taken globally to contain and treat the disease.

The forward-looking statements contained herein represent our views as of the date of this Quarterly Report on Form 10-Q. We anticipate that subsequent events and developments will cause our views to change. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Mersana Therapeutics, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

	June 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 288,376	$ 62,351
Short-term marketable securities	3,002	37,439
Prepaid expenses and other current assets	3,526	1,536
Total current assets	294,904	101,326
Property and equipment, net	1,768	2,164
Operating lease right-of-use assets	11,742	2,598
Other assets	2,103	1,453
Total assets	$ 310,517	$ 107,541
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 7,159	$ 7,296
Accrued expenses	8,372	8,986
Deferred revenue	4,008	4,815
Operating lease liabilities	1,127	2,219
Short-term debt	1,667	667
Other liabilities	90	87
Total current liabilities	22,423	24,070
Operating lease liabilities	11,042	677
Long-term debt, net	3,263	4,201
Other liabilities	225	275
Total liabilities	36,953	29,223
Commitments (Note 12)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 25,000,000 shares authorized; 0 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	—	—
Common stock,$0.0001 par value; 175,000,000 shares authorized; 68,381,210 and 45,388,023 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	7	5
Additional paid-in capital	502,641	270,662
Accumulated other comprehensive income	2	25
Accumulated deficit	(229,086)	(192,374)
Total stockholders' equity	273,564	78,318
Total liabilities and stockholders' equity	$ 310,517	$ 107,541

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

Mersana Therapeutics, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Collaboration revenue	$ 796	$ 202	$ 807	$ 41,237
Operating expenses:				
Research and development	15,413	13,766	27,632	28,909
General and administrative	5,171	4,192	10,106	8,635
Total operating expenses	20,584	17,958	37,738	37,544
Other income (expense):				
Interest income	89	725	394	1,177
Interest expense	(87)	(40)	(175)	(40)
Total other income (expense), net	2	685	219	1,137
Net income (loss)	(19,786)	(17,071)	(36,712)	4,830
Other comprehensive income (loss):				
Unrealized gain (loss) on marketable securities	6	11	(23)	19
Comprehensive income (loss)	$ (19,780)	$ (17,060)	$ (36,735)	$ 4,849
Net income (loss) attributable to common stockholders — basic and diluted	$ (19,786)	$ (17,071)	$ (36,712)	$ 4,830
Net income (loss) per share attributable to common stockholders — basic	$ (0.33)	$ (0.36)	$ (0.68)	$ 0.12
Net income (loss) per share attributable to common stockholders — diluted	$ (0.33)	$ (0.36)	$ (0.68)	$ 0.12
Weighted-average number of shares of common stock used in net income (loss) per share attributable to common stockholders — basic	60,748,225	47,708,085	54,368,429	39,051,958
Weighted-average number of shares of common stock used in net income (loss) per share attributable to common stockholders — diluted	60,748,225	47,708,085	54,368,429	40,184,374

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

Mersana Therapeutics, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share data)
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2018	23,234,472	$ 3	$ 172,966	$ (8)	$ (164,166)	$ 8,795
Exercise of stock options	12,192	—	42	—	—	42
Issuance of common stock under public offering, net of issuance costs of $5,587	24,437,500	2	92,160	—	—	92,162
Stock-based compensation expense	—	—	1,164	—	—	1,164
Other comprehensive income	—	—	—	8	—	8
Net income	—	—	—	—	21,901	21,901
Balance at March 31, 2019	47,684,164	$ 5	$ 266,332	$ —	$ (142,265)	$ 124,072
Exercise of stock options	32,693	—	58	—	—	58
Purchase of common stock under ESPP	82,281	—	283	—	—	283
Stock-based compensation expense	—	—	1,161	—	—	1,161
Other comprehensive income	—	—	—	11	—	11
Net loss	—	—	—	—	(17,071)	(17,071)
Balance at June 30, 2019	47,799,138	$ 5	$ 267,834	$ 11	$ (159,336)	$ 108,514
Exercise of stock options and warrants	83,759	—	21	—	—	21
Stock-based compensation expense	—	—	1,285	—	—	1,285
Other comprehensive income	—	—	—	17	—	17
Net loss	—	—	—	—	(16,792)	(16,792)
Balance at September 30, 2019	47,882,897	$ 5	$ 269,140	$ 28	$ (176,128)	$ 93,045
Retirement of common stock in exchange for common stock warrant	(2,575,000)	—	(8,986)	—	—	(8,986)
Issuance of common stock warrant in exchange for retirement of common stock	—	—	8,986	—	—	8,986
Purchase of common stock under ESPP	57,792	—	206	—	—	206
Exercise of stock options and warrants	22,334	—	54	—	—	54
Stock-based compensation expense	—	—	1,262	—	—	1,262
Other comprehensive loss	—	—	—	(3)	—	(3)
Net loss	—	—	—	—	(16,246)	(16,246)
Balance at December 31, 2019	45,388,023	$ 5	$ 270,662	$ 25	$ (192,374)	$ 78,318
Exercise of common stock warrant in exchange for common stock	2,574,971	—	—	—	—	—
Exercise of stock options	43,055	—	119	—	—	119
Stock-based compensation expense	—	—	1,609	—	—	1,609
Other comprehensive loss	—	—	—	(29)	—	(29)
Net loss	—	—	—	—	(16,926)	(16,926)
Balance at March 31, 2020	48,006,049	$ 5	$ 272,390	$ (4)	$ (209,300)	$ 63,091
Issuance of common stock from at-the-market transactions, net of issuance costs of $2,176	10,900,599	1	62,976	—	—	62,977
Issuance of common stock under public offering, net of issuance costs of $10,809	9,200,000	1	163,990	—	—	163,991
Purchase of common stock under ESPP	68,419	—	333	—	—	333
Exercise of stock options	206,143	—	1,296	—	—	1,296
Stock-based compensation expense	—	—	1,656	—	—	1,656
Other comprehensive income	—	—	—	6	—	6
Net loss	—	—	—	—	(19,786)	(19,786)
Balance at June 30, 2020	68,381,210	$ 7	$ 502,641	$ 2	$ (229,086)	$ 273,564

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

Mersana Therapeutics, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2020	**2019**
Cash flows from operating activities		
Net income (loss)	$ (36,712)	$ 4,830
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	494	653
Net amortization of premiums and discounts on investments	(86)	(9)
Stock-based compensation	3,265	2,325
Change in deferred rent	—	(20)
Other non-cash items	74	27
Changes in operating assets and liabilities:		
Accounts receivable	—	171
Prepaid expenses and other current assets	(163)	(536)
Other assets	(650)	—
Accounts payable	(377)	(3,916)
Accrued expenses	(2,349)	(1,694)
Operating lease assets	836	—
Operating lease liabilities	(706)	—
Deferred revenue	(807)	(40,715)
Net cash used in operating activities	(37,181)	(38,884)
Cash flows from investing activities		
Maturities of marketable securities	34,500	10,500
Purchase of marketable securities	—	(11,947)
Purchase of property and equipment	(90)	(578)
Net cash provided by (used in) investing activities	34,410	(2,025)
Cash flows from financing activities		
Net proceeds from public offering of common stock	164,157	92,162
Net proceeds from the at-the-market (ATM) facility	63,129	—
Proceeds from exercise of stock options	1,415	100
Proceeds from purchases of common stock under ESPP	333	283
Proceeds from issuance of debt, net of issuance costs	(180)	4,965
Payments under capital lease obligations	(58)	(29)
Net cash provided by financing activities	228,796	97,481
Increase in cash, cash equivalents and restricted cash	226,025	56,572
Cash, cash equivalents and restricted cash, beginning of period	62,672	60,005
Cash, cash equivalents and restricted cash, end of period	$ 288,697	$ 116,577
Supplemental disclosures of non-cash activities:		
Purchases of property and equipment in accounts payable and accrued expenses	$ 10	$ 26
Debt financing costs in accrued expenses	$ —	$ 180
Equity issuance costs in accounts payable and accrued expenses	$ 321	$ —
Cash paid for interest	$ 113	$ 20
Right-of-use assets obtained in exchange for operating lease liabilities	$ 9,980	$ 4,369
Right-of-use assets obtained in exchange for financing lease liabilities	$ —	$ 429

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

Mersana Therapeutics, Inc.
Notes to condensed consolidated financial statements
(in thousands, except share and per share data)
(unaudited)

1. Nature of business and basis of presentation

Mersana Therapeutics, Inc. is a clinical stage biopharmaceutical company focused on developing antibody drug conjugates (ADCs) that offer a clinically meaningful benefit for cancer patients with significant unmet need. The Company has leveraged 20 years of industry learning in the ADC field to develop proprietary and differentiated technology platforms that enable it to design ADCs to have improved efficacy, safety and tolerability relative to existing ADC therapies. The Company's innovative platforms, which include Dolaflexin and Dolasynthen, each delivering its DolaLock payload, as well as Immunosynthen, delivering a novel stimulator of interferon genes (STING) agonist, provide an efficient product engine that has enabled a robust discovery pipeline for the Company and its partners. The Company's product candidates include XMT-1536 and XMT-1592. The Company's early stage programs include a potentially first-in-class B7-H4-targeted DolaLock ADC as well as candidates leveraging the Immunosynthen platform.

XMT-1536, an ADC utilizing the Company's Dolaflexin platform and targeting NaPi2b, an antigen broadly expressed in ovarian cancer and non-small cell lung cancer (NSCLC) adenocarcinoma, is currently in the expansion portion of a Phase 1 study in patients with ovarian cancer and NSCLC adenocarcinoma. XMT-1592 uses one of the Company's new platforms, Dolasynthen, and also targets NaPi2b. The Company filed an Investigational New Drug (IND) application in the first quarter of 2020 and initiated the Phase 1 dose escalation study of XMT-1592 in the second quarter of 2020.

The Company has incurred cumulative net losses since inception. For the six months ended June 30, 2020, the net loss was $36,712, compared to net income of $4,830 in the six months ended June 30, 2019. The difference year over year is primarily attributable to $39,965 in deferred revenue that was recognized in the first quarter of 2019 as a result of the discontinuation of the partnership with Takeda in the first quarter of 2019. The Company expects to continue to incur operating losses for at least the next several years. As of June 30, 2020, the Company had an accumulated deficit of $229,086. The future success of the Company is dependent on, among other factors, its ability to identify and develop its product candidates and ultimately upon its ability to attain profitable operations. The Company has devoted substantially all of its financial resources and efforts to research and development and general and administrative expense to support such research and development. Net losses and negative operating cash flows have had, and will continue to have, an adverse effect on the Company's stockholders' equity and working capital.

In April 2020, the Company sold 10,900,599 shares of common stock and received net proceeds of $62,976. In addition, in June 2020, the Company sold 9,200,000 shares of common stock and received net proceeds of $163,991. The Company believes that its currently available funds will be sufficient to fund the Company's operations through at least the next twelve months from the issuance of this Quarterly Report on Form 10-Q. Management's belief with respect to its ability to fund operations is based on estimates that are subject to risks and uncertainties. If actual results are different from management's estimates, the Company may need to seek additional funding.

The Company is subject to risks common to companies in the biotechnology industry, including but not limited to, the need for additional capital, risks of failure of preclinical and clinical studies, the need to obtain marketing approval and reimbursement for any drug product candidate that it may identify and develop, the need to successfully commercialize and gain market acceptance of its product candidates, dependence on key personnel, protection of proprietary technology, compliance with government regulations, development of technological innovations by competitors, reliance on third party manufacturers and the ability to transition from pilot-scale production to large-scale manufacturing of products.

The Company's unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and the rules and regulations of the Securities and Exchange Commission (SEC). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards

Codification (ASC) and Accounting Standards Updates (ASU) of the Financial Accounting Standards Board (FASB). All dollar amounts, except per share data in the text and tables herein, are stated in thousands unless otherwise indicated. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted from this report, as is permitted by such rules and regulations. Accordingly, these financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2019 and the notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on February 28, 2020.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited financial statements. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all adjustments that are necessary to present fairly the Company's financial position as of June 30, 2020, the results of its operations for the three and six months ended June 30, 2020 and 2019, a statement of stockholders' equity for the three and six months ended June 30, 2020 and 2019 and cash flows for the six months ended June 30, 2020 and 2019. Such adjustments are of a normal and recurring nature. The results for the three and six months ended June 30, 2020 are not necessarily indicative of the results for the year ending December 31, 2020, or for any future period.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include those of the Company and its wholly-owned subsidiary, Mersana Securities Corp. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of the Company's unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, equity, revenue, expenses and related disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company's management evaluates its estimates which include, but are not limited to, management's judgments with respect to the identification of performance obligations and standalone selling prices of those performance obligations within its revenue arrangements, accrued expenses, valuation of stock-based awards and income taxes. Actual results could differ from those estimates.

Segment Information

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision-maker, or decision making group, in deciding how to allocate resources and assess performance. The Company views its operations and manages its business as a single operating segment, which is the business of discovering and developing ADCs.

Summary of Accounting Policies

The significant accounting policies used in preparation of these condensed consolidated financial statements for the three and six months ended June 30, 2020 are consistent with those discussed in Note 2 to the consolidated financial statements in the Company's 2019 Annual Report on Form 10-K.

Mersana Therapeutics, Inc.
Notes to condensed consolidated financial statements (continued)
(in thousands, except share and per share data)
(unaudited)

Fair Value Measurements

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability between market participants at measurement dates. ASC Topic 820 *Fair Value Measurement* (ASC 820) establishes a three-level valuation hierarchy for instruments measured at fair value. The hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1—Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash and Cash Equivalents

The Company considers all highly-liquid investments with an original maturity, or a remaining maturity at the time of purchase, of three months or less to be cash equivalents. The Company invests excess cash primarily in money market funds, commercial paper and government agency securities, which are highly liquid and have strong credit ratings. These investments are subject to minimal credit and market risks. Cash and cash equivalents are stated at cost, which approximates market value.

	Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
	Beginning of period	End of period	Beginning of period	End of period
Cash and cash equivalents	$ 62,351	$ 288,376	$ 59,634	$ 116,206
Restricted cash included in other assets, noncurrent	321	321	371	371
Total cash, cash equivalents and restricted cash per statement of cash flows	$ 62,672	$ 288,697	$ 60,005	$ 116,577

Marketable Securities

Short-term marketable securities consist of investments in debt securities with maturities greater than three months and less than one year from the balance sheet date. The Company classifies all of its marketable securities as available-for-sale. Accordingly, these investments are recorded at fair value. Amortization and accretion of discounts and premiums are recorded as interest income within other income. Unrealized gains and losses on available-for-sale securities are included in other accumulated comprehensive income (loss) as a component of stockholders' equity until realized. Realized gains and losses and declines in value judged to be other than temporary are included as a component of other income (expense), net, based on the specific identification method. When determining whether a decline in value is other than temporary, the Company considers various factors, including whether the Company has the intent to sell the security, and whether it is more likely than not that the Company will be required to sell the security prior to recovery of its amortized cost basis. Fair value is determined based on quoted market prices.

Other Assets

The Company recorded other assets of $2,103 and $1,453 as of June 30, 2020 and December 31, 2019, respectively, comprised of $1,782 and $1,132, respectively, held by a service provider, and restricted cash of $321 at the end of each period held as security deposits for a standby letter of credit related to a facility lease.

(in thousands, except share and per share data)

Net Loss per Share

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, without further consideration for potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock and potentially dilutive securities outstanding for the period determined using the treasury stock and if-converted methods.

For purposes of the diluted net loss per share calculation, stock options, unvested restricted stock units (RSUs), warrants to purchase common stock and options to purchase common stock are considered to be potentially dilutive securities, but are excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive. Therefore, basic and diluted net loss per share were the same for the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020.

The following table sets forth the outstanding potentially dilutive securities that have been excluded from the calculation of diluted net loss per share for the three and six months ended June 30, 2020 and the three months ended June 30, 2019, because to include them would be anti-dilutive (in common stock equivalent shares):

	Three and Six Months Ended June 30, 2020	Three Months Ended June 30, 2019
Stock options	5,946,503	4,564,093
Unvested restricted stock units	742,128	—
Warrants	39,474	110,365
	6,728,105	4,674,458

For the six months ended June 30, 2019, the Company reported net income. Diluted earnings per share was computed using the "treasury method" by dividing the net income by the weighted-average number of shares of common stock and potentially dilutive securities outstanding during the period. The weighted-average number of shares of common stock were adjusted for the potential dilutive effect of the exercise of stock options and warrants to purchase common stock. Refer to Note 7, "Earnings per share."

Recently Issued Accounting Pronouncements

In November 2018, the FASB issued ASU No. 2018-18, *Collaborative Arrangements (Topic 808):Clarifying the Interaction between Topic 808 and Topic 606*. The main provisions of ASU 2018-18 include: (i) clarifying that certain transactions between collaborative arrangement participants should be accounted for as revenue when the collaborative arrangement participant is a customer in the context of a unit of account and (ii) precluding the presentation of transactions with collaborative arrangement participants that are not directly related to sales to third parties together with revenue. This guidance is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those annual reporting periods, and early adoption is permitted. The guidance per ASU 2018-18 is to be adopted retrospectively to the date of initial application of Topic 606. The Company adopted the new standard effective January 1, 2020. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires that financial assets measured at amortized cost be presented at the net amount expected to be collected. Currently, U.S. GAAP delays recognition of the full amount of credit losses until the loss is probable of occurring. Under this ASU, the income statement will reflect an entity’s current estimate of all expected credit losses. The measurement of expected credit losses will be based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit

losses rather than as a direct write-down of the security. This ASU is effective for annual periods beginning after December 15, 2019, including interim periods within those annual reporting periods, and early adoption is permitted. The Company adopted the new standard effective January 1, 2020 using the modified retrospective method. The adoption of this standard did not have a material impact on the Company's consolidated financial statements and related disclosures.

3. Collaboration agreements

Merck KGaA

In June 2014, the Company entered into a Collaboration and Commercial License Agreement with Merck KGaA (the Merck KGaA Agreement). Upon the execution of the agreement, Merck KGaA paid the Company a nonrefundable technology access fee of $12,000 for the right to develop ADCs directed to six exclusive targets over a specified period of time. No additional fees are due when a target is designated and the commercial license to the target is granted. Merck KGaA will be responsible for the product development and marketing of any products resulting from this collaboration. All six targets were designated prior to 2018. The Company is eligible to receive milestones under the Merck KGaA Agreement. The next potential milestone payment is a development milestone of $500 on Merck KGaA's designation of a preclinical development candidate for a target. Revenue for the milestone is fully constrained until it is certain the milestone would be achieved.

Under the terms of the Merck KGaA Agreement, the Company and Merck KGaA develop research plans to evaluate Merck KGaA's antibodies as ADCs incorporating the Company's technology. The Company receives reimbursement for its efforts under the research plans. The goal of the research plans is to provide Merck KGaA with sufficient information to formally nominate a development candidate and begin IND-enabling studies or cease development on the designated target.

In May 2018, the Company entered into a Supply Agreement with Merck KGaA (the Merck KGaA Supply Agreement). Under the terms of the Merck KGaA Supply Agreement, the Company will provide Merck KGaA preclinical non-GMP ADC Drug Substance and clinical GMP Drug Substance for use in clinical trials associated with one of the antibodies designated under the Merck KGaA Agreement. The Company receives fees for its efforts under the Merck KGaA Supply Agreement and reimbursement equal to the supply cost. The Company may also enter into future supply agreements to provide clinical supply material should Merck KGaA pursue clinical development of any other candidates nominated under the Merck KGaA Agreement.

Accounting Analysis

The Company identified the following performance obligations under the Merck KGaA agreement: (i) exclusive license and research services for six designated targets, (ii) rights to future technological improvements and (iii) participation of project team leaders and providing joint research committee services.

The Company is recognizing revenue related to the exclusive license and research and development services over the estimated period of the research and development services using a proportional performance model. The Company measures proportional performance based on the costs incurred relative to the total costs expected to be incurred. To the extent that the Company receives fees for the research services as they are performed, these amounts are recorded as deferred revenue. Revenue related to future technological improvements and joint research committee services will be recognized ratably over the respective performance period (which in the case of the joint research committee services approximates the time and cost incurred each period), which are 10 and five years, respectively. The Company is continuing to reassess the estimated remaining term at each subsequent reporting period. As of December 31, 2019, the total transaction price for the Merck KGaA Agreement was $21,500, which represented the amount of consideration the Company was expected to receive for the transfer of goods and services to Merck KGaA. For each of the three and six months ended June 30, 2020, the Company decreased the fees expected to be received for research and development activities by $175 to $6,325, resulting in a revised total transaction price for the Merck KGaA Agreement of $21,325 as of June 30, 2020.

During the three months ended June 30, 2020, the Company completed its performance obligations associated with one of the six designated targets. For the three months ended June 30, 2020 and 2019, and the six months ended June 30, 2020 and 2019, the Company recorded collaboration revenue of $796, $18, $807, and $36, respectively, related to its efforts under the Merck KGaA Agreement. During the three and six months ended June 30, 2019, the Company recognized $184 and $1,221, respectively, in collaboration revenue and corresponding research and development expense of $184 and $1,221, respectively, related to the Merck KGaA Supply Agreement.

As of June 30, 2020 and December 31, 2019, the Company had $4,008 and $4,815, respectively, in deferred revenue related to the Merck KGaA Agreement and Merck KGaA Supply Agreement that will be recognized over the remaining performance period.

Takeda XMT-1522 Strategic Partnership

In January 2016, the Company entered into a Development Collaboration and Commercial License Agreement with Takeda's wholly owned subsidiary, Millennium Pharmaceuticals, Inc. for the development and commercialization of XMT-1522 (the XMT-1522 Agreement). Under the XMT-1522 Agreement, Takeda was granted the exclusive right to commercialize XMT-1522 outside of the United States and Canada. Under the XMT-1522 Agreement, the Company was responsible for conducting certain Phase 1 development activities for XMT-1522, including the ongoing Phase 1 clinical trial, at its own expense. The parties agreed to collaborate on the further development of XMT-1522 in accordance with a global development plan (Post-Phase 1 Development). On January 2, 2019, the Company received notice from Takeda stating that Takeda was exercising its right to terminate the XMT-1522 Agreement upon 30 days' prior written notice. The XMT-1522 Agreement terminated in accordance with its provisions, and the Company and Takeda wound down activities related to the XMT-1522 Agreement as of March 31, 2019. Under the XMT-1522 Agreement, the Company and Takeda shared equally all Post-Phase 1 Development costs through the date of termination and for a period of 30 days after the effective termination date.

For the applicable period within the three months ended March 31, 2019, the Company was billed $200 by Takeda, representing the Company's share of Post-Phase 1 Development costs incurred by Takeda. This amount has been reflected as research and development costs in the consolidated statement of operations.

Takeda strategic research and development partnership

In March 2014, the Company entered into a Research Collaboration and Commercial License Agreement with Takeda through Takeda's wholly owned subsidiary, Millennium Pharmaceuticals, Inc. (the 2014 Agreement). The 2014 Agreement was amended in January 2015 and amended and restated in January 2016 (the 2016 Restated Agreement). The agreements provided Takeda with the right to develop ADCs directed to a total of seven exclusive targets, designated by Takeda, over a specified period of time. On January 2, 2019, the Company received notice from Takeda stating that Takeda was exercising its right to terminate the 2016 Restated Agreement upon 45 days' prior written notice. The 2016 Restated Agreement terminated in accordance with its provisions, and the Company and Takeda wound down activities related to the 2016 Restated Agreement as of March 31, 2019.

During the applicable period within the three months ended March 31, 2019, the Company billed Takeda $195 related to ASC 808 costs.

Accounting Analysis

The Company's collaboration agreements with Takeda were terminated following receipt of written notices during the first quarter of 2019. As there are no further performance obligations, the Company recognized the remaining deferred revenue of $39,965 related to the termination of the Takeda agreements in the first quarter of 2019.

Included in accounts payable as of June 30, 2020 and December 31, 2019 was $2,335 related to the Takeda agreements.

Mersana Therapeutics, Inc.
Notes to condensed consolidated financial statements (continued)
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(unaudited)

Summary of Contract Assets and Liabilities

The following table presents changes in the balances of our contract assets and liabilities during the six months ended June 30, 2020 and 2019:

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
Six months ended June 30, 2020				
Contract assets	$ —	$ —	$ —	$ —
Contract liabilities:				
Deferred revenue	$ 4,815	$ —	$ 807	$ 4,008

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
Six months ended June 30, 2019				
Contract assets	$ —	$ —	$ —	$ —
Contract liabilities:				
Deferred revenue	$ 46,196	$ —	$ 40,715	$ 5,481

During the three and six months ended June 30, 2020 and 2019, the Company recognized the following revenues as a result of changes in the contract asset and the contract liability balances in the respective periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue recognized in the period from:				
Amounts included in the contract liability at the beginning of the period	$ 796	$ 123	$ 807	$ 40,715
Performance obligations satisfied in previous periods	$ —	$ —	$ —	$ —

Other Revenue

The Company has provided limited services for a collaboration partner, Asana BioSciences. For the six months ended June 30, 2019, the Company recognized $15 of revenue related to these services. The Company did not recognize any revenue related to these services for the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020. The next potential milestone the Company is eligible to receive is $2,500 upon dosing the fifth patient in a Phase 1 clinical study by Asana BioSciences. As of June 30, 2020, the Company considers this next milestone to be fully constrained as there is considerable judgment involved in determining whether it is probable that a significant revenue reversal would occur. As part of its evaluation of the constraint, the Company considered numerous factors, including the fact that achievement of the milestone is outside the control of the Company and there is a high level of uncertainty in achieving this milestone, as this would require successful initiation of clinical trials by the collaboration partner. The Company reevaluates the probability of achievement of a milestone subject to constraint at each reporting period and as uncertain events are resolved or other changes in circumstances occur.

Mersana Therapeutics, Inc.
Notes to condensed consolidated financial statements (continued)
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4. Fair value measurements

The following table presents information about the Company's assets and liabilities regularly measured and carried at a fair value and indicates the level within fair value hierarchy of the valuation techniques utilized to determine such value as of June 30, 2020 and December 31, 2019:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2020				
Marketable securities:				
Corporate bonds	$ 3,002	$ —	$ 3,002	$ —
	$ 3,002	$ —	$ 3,002	$ —

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Marketable securities:				
Commercial paper	$ 11,940	$ —	$ 11,940	$ —
Corporate bonds	12,010	—	12,010	—
U.S. Treasuries	13,489	13,489	—	—
	$ 37,439	$ 13,489	$ 23,950	$ —

There were no changes in valuation techniques or transfers between fair value measurement levels during the six months ended June 30, 2020 and 2019.

The carrying amounts reflected in the consolidated balance sheets for prepaid expenses and other current assets, accounts payable and accrued expenses approximate their fair values due to their short-term nature.

As of June 30, 2020, the carrying value of the Company’s outstanding borrowing under the Credit Facility approximated fair value (a Level 2 fair value measurement), reflecting interest rates currently available to the Company. The Credit Facility is discussed in more detail in Note 8, “Debt”.

5. Marketable securities

The following table summarizes marketable securities held at June 30, 2020 and December 31, 2019:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2020				
Corporate bonds	$ 3,000	$ 2	$ —	$ 3,002
	$ 3,000	$ 2	$ —	$ 3,002

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Notes to condensed consolidated financial statements (continued)
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	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2019				
Commercial paper	$ 11,940	$ —	$ —	$ 11,940
Corporate bonds	11,990	20	—	12,010
U.S. Treasuries	13,484	5	—	13,489
	$ 37,414	$ 25	$ —	$ 37,439

As of June 30, 2020, the Company did not hold any securities that were in an unrealized loss position.

6. Accrued expenses

Accrued expenses consisted of the following as of June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Accrued payroll and related expenses	$ 2,487	$ 4,037
Accrued preclinical, manufacturing and clinical expenses	3,235	4,230
Accrued professional fees and insurance	2,589	675
Accrued other	61	44
	$ 8,372	$ 8,986

7. Earnings per share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Numerator:				
Net income (loss)	$ (19,786)	$ (17,071)	$ (36,712)	$ 4,830
Denominator:				
Weighted-average number of shares - basic	60,748,225	47,708,085	54,368,429	39,051,958
Dilutive securities - share-based awards	—	—	—	1,023,184
Dilutive securities - common stock warrants	—	—	—	109,232
Weighted-average number of shares - diluted	60,748,225	47,708,085	54,368,429	40,184,374
Net income (loss) per share - basic	$ (0.33)	$ (0.36)	$ (0.68)	$ 0.12
Net income (loss) per share - diluted	$ (0.33)	$ (0.36)	$ (0.68)	$ 0.12

Anti-dilutive stock-based awards excluded from the calculation of diluted EPS for the six months ended June 30, 2019 were 2,860,328.

For the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020, the potentially dilutive securities were excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive,

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therefore basic and diluted net loss per share were the same for the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020.

8. Debt

On May 8, 2019, the Company entered into a loan and security agreement (the Credit Facility) with Silicon Valley Bank (SVB) pursuant to which the Company can borrow, at its option, up to $20,000, in up to four principal advances of at least $5,000 each (each, a Term Loan or collectively, the Term Loans) through August 31, 2020. The Company drew $5,000 on the Term Loan upon execution of the Credit Facility.

In the event the Company has not borrowed a total of $20,000 upon the earlier of August 31, 2020, acceleration of the Company's payment obligations or Company's prepayment of the then extended Term Loans, the Company is required to pay an additional fee equal to 3.0% of any unborrowed portion of the committed funding (the Unused Term Loan Commitment Fee).

As of June 30, 2020, the Company was in compliance with all covenants under the Credit Facility. As such, as of June 30, 2020, the classification of the loan balance as stated on the balance sheet was based on the timing of defined future payment obligations.

As of June 30, 2020, the Company had drawn a Term Loan of $5,000.

As of June 30, 2020, debt consisted of the following:

	June 30, 2020
Total debt	$ 5,000
Less: Current portion of long-term-debt	(1,667)
Total debt, net of current portion	3,333
Debt financing costs, net of accretion	(148)
Accretion related to final payment	78
Long-term debt, net	$ 3,263

As of June 30, 2020, the estimated future principal payments due are as follows:

2020 (excluding the six months ended June 30, 2020)	$ 667
2021	2,000
2022	2,000
2023	333
Total debt	$ 5,000

During the three and six months ended June 30, 2020, the Company recognized $51 and $102, respectively, of interest expense related to the Credit Facility. During each of the three and six months ended June 30, 2019, the Company recognized $13 of interest expense related to the Credit Facility.

9. Stockholders' equity

Preferred stock

As of June 30, 2020, the Company had 25,000,000 shares of authorized preferred stock. No shares of preferred stock have been issued.

Mersana Therapeutics, Inc.
Notes to condensed consolidated financial statements (continued)
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At-the-market equity offering program

In July 2018, the Company established an at-the-market (ATM) equity offering program (2018 ATM) pursuant to which it offered and sold up to $75,000 of its common stock from time to time at prevailing market prices. In April 2020, the Company sold 8,938,599 and 1,962,000 shares of common stock at $5.59 per share and $7.74 per share, respectively, to raise aggregate gross proceeds of $65,153 through the 2018 ATM facility. Net proceeds to the Company after deducting fees, commissions and other expenses related to the offering were approximately $62,976.

In May 2020, the Company terminated the 2018 ATM and established a new ATM equity offering program (2020 ATM) pursuant to which it is able to sell up to $100,000 of its common stock from time to time at prevailing market prices. As of June 30, 2020, the Company had not sold any shares under the 2020 ATM.

Follow-on offering

In June 2020, the Company sold 9,200,000 shares of common stock, in an underwritten public offering price to the public of $19.00 per share, resulting in gross proceeds of approximately $174,800. Net proceeds to the Company after deducting fees, commissions and other expenses related to the offering were approximately $163,991.

Warrants

In connection with a 2013 Series A-1 Preferred Stock issuance, the Company granted to certain investors warrants to purchase 129,491 shares of common stock. The warrants have a $0.05 per share exercise price and a contractual life of 10 years. The fair value of these warrants was recorded as a component of equity at the time of issuance. As of June 30, 2020, there were warrants to purchase 39,474 shares of common stock.

Exchange Warrants

On November 26, 2019, the Company entered into an exchange agreement with entities affiliated with Biotechnology Value Fund, L.P. (the “Exchanging Stockholders”), pursuant to which the Exchanging Stockholders exchanged an aggregate of 2,575,000 shares of common stock for warrants (the “Exchange Warrants”) to purchase an aggregate of 2,575,000 shares of common stock (subject to adjustment in the event of any stock dividends and splits, reverse stock split, merger or consolidation, change of control, reorganization or similar transaction, as described in the Exchange Warrants), with an exercise price of $0.0001 per share.

On March 2, 2020, the Exchanging Stockholders exercised the Exchange Warrants in full on a net cashless exercise basis, resulting in the issuance of 2,574,971 shares of common stock.

Common stock

The holders of the common stock are entitled to one vote for each share held. Common stockholders are not entitled to receive dividends, unless declared by the Board of Directors (the Board).

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Notes to condensed consolidated financial statements (continued)
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At June 30, 2020 and December 31, 2019, there were 6,728,105 and 7,782,582, respectively, shares of common stock reserved for the exercise of outstanding stock options, restricted stock units and warrants.

	June 30, 2020	December 31, 2019
Stock options	5,946,503	4,720,772
Restricted stock units	742,128	447,336
Warrants	39,474	39,474
Exchange warrants	—	2,575,000
	6,728,105	7,782,582

10. Stock options

Stock option plans

In June 2017 the Company's shareholders approved the 2017 Stock Incentive Plan (the 2017 Plan). Under the 2017 Plan, up to 2,255,000 shares of common stock were initially available to be granted to the Company's employees, officers, directors, consultants and advisors in the form of options, restricted stock units (RSUs) or other stock-based awards. The number of shares of common stock issuable under the 2017 Plan will be cumulatively increased annually by 4% of the outstanding shares or such lesser amount specified by the Board. The terms of the awards are determined by the Board, subject to the provisions of the 2017 Plan. Any cancellations under the 2007 Plan, which expired in June 2017, would increase the number of shares that could be granted under the 2017 Plan. In January 2020, the number of shares of common stock issuable under the 2017 Plan was increased by 1,815,520 shares. As of June 30, 2020, there were 1,557,386 shares available for future issuance under the 2017 Plan.

With respect to incentive stock options, the exercise price per share will equal the fair market value of the common stock on the date of grant, and the vesting period is generally four years. Nonqualified stock options will be granted at an exercise price established by the Board at its sole discretion (which has not been less than fair market value on the date of grant) and the vesting periods may vary. Options granted under the 2017 Plan expire no later than 10 years from the date of grant. The Board may accelerate vesting or extend the expiration of granted options in the case of a merger, consolidation, dissolution, or liquidation of the Company.

Stock option activity

A summary of the options activity under the Plans is as follows:

	Number of Shares	Weighted-Average Exercise Price
Outstanding at January 1, 2020	4,720,772	$ 5.24
Granted	1,589,649	6.93
Exercised	(249,198)	5.68
Cancelled	(114,720)	7.80
Outstanding at June 30, 2020	5,946,503	$ 5.63
Exercisable at June 30, 2020	3,008,919	$ 4.69

The weighted-average grant date fair value of options granted during the six months ended June 30, 2020 and 2019, was $4.06 and $2.46 per share, respectively.

Mersana Therapeutics, Inc.
Notes to condensed consolidated financial statements (continued)
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Cash received from the exercise of stock options was $1,415 and $100 for the six months ended June 30, 2020 and 2019, respectively.

Restricted stock units (RSUs)

In July 2019, the Company issued RSUs with service conditions to employees. The awards cliff-vest two years after the grant date. In January 2020, the Company issued 324,932 RSUs with a service condition to employees for which the vesting term is annually over four years. Vesting of these awards is contingent on the fulfillment of the service conditions during the vesting term.

A summary of the RSU activity under the 2017 Plan is as follows:

	Number of Shares
Unvested at January 1, 2020	447,336
Granted	324,932
Vested	—
Forfeited	(30,140)
Unvested at June 30, 2020	742,128

Stock-based compensation expense

The Company uses the provisions of ASC 718, *Stock Compensation*, to account for all stock-based awards to employees and non-employees.

The measurement date for employee awards is generally the date of grant. Stock-based compensation expense is recognized over the requisite service period, which is generally the vesting period, using the straight-line method.

The following table presents stock-based compensation expense by award type included within the Company's condensed consolidated statement of operations and comprehensive loss:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Stock options	$ 1,272	$ 1,091	$ 2,505	$ 2,185
Restricted stock units	318	—	627	—
Employee stock purchase plan	66	70	133	140
Stock-based compensation expense included in Total operating expenses	$ 1,656	$ 1,161	$ 3,265	$ 2,325

Mersana Therapeutics, Inc.
Notes to condensed consolidated financial statements (continued)
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The following table presents stock-based compensation expense as reflected in the Company's condensed consolidated statements of operations and comprehensive loss:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Research and development	$ 805	$ 533	$ 1,602	$ 1,049
General and administrative	851	628	1,663	1,276
Stock-based compensation expense included in Total operating expenses	$ 1,656	$ 1,161	$ 3,265	$ 2,325

As of June 30, 2020, there was $10,759 and $2,609 of unrecognized stock compensation expense related to unvested stock options and unvested RSUs, respectively, that is expected to be recognized over a weighted-average period of 2.4 years and 2.7 years, respectively.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Risk-free interest rate	0.5 %	2.0 %	1.5 %	2.5 %
Expected dividend yield	— %	— %	— %	— %
Expected term (years)	6.00	5.70	6.04	5.95
Expected stock price volatility	80 %	74 %	70 %	74 %

Employee Stock Purchase Plan

During the year ended December 31, 2017, the Board adopted, and the Company's stockholders approved the 2017 employee stock purchase plan (the 2017 ESPP). The Company initially reserved 225,000 shares of common stock for issuance under the 2017 ESPP. In January 2020, the number of shares of common stock for issuance under the 2017 ESPP was increased by 450,000 shares. For the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, the Company issued 68,419, 82,281, 68,419, and 82,281, respectively, shares under the 2017 ESPP. As of June 30, 2020, there were 656,666 shares available for issuance under the 2017 ESPP.

11. Leases

The Company has an operating lease for its office space in Cambridge, MA and operating and finance leases for certain equipment. In March 2020, the Company entered into the Seventh Amendment to the office space lease to extend the term of the lease through March 2026 and to provide the Company with a tenant improvement allowance of $172. The current rate per square foot that is in place through March 2021 (the original expiration date of the lease) did not change. After March 2021, there are predetermined fixed escalations of the rate as outlined in the amendment. The Company has an option to extend the lease term for an additional five years. The Company's exercise of this option was not considered reasonably certain as of June 30, 2020.

The extension is accounted for as a lease modification. The Company assessed the lease classification of the amended office space lease at the modification date and determined that the amended office space lease should be accounted for as an operating lease. The right-of-use asset and corresponding operating lease liability have been remeasured based on the present value of remaining lease payments over the remaining extended lease term, using the incremental borrowing rate applicable as of the lease modification date. The Company determined the appropriate incremental borrowing rate by using a synthetic credit rating which was estimated based on an analysis of outstanding debt of companies with similar credit and financial profiles. Since the operating lease is a net lease, as

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the non-lease components (i.e., common area maintenance) are paid separately from rent based on actual costs incurred, such non-lease components were not included in the right-of-use asset and liability and are reflected as an expense in the period incurred.

As a result of the modification in March 2020, the Company recorded an increase of $9,980 to its right-of-use (ROU) asset and lease liabilities in the first quarter of 2020.

Following the change, the Company's future minimum lease payments under non-cancellable leases as of June 30, 2020 were as follows:

	Operating leases	Finance leases
2020 (excluding the six months ended June 30, 2020)	$ 1,206	$ 58
2021	2,772	116
2022	2,843	84
2023	2,928	74
2024 and thereafter	6,904	18
Total lease payments	16,653	350
Present value adjustment	(4,484)	(36)
Present value of lease liabilities	$ 12,169	$ 314

12. Commitments

License agreements

Through June 30, 2020, the Company had licensed intellectual property from three biotechnology companies. The consideration included upfront payments and a commitment to pay annual license fees, milestone payments and, upon product commercialization, royalties on revenue generated from the sale of products covered by the licenses. The Company recorded a $750 milestone payment for the dosing of the first patient in the XMT-1592 trial during each of the three and six months ended June 30, 2020. The Company did not record any milestone payments during either of the three and six months ended June 30, 2019.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes appearing elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and the accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission (SEC) on February 28, 2020.

Our actual results and the timing of certain events may differ materially from the results discussed, projected, anticipated, or indicated in any forward-looking statements. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from the forward-looking statements contained in this Quarterly Report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Quarterly Report, they may not be predictive of results or developments in future periods.

The following information and any forward-looking statements should be considered in light of factors discussed elsewhere in this Quarterly Report on Form 10-Q, in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 28, 2020, and in our Quarterly Report on Form 10-Q for the quarterly period ending March 31, 2020, filed with the SEC on May 8, 2020, including those risks identified under Item 1A. Risk Factors.

We caution readers not to place undue reliance on any forward-looking statements made by us, which speak only as of the date they are made. We disclaim any obligation, except as specifically required by law and the rules of the SEC, to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

Overview

We are a clinical-stage biopharmaceutical company focused on developing antibody drug conjugates, or ADCs, that offer a clinically meaningful benefit for cancer patients with significant unmet need. We have leveraged 20 years of industry learning in the ADC field to develop proprietary and differentiated technology platforms that enable us to design ADCs to have improved efficacy, safety and tolerability relative to existing ADC therapies.

We believe that our innovative platforms which include Dolaflexin and Dolasynthen, each delivering our DolaLock payload, as well as Immunosynthen, delivering a novel stimulator of interferon genes, or STING, agonist, provide a highly-efficient product engine that has enabled a robust discovery pipeline for us and our partners. Our ADCs in preclinical and clinical studies are first-in-class molecules that target multiple tumor types with high unmet medical need and have exhibited improved safety and efficacy compared to ADCs developed using first-generation technology.

Our goal is to become a leading oncology company by leveraging the potential of our innovative and differentiated ADC technologies and the experience and competencies of our management team to identify, acquire and develop promising ADC product candidates and to commercialize cancer therapeutics that are improvements over existing treatments.

XMT-1536, a first-in-class ADC targeting the sodium-dependent phosphate transport protein NaPi2b, utilizes the Dolaflexin platform to deliver an average of 10 to 12 DolaLock payload molecules per antibody. The NaPi2b antigen is broadly expressed in NSCLC adenocarcinoma and ovarian cancer with limited expression in normal tissue. We are actively recruiting and dosing patients with ovarian cancer and NSCLC adenocarcinoma, where a majority of patients express NaPi2b, in a Phase 1 clinical trial.

We have also selected our next clinical product candidate, XMT-1592. XMT-1592 uses one of our new platforms, Dolasynthen, and also targets NaPi2b. XMT-1592 comprises the same proprietary NaPi2b antibody and potent auristatin DolaLock payload with controlled bystander effect as XMT-1536, with the additional features of homogeneous, site-specific bioconjugation and precise drug-to-antibody ratio, or DAR. We filed an Investigational New Drug (IND) application in the first quarter of 2020 and initiated the Phase 1 dose escalation study of XMT-1592 in the second quarter of 2020.

Our early-stage programs include a potentially first-in-class B7-H4-targeted DolaLock ADC. Our objective is to rapidly progress through IND-enabling studies and scale up manufacturing activities with third parties. B7-H4 provides significant opportunities for development in areas of high unmet need such as breast cancer, NSCLC and ovarian cancer.

In addition, we have established strategic research and development partnerships with Merck KGaA and Asana Biosciences for the development and commercialization of additional ADC product candidates against a limited number of targets selected by our partners based on our Fleximer platform. We believe the potential of our ADC technologies, supported by our world-class management team and protected by our robust intellectual property portfolio, will allow us to develop targeted and highly tailored therapies to help cancer patients become cancer survivors.

Since inception, our operations have focused on such matters as building our platforms, identifying potential product candidates, producing drug substance and drug product material for use in preclinical studies, conducting preclinical and toxicology studies, manufacturing clinical study material and conducting clinical studies, establishing and protecting our intellectual property, staffing our company and raising capital. We do not have any products approved for sale and have not generated any revenue from product sales. We have funded our operations primarily through our strategic partnerships, private placements of our convertible preferred stock and public offerings of our common stock. In April 2020, we sold approximately 10.9 million shares of common stock and received net proceeds of $63.0 million. In addition, in June 2020, we sold 9.2 million shares of common stock and received net proceeds of $164.0 million.

Since inception, we have incurred significant cumulative operating losses. For the six months ended June 30, 2020, the net loss was $36.7 million, compared to net income of $4.8 million in the six months ended June 30, 2019. The difference year over year is primarily attributable to $40.0 million in revenue that was recognized in the first quarter of 2019 as a result of the discontinuation of the partnership with Takeda in that quarter. As of June 30, 2020, we had an accumulated deficit of $229.1 million. We expect to continue to incur significant expenses and operating losses over the next several years. We anticipate that our expenses will increase significantly in connection with our ongoing activities, as we:

- continue clinical development activities for our lead product candidates XMT-1536 and XMT-1592;
- develop a research assay and companion diagnostic for the NaPi2b biomarker;
- continue activities to discover, validate and develop additional product candidates;
- maintain, expand and protect our intellectual property portfolio; and
- hire additional research, development and general and administrative personnel.

Impact of COVID-19 on Our Business

The coronavirus pandemic continues to evolve rapidly. We are monitoring the impact of the COVID-19 pandemic on operations and ongoing clinical and preclinical development, as well as discovery efforts. Mitigation activities to minimize COVID-19-related operation disruptions are ongoing and include:

- In line with guidance from the U.S. Centers for Disease Control and Prevention (CDC) and the Commonwealth of Massachusetts, we have implemented work from home measures for all non-laboratory employees and have suspended all business travel. We have also prioritized laboratory activities and implemented staggered schedules in the interest of safety and efficiency for laboratory-based employees. We will continue to modify and adapt our measures to align with guidance as the pandemic evolves.

- We are currently enrolling patients at investigational sites in different geographic areas across the United States in the XMT-1536 Phase 1 study and the XMT-1592 Phase 1 dose escalation study. We are in the process of initiating additional clinical sites both inside and outside the United States to increase enrollment, which could additionally mitigate potential impacts from COVID-19. Consistent with FDA guidance, we issued an administrative letter to allow for remote patient monitoring and remote testing, when possible.

- To the best of our knowledge, our contract manufacturing partners continue to operate their manufacturing facilities at or near normal levels, and we have not experienced any COVID-related delays in our manufacturing to date. We believe we have sufficient inventory of XMT-1536 and XMT-1592 to support our ongoing clinical studies. We have planned manufacturing runs to address all currently anticipated future needs. At this time, and subject to further COVID-19 implications, we do not anticipate any disruptions to our clinical supply.

The ultimate impact of the coronavirus pandemic on our business operations is highly uncertain and subject to change and will depend on future developments, which cannot be accurately predicted. While the pandemic did not materially affect our financial results and business operations in the second quarter ended June 30, 2020, we are unable to predict the impact that COVID-19 will have on our financial position and operating results in future periods due to numerous uncertainties. Management is actively monitoring this situation and the possible effects on our financial condition, operations, suppliers, industry, and our employees. For additional information about risks and uncertainties related to the COVID-19 pandemic that may impact our business, our financial condition or our results of operations, see “Part II, Item 1A—Risk Factors” below in this Form 10-Q.

Financial operations overview

Revenue

To date, we have not generated any revenue from the sale of products. All of our revenue has been generated from strategic partnerships.

In June 2014, we entered into an agreement with Merck KGaA for the development and commercialization of ADC product candidates utilizing Fleximer for up to six target antigens. Merck KGaA is responsible for generating antibodies against the target antigens and we are responsible for generating Fleximer and our proprietary payloads and conjugating this to the antibody to create the ADC product candidates. Merck KGaA has the exclusive right to and is responsible for the further development and commercialization of these ADC product candidates. In May 2018, we entered into a supply agreement with Merck KGaA for the supply of materials that could be used for IND-enabling studies and clinical trials.

For the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, we recognized revenue of $0.8 million, $0.2 million, $0.8 million, and $1.2 million, respectively, related to the Merck KGaA agreements.

In January 2016, we entered into collaboration agreements with Takeda for the development and commercialization of XMT-1522, a HER2-targeted ADC, and up to seven ADC product candidates utilizing Fleximer. Our collaboration agreements with Takeda were terminated during the first quarter of 2019. We recognized the remaining deferred revenue of $40.0 million related to the termination of the Takeda agreements in the first quarter of 2019. We do not expect to have any further revenue related to these agreements.

We have provided limited services to Asana BioSciences. For the six months ended June 30, 2019 we recorded an immaterial amount of revenue related to these services. We did not record any revenue related to these services in the three and six months ended June 30, 2020 and the three months ended June 30, 2019.

For the foreseeable future, we expect substantially all of our revenue to be generated from our collaboration agreements with Merck KGaA and Asana BioSciences. Given the uncertain nature and timing of clinical development, we cannot predict when or whether we will receive further milestone payments or any royalty payments under these collaborations.

Operating expenses

Research and development expenses

Research and development expenses consist primarily of costs incurred for our research and development activities, including our drug discovery efforts, and the development of our product candidates, which include:

- employee-related expenses, including salaries, bonuses, benefits and stock-based compensation expense;
- costs of funding research and development performed by third parties that conduct research, preclinical activities, manufacturing and clinical trials on our behalf;
- laboratory supplies;
- facility costs, including rent, depreciation and maintenance expenses; and
- upfront and milestone payments under our third-party licensing agreements.

Research and development costs are expensed as incurred. Costs of certain activities, such as manufacturing and preclinical and clinical studies, are generally recognized based on an evaluation of the progress to completion of specific tasks. Costs for certain development activities, such as clinical studies, are recognized based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, clinical site activations and information provided to us by the third parties with whom we contract.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials and manufacturing costs. We expect that our total future research and development costs will continue to increase over current levels, depending on the progress of our clinical development programs. There are numerous factors associated with the successful development and commercialization of any of our product candidates, including future trial design and various regulatory requirements, many of which cannot be determined with accuracy at our current stage of development. Additionally, future commercial and regulatory factors beyond our control may impact our clinical development programs and plans.

A significant portion of our research and development costs have been external costs, which we track on a program-by-program basis following nomination as a product candidate. We have not historically tracked all of our internal research and development expenses on a program-by-program basis as they are deployed across multiple projects under development. The following table summarizes our external research and development expenses, by program, following nomination as a development candidate for the three and six months ended June 30, 2020 and 2019. All external research and development expenses not attributable to the XMT-1536, XMT-1592 and XMT-1522 programs are captured within preclinical and discovery costs. These costs relate to XMT-1592 prior to its designation in early 2020 as our next ADC clinical candidate, as well as additional earlier discovery stage programs and certain unallocated costs. We terminated the development of XMT-1522 in the first quarter of 2019. Our internal research and development costs are primarily personnel-related costs, stock-based compensation costs, and facility costs, including depreciation, and lab consumables.

(in thousands)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
XMT-1536 external costs	$ 3,535	$ 1,791	$ 5,905	$ 4,609
XMT-1592 external costs	2,672	—	3,845	—
XMT-1522 external costs	—	985	—	1,963
Preclinical and discovery costs	2,022	4,281	3,530	8,388
Internal research and development costs	7,184	6,709	14,352	13,949
Total research and development costs	$ 15,413	$ 13,766	$ 27,632	$ 28,909

The successful development of our product candidates is highly uncertain. As such, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of our product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from the development efforts associated with our product candidates. This is due to the numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- successful completion of preclinical studies and IND-enabling studies;
- successful enrollment in and completion of clinical trials;
- receipt of marketing approvals from applicable regulatory authorities;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our product candidates;
- commercializing the product candidates, if and when approved, whether alone or in collaboration with others; and
- continued acceptable safety profile of the drugs following approval.

A change in the outcome of any of these or other variables with respect to the development, manufacture or commercialization of any of our product candidates would significantly change the costs, timing and viability associated with the development of that product candidate.

General and administrative expenses

General and administrative expenses consist primarily of salaries and other employee-related costs, including stock-based compensation, for personnel in executive, finance, accounting, business development, legal operations, information technology and human resources functions. Other significant costs include facility costs not otherwise included in research and development expenses, legal and other fees relating to patent and corporate matters, and fees for accounting and consulting services.

We anticipate that our general and administrative expenses will increase in the future to support continued research and development activities, including increased costs related to the hiring of additional personnel, fees to outside consultants and patent costs, among other expenses.

Other income (expense)

Other income (expense) consists primarily of interest income earned on cash equivalents and marketable securities. Interest expense is related to borrowings under the credit facility that we entered into on May 9, 2019. These borrowings bear a floating per annum rate interest, as well as a final payment of 5% of the amounts drawn, that is being recorded as interest expense over the term through the maturity date using the effective-interest method. Also included in interest expense is the amortization of the deferred financing costs and the accretion of debt discount relating to the credit facility.

Results of Operations

Comparison of the three months ended June 30, 2020 and 2019

The following table summarizes our results of operations for the three months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		
(in thousands)	**2020**	**2019**	**Dollar Change**
Collaboration revenue	$ 796	$ 202	$ 594
Operating expenses:			
Research and development	15,413	13,766	1,647
General and administrative	5,171	4,192	979
Total operating expenses	20,584	17,958	2,626
Other income (expense):			
Interest income	89	725	(636)
Interest expense	(87)	(40)	(47)
Total other income (expense), net	2	685	(683)
Net loss	$ (19,786)	$ (17,071)	$ (2,715)

Collaboration Revenue

Collaboration revenue was $0.8 million during the three months ended June 30, 2020 and $0.2 million during the three months ended June 30, 2019. The increase in collaboration revenue was primarily a result of the completion of research services associated with a target included in the Merck KGaA Agreement, which resulted in the recognition of $0.8 million of revenue. Additionally, during the three months ended June 30, 2019, collaboration revenue of $0.2 million was recognized related to the Merck KGaA Agreement and Merck KGaA Supply Agreement.

Research and Development Expense

Research and development expense increased by $1.6 million from $13.8 million for the three months ended June 30, 2019 to $15.4 million for the three months ended June 30, 2020.

The increase in research and development expense was primarily attributable to the following:

- an increase of $1.1 million related to XMT-1536 clinical and regulatory expenses;
- an increase of $0.8 million related to XMT-1592 clinical and regulatory expenses;
- an increase of $0.8 million related to a milestone paid for dosing of the first patient in the XMT-1592 clinical trial;

- an increase of $0.5 million related to manufacturing activities for XMT-1536;
- an increase of $0.5 million related to research consulting and professional fees; and
- an increase of $0.2 million related to advancement of companion diagnostic development efforts for the NaPi2B biomarker.

These increased costs were partially offset by the following:

- a decrease of $1.3 million related to preclinical development and manufacturing activities for XMT-1592; and
- a decrease of $1.0 million related to the development and manufacturing activities for XMT-1522.

We expect our research and development expenses to increase as we continue our clinical development of XMT-1536 and XMT-1592 and continue to advance our preclinical product candidate pipeline and invest in improvements in our ADC technologies.

General and Administrative Expense

General and administrative expense increased by $1.0 million from $4.2 million during the three months ended June 30, 2019 to $5.2 million during the three months ended June 30, 2020. The increase in general and administrative was primarily attributable to the following:

- an increase of $0.6 million related to employee compensation, primarily due to the valuation of stock-based awards granted to employees, resulting in higher stock compensation expense; and
- an increase of $0.4 million related to consulting and professional fees.

We expect that our general and administrative expense will increase in future periods as we expand our operations. These increases will likely include legal, auditing and filing fees, additional insurance premiums and general compliance and consulting expenses.

Total Other Income (Expense), net

Total other income (expense), net was immaterial and $0.7 million for the three months ended June 30, 2020 and 2019, respectively. Other income consists primarily of interest income on cash equivalents and short-term marketable securities. Interest expense related to our outstanding borrowings under the credit facility.

Comparison of the six months ended June 30, 2020 and 2019

The following table summarizes our results of operations for the six months ended June 30, 2020 and 2019:

(in thousands)	Six Months Ended June 30, 2020	2019	Dollar Change
Collaboration revenue	$ 807	$ 41,237	$ (40,430)
Operating expenses:			
Research and development	27,632	28,909	(1,277)
General and administrative	10,106	8,635	1,471
Total operating expenses	37,738	37,544	194
Other income (expense):			
Interest income	394	1,177	(783)
Interest expense	(175)	(40)	(135)
Total other income (expense), net	219	1,137	(918)
Net income (loss)	$ (36,712)	$ 4,830	$ (41,542)

Collaboration Revenue

Collaboration revenue was $0.8 million during the six months ended June 30, 2020 and $41.2 million during the six months ended June 30, 2019. The decrease in collaboration revenue was primarily a result of the termination of the Takeda agreements and the recognition of the remaining deferred revenue of $40.0 million in the first quarter of 2019. During the six months ended June 30, 2020 revenue of $0.8 million was recognized as a result of completion of research services associated with a target included in the Merck KGaA Agreement. Additionally, during the six months ended June 30, 2019, collaboration revenue of $1.0 million was recognized related to the Merck KGaA Agreement and Merck KGaA Supply Agreement.

Research and Development Expense

Research and development expense decreased by $1.3 million from $28.9 million for the six months ended June 30, 2019 to $27.6 million for the six months ended June 30, 2020.

The decrease in research and development expense was primarily attributable to the following:

- a decrease of $2.7 million related to preclinical development and manufacturing activities for XMT-1592 and finalization of the Dolasynthen platform;
- a decrease of $1.7 million related to the development and manufacturing activities for XMT-1522;
- a decrease of $1.0 million related to manufacturing activities for XMT-1536.

These decreased costs were partially offset by the following:

- an increase of approximately $1.9 million related to XMT-1536 clinical and regulatory expenses;
- an increase of approximately $0.9 million related to XMT-1592 clinical and regulatory expenses;
- an increase of $0.8 million related to a milestone paid for dosing of the first patient in the XMT-1592 clinical trial; and

- an increase of $0.5 million related to advancement of companion diagnostic development efforts for the NaPi2B biomarker.

We expect our research and development expenses to increase as we continue our clinical development of XMT-1536 and XMT-1592 and continue to advance our preclinical product candidate pipeline and invest in improvements in our ADC technologies.

General and Administrative Expense

General and administrative expense increased by $1.5 million from $8.6 million during the six months ended June 30, 2019 to $10.1 million during the six months ended June 30, 2020. The increase in general and administrative was primarily attributable to the following:

- an increase of $0.8 million related to employee compensation, primarily due to the valuation of stock-based awards granted to employees, resulting in higher stock compensation expense; and

- an increase of $0.7 million related to consulting and professional fees.

We expect that our general and administrative expense will increase in future periods as we expand our operations. These increases will likely include legal, auditing and filing fees, additional insurance premiums and general compliance and consulting expenses.

Total Other Income (Expense), net

Total other income (expense), net was $0.2 million and $1.1 million for the six months ended June 30, 2020 and 2019, respectively. Other income consists primarily of interest income on cash equivalents and short-term marketable securities. Interest expense was related to our outstanding borrowings under the credit facility.

Liquidity and Capital Resources

Sources of Liquidity

Since our initial public offering in July 2017, we have financed our operations primarily with the proceeds from our initial public offering, our follow-on public offerings and use of our ATM program. We completed a follow-on public offering on March 5, 2019 that resulted in net proceeds of $92.2 million. On May 8, 2019, we entered into a term-loan agreement for up to $20.0 million, of which $5.0 million has been funded in connection with the execution of the agreement. No additional amounts have been drawn since the initial $5.0 million.

In April 2020, we sold approximately 10.9 million shares of common stock and received net proceeds of $63.0 million pursuant to our 2018 ATM. In addition, in June 2020, we sold 9.2 million shares of common stock in a follow-on offering and received net proceeds of approximately $164.0 million.

We terminated the 2018 ATM on April 9, 2020. On May 8, 2020, we established a new ATM pursuant to which we are able to sell $100.0 million of our common stock from time to time at prevailing market prices. As of June 30, 2020, we had not sold any shares under the ATM and had $100.0 million of availability under the program.

As of June 30, 2020, we had cash, cash equivalents and marketable securities of $291.4 million.

Cash Flows

The following table provides information regarding our cash flows for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,	
(in thousands)	**2020**	**2019**
Net cash used in operating activities	$ (37,181)	$ (38,884)
Net cash provided by (used in) investing activities	34,410	(2,025)
Net cash provided by financing activities	228,796	97,481
Increase in cash, cash equivalents and restricted cash	$ 226,025	$ 56,572

Net Cash Used in Operating Activities

Net cash used in operating activities was $37.2 million for the six months ended June 30, 2020 and primarily consisted of a net loss of $36.7 million adjusted for changes in our net working capital and other non-cash items including stock-based compensation of $3.3 million and depreciation of $0.5 million. Net cash used in operating activities was $38.9 million for the six months ended June 30, 2019 and primarily consisted of a net income of $4.8 million adjusted for non-cash items including the decrease in deferred revenue of $40.7 million primarily related to the Takeda agreements, stock-based compensation of $2.3 million and depreciation of $0.7 million, as well as change in our net working capital.

Net Cash Provided by (Used in) Investing Activities

Net cash provided by investing activities was $34.4 million during the six months ended June 30, 2020 and consisted primarily of maturities of marketable securities. Net cash used in investing activity was $2.0 million during the six months ended June 30, 2019 and consisted primarily of maturities of marketable securities and purchases of marketable securities.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $228.8 million during the six months ended June 30, 2020 as compared to net cash provided by financing activities of $97.5 million during the six months ended June 30, 2019. During the six months ended June 30, 2020 cash provided by financing activities consisted primarily of $164.2 million related to the follow-on public offering in May 2020 and the proceeds from the use of the ATM of $63.1 million in April 2020 as well as proceeds from exercise of stock options of $1.4 million, offset by the payment of $0.2 million of debt issuance costs. During the six months ended June 30, 2019 cash provided by financing activities consisted primarily of the proceeds from the our follow-on public offering.

Funding Requirements

We expect our cash expenditures to increase in connection with our ongoing activities, particularly as we continue the research and development of, initiate clinical studies of, and seek marketing approval for our product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to drug sales, marketing, manufacturing and distribution to the extent that such sales, marketing and distribution are not the responsibility of potential collaborators.

We believe our currently available funds will be sufficient to fund our existing cash flow requirements and our current operating plan commitments for more than two years. Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors. We have based this estimate on

assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the scope, progress, results and costs of drug discovery, preclinical development, laboratory testing and clinical studies for our product candidates;
- the scope, prioritization and number of our research and development programs;
- the costs, timing and outcome of regulatory review of our product candidates;
- our ability to establish and maintain collaborations on favorable terms, if at all;
- the achievement of milestones or occurrence of other developments that trigger payments under any collaboration agreements we obtain;
- the extent to which we are obligated to reimburse, or entitled to reimbursement of, clinical study costs under future collaboration agreements, if any;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- the extent to which we acquire or in-license other product candidates and technologies;
- the costs of securing manufacturing arrangements for clinical and commercial production; and
- the costs of establishing or contracting for sales and marketing capabilities if we obtain regulatory approvals to market our product candidates.

Identifying potential product candidates and conducting preclinical testing and clinical studies is a time-consuming, expensive and uncertain process that takes many years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve drug sales. In addition, our product candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of drugs that we do not expect to be commercially available for many years, if at all. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, strategic partnerships and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our common stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. We have access to an additional line of credit of $15.0 million under the Credit Facility along with funds to be earned in connection with our agreements with Merck KGaA and Asana BioSciences, if development activities are successful under those agreements. Future additional debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

If we raise funds through additional strategic partnerships or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our drug development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Off-Balance Sheet Arrangements

We did not have, during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under applicable Securities and Exchange Commission rules.

Critical accounting policies and significant judgments and estimates

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events, and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. On an ongoing basis, we evaluate our judgments and estimates in light of changes in circumstances, facts and experience. The effects of material revisions in estimates, if any, will be reflected in the financial statements prospectively from the date of change in estimates. There were no material changes to our critical accounting policies as reported in our Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the SEC on February 28, 2020.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk-related to changes in interest rates. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our investments, including cash equivalents and marketable securities are invested in U.S. Treasury obligations, commercial paper and corporate bonds. However, we believe that due to the short-term duration of our investment portfolio and low-risk profile of our investments, an immediate 100 basis points change in interest rates would not have a material effect on the fair market value of our investments portfolio.

We are currently not exposed to market risk related to changes in foreign currency exchange rates, but we may contract with vendors that are located in Asia and Europe and may be subject to fluctuations in foreign currency rates at that time.

Item 4. Controls and Procedures

Management's Evaluation of our Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act), that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their control objectives.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2020, the end of the period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of such date.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Although the results of litigation and claims cannot be predicted with certainty, as of the date of this Quarterly Report on Form 10-Q, we do not believe we are party to any claim or litigation, the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

Risk Factors

There have been no material changes to the Company's risk factors as set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K, as filed with the SEC on February 28, 2020, and "Part II, Item 1A—Risk Factors" in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, as filed with the SEC on May 8, 2020.

Item 6. Exhibits.

EXHIBIT 3.1	- Fifth Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on July 10, 2017).
EXHIBIT 3.2	- Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on July 10, 2017).
EXHIBIT 10.1	Commercial License and Option Agreement, dated as of January 3, 2019, by and between Synaffix B.V. and Mersana Therapeutics, Inc.
EXHIBIT 31.1	- Rule 13a—14(a) / 15d—14(a) Certifications — Chief Executive Officer.
EXHIBIT 31.2	- Rule 13a—14(a) / 15d—14(a) Certifications — Principal Financial Officer.
EXHIBIT 32.1	- Section 1350 Certifications.
EXHIBIT 101	- The following financial and related information from Mersana Therapeutics, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline eXtensible Business Reportable Language (iXBRL) includes: (i) the Condensed Consolidated Balance Sheet; (ii) the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss); (iii) the Condensed Consolidated Statement of Changes in Stockholders' Equity; (iv) the Condensed Consolidated Statement of Cash Flows; and, (v) Notes to Condensed Consolidated Financial Statements.
EXHIBIT 104	- The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline XBRL (contained in Exhibit 101).

SIGNATURES

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

Mersana Therapeutics, Inc.

Dated: August 7, 2020

By: /s/ Anna Protopapas

Anna Protopapas
President and Chief Executive Officer

Dated: August 7, 2020

By: /s/ Brian DeSchuytner

Brian DeSchuytner
Senior Vice President, Finance & Product Strategy

Exhibit 10.1

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [***], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO MERSANA THERAPEUTICS, INC. IF PUBLICLY DISCLOSED

COMMERCIAL LICENSE AND OPTION AGREEMENT

BETWEEN

SYNAFFIX B.V.

AND

MERSANA THERAPEUTICS, INC.

DATED AS OF JANUARY 3, 2019

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COMMERCIAL LICENSE AND OPTION AGREEMENT

This Commercial License and Option Agreement (the "CLOA") is executed as of January 3, 2019 (the "Effective Date") by and between Synaffix B.V., with an office at Pivot Park Oss, Noord-Brabant, Kloosterstraat 9, 5349 AB, Oss, The Netherlands ("SNFX") and Mersana Therapeutics, Inc., with an office at 840 Memorial Drive, Cambridge, Massachusetts 02139, USA ("MERSANA"). SNFX and MERSANA are each referred to herein by name or, individually, as a "Party" or, collectively, as "Parties."

BACKGROUND

WHEREAS SNFX Controls (as defined below) the Licensed Technology (as defined below); and

WHEREAS, SNFX desires to grant to MERSANA a non-exclusive license, and MERSANA desires to receive from SNFX a non-exclusive license, to the Licensed Technology to Develop, Manufacture, Commercialize and` otherwise Exploit Products against Licensed Targets (each as defined below) in accordance with, and pursuant to, the terms and conditions of this CLOA;

NOW, **THEREFORE**, in consideration of the foregoing and the mutual covenants and agreements provided herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, SNFX and MERSANA hereby agree as follows:

ARTICLE 1
DEFINITIONS

As used in this CLOA, capitalized terms shall have the meanings indicated in this Article 1 or as specified elsewhere in this CLOA:

1.1 "Affiliate" means, with respect to a Party, any Person that, directly or indirectly, through one (1) or more intermediaries, controls, is controlled by, or is under common control with such Party. For purposes of this Section 1.1, the term "control" means (a) the direct or indirect ownership of fifty percent (50%) or more of the voting securities entitled to elect the directors or management of the entity, or (b) the ability to otherwise control the management thereof.

1.2 "Agent" means a Third Party escrow agent appointed by SNFX who shall confidentially maintain a list of Unavailable Targets. On the Effective Date, the Agent is Prof. Jean-Paul Vulliéty, Partner at Lalive Avocats, 35, Rue de la Mairie, P.O. Box 6569, 1211Geneva 6, Switzerland, having an email address at jpvulliety@lalive.law.

1.3 "Bankruptcy Code" has the meaning set forth in Section 2.9.

1.4 "Business Day" means a day on which national banks located in the Commonwealth of Massachusetts and the Netherlands are open for commercial banking business other than a Saturday or Sunday.

1.5 "Calendar Quarter" means a three (3) month period beginning on January 1, April 1, July 1 or October 1 of any Calendar Year, except that (a) the first Calendar Quarter of the Term shall extend from the Effective Date to the end of the first full Calendar Quarter thereafter, and (b) the last Calendar Quarter of the Term shall end upon the expiration or termination of this Agreement.

1.6 "Calendar Year" means (a) for the first Calendar Year, the period commencing on the Effective Date and ending on December 31 of the year during which the Effective Date occurs, (b) for the last Calendar Year, the period commencing on January 1 of the last year of the Term, and ending on the last day of the Term, and (c) each interim period of twelve (12) months commencing on January 1 and ending on December 31.

1.7 "Clinical Trial" means a clinical investigation in human subjects that has been approved by a Regulatory Authority and is intended to discover or verify the clinical, pharmacological and/or other pharmacodynamic effects of a Product, and/or to identify any adverse reactions to a Product, and/or to study absorption, distribution, metabolism, and/or excretion of a Product with the objective of ascertaining its safety, activity and/or efficacy.

1.8 "Commercialize" or "Commercialization" means any and all activities of marketing, promoting, distributing, offering for sale or selling a Product in the Field in the Territory, including, for example, marketing, branding, pricing, distribution, sales, obtaining health insurance reimbursement coverage, market research, business analytics, pharmacovigilance and medical affairs activities, pre-commercial launch market development activities conducted in anticipation of Regulatory Approval to sell or market the Product, seeking Pricing Approval for the Product (if applicable), preparing advertising and promotional materials, sales force training, and all interactions and correspondence with a Regulatory Authority regarding Clinical Trials commenced following Regulatory Approval. When used as a verb, "Commercialize" means to engage in Commercialization.

1.9 "Commercially Reasonable Efforts" means: (a) with respect to the efforts to be expended by a Party with respect to any objective other than Developing, Manufacturing, Commercializing or otherwise Exploiting a Product, such reasonable, diligent, and good faith efforts as such Party would normally use to accomplish a similar objective under similar circumstances; and (b) with respect to any objective relating to Developing, Manufacturing, Commercializing or otherwise Exploiting a Product by a Party, that level of efforts and resources that such Party would normally devote to the performance of such activities for a product owned by it, which is of a similar commercial potential at a similar stage in its lifecycle, in each case taking into account issues of safety and efficacy, product profile, the proprietary position, the then-current competitive environment for such product and the likely timing of such product's entry into the market, the pricing and launching strategy for such product, the regulatory environment and status of such product, and any other relevant factors, including other scientific,

technical and commercial factors. For clarity, Commercially Reasonable Efforts will not mean that a Party guarantees that it will actually accomplish the applicable task or objective.

1.10 "Confidential Information" means all information, including technical, scientific and other information, Know-How, invention disclosures, patent applications, trade secrets, knowledge, technology, means, methods, processes, practices, proprietary materials, formulas, instructions, skills, techniques, procedures, specifications, data, results and other material, pre-clinical and clinical trial results, and any tangible embodiments of any of the foregoing, and any scientific, manufacturing, marketing and business plans, any financial and personnel matters relating to a Party or its present or future products, sales, suppliers, customers, employees, investors or business, that has been disclosed by or on behalf of such Party or such Party's Affiliates to the other Party or the other Party's Affiliates, in any manner, whether orally, visually, or in tangible form, either in connection with the discussions and negotiations pertaining to this CLOA or in the course of performing this CLOA.

1.11 "Control" or "Controlled" means, with respect to any information, material or Intellectual Property Right not in the public domain, possession of the right, whether directly or indirectly, by a Party or its Affiliates, of the ability, whether by sole or joint ownership, license or otherwise (other than by operation of the licenses and other grants in this CLOA) to grant the right to access or use, or to grant a license, sublicense or other right (including the right to reference Regulatory Documentation) to or under such information, material or Intellectual Property Right, as applicable, without violating the terms of any agreement or other arrangement with any Third Party.

1.12 "Cover," "Covering" or "Covered" means, with respect to a Patent in a country, that the Development, Manufacture or Commercialization of a Product in such country would, but for the ownership of or grant of a license to such Patent, infringe a Valid Claim of such Patent.

1.13 "CMO" or "CMOs" has the meaning set forth in Section 2.7.

1.14 "Designated Target" has the meaning set forth in Section 2.2(c).

1.15 "Develop" or "Development" means to discover, research or otherwise develop a process, compound or product, including conducting non-clinical, pre-clinical and clinical research and development activities, including toxicology, pharmacology and other pre-clinical development efforts, test method development and stability testing, process development, formulation development, delivery system development, quality assurance and quality control development, process and manufacturing scale-up and other manufacturing activities related to developing a product, statistical analysis, clinical pharmacology, clinical studies (including Clinical Trials and pre-approval studies), regulatory affairs, and Regulatory Approval and clinical study regulatory activities.

1.16 "Development Milestone Event" has the meaning set forth in Section 3.3.

1.17 "Development Milestone Payment" has the meaning set forth in Section 3.3.

1.18 "EMA" means the European Medicines Agency and any successor agency thereto.

1.19 "EU" means all countries that are officially recognized as member states of the European Union as of the Effective Date (which shall for the purposes of this CLOA include the United Kingdom even after it has ceased to be a member of the EU), Norway, Switzerland and all countries that are officially added into and recognized as member states of the European Union after the Effective Date.

1.20 "Executive Officer" shall mean for SNFX, the Chief Executive Officer of SNFX (or such individual's designee), and, for MERSANA, the Chief Executive Officer of MERSANA (or such individual's designee). If either position is vacant or either position does not exist, then the individual having the most nearly equivalent position (or such individual's designee) shall be deemed to be the Executive Officer of the relevant Party.

1.21 "Exploit" means make, have made, import, use, sell or offer for sale, including to research, Develop, Commercialize, register, Manufacture, have Manufactured, hold or keep (whether for disposal or otherwise), have used, export, transport, distribute, promote, market or have sold or otherwise dispose of.

1.22 "FD&C Act" means the U.S. Federal Food, Drug, and Cosmetic Act (21 U.S.C. §301, et seq.), as amended, together with any rules, regulations and requirements promulgated thereunder (including any amendments, additions, supplements, extensions and modifications thereto).

1.23 "FDA" means the U.S. Food and Drug Administration, or any successor agency thereto.

1.24 "Field" means the therapeutic use of antibody-drug conjugates in all human conditions, diseases and disorders.

1.25 "Final Target Verification" has the meaning set forth in Section 2.2(b)(4).

1.26 "First Commercial Sale" means, with respect to a Product in any country in the Territory, the first sale of such Product by MERSANA or its Affiliates or Sublicensees to a Third Party in such country for which monetary value has been received following, if required by Law to sell such Product, Regulatory Approval and Pricing Approval, but excluding the sale of any Product for use in any Clinical Trial or for compassionate, named patient (paid or unpaid) use.

1.27 "Good Clinical Practices" or "GCP" means the then-current standards for designing, conducting, recording, and reporting trials that involve the participation of human subjects as are required by applicable Regulatory Authorities or Law in the relevant jurisdiction. In the United States, GCP shall be based on Good Clinical Practices established through FDA guidances (including Guideline for Good Clinical Practice – ICH Harmonized Tripartite Guideline (ICH E6)), and, outside the United States, GCP shall be based on Guideline for Good

Clinical Practice – ICH Harmonized Tripartite Guideline (ICH E6), as each may be amended and/or updated from time to time.

1.28 "Good Laboratory Practices" or "GLP" means the then-current good laboratory practice standards promulgated or endorsed by the FDA, as defined in U.S. 21 C.F.R. Part 58 (or such other comparable regulatory standards in jurisdictions outside the United States), as may be amended and/or updated from time to time.

1.29 "Good Manufacturing Practices" or "GMP" means all applicable then-current standards relating to manufacturing practices for fine chemicals, intermediates, bulk products and/or finished pharmaceutical products, including (a) all applicable requirements detailed in the FDA's current Good Manufacturing Practices regulations, U.S. 21 C.F.R. Parts 210 and 211 and "The Rules Governing Medicinal Products in the European Community, Volume IV, Good Manufacturing Practice for Medicinal Products," as each may be amended and/or updated from time to time, and (b) all applicable Laws promulgated by any Regulatory Authority having jurisdiction over the manufacture of any Product, as applicable.

1.30 "Governmental Entity" means any regional, central, multi- or supra-national, federal, state, provincial, municipal or local court, commission, council or governmental, regulatory or administrative body, board, bureau, branch, agency, instrumentality, authority or tribunal, division or any subdivision thereof.

1.31 "Improvement" or "Improvements" means any discovery, invention, idea, contribution, method, finding, trade secret, or improvement, whether or not patentable, and all intellectual property therein, that is conceived, reduced to practice, or otherwise Developed by or on behalf of a Party or its Affiliates, in the course of Developing or Manufacturing a Product for a Licensed Target under this CLOA and the Supply Agreement, that is, subject to Section 5.2, a modification, improvement, alteration or enhancement to the Licensed Technology or MERSANA Technology, as applicable.

1.32 "IND" means (a) in the United States, an Investigational New Drug Application, as defined in the FD&C Act, filed with the FDA that is required to be filed with the FDA before conducting a Clinical Trial (including all supplements and amendments that may be filed with respect to the foregoing), and (b) any foreign counterpart of the foregoing (such as a Clinical Trial Application in the EU).

1.33 "Infringement Claim" has the meaning set forth in Section 5.7.

1.34 "Initial Target" means the first Target selected by MERSANA as of the Effective Date, identified as [***], with a common name of [***].

1.35 "Initial Target License Fee" has the meaning set forth in Section 3.1.

1.36 "Intellectual Property Rights" means Patents, copyrights, database rights, Know-How, and similar rights of any type (excluding trademarks) under the Laws of any Governmental

Entity, including all applications, registrations, extensions and renewals relating to any of the foregoing.

1.37 "Joint Improvement" has the meaning set forth in Section 5.2(c).

1.38 "Joint Improvement Patent" means any Patent that claims or discloses any discovery, invention, idea, contribution, method, finding, trade secret or improvement included in a Joint Improvement.

1.39 "Know-How" means all technical information and other technical subject matter, proprietary methods, ideas, concepts, formulations, discoveries, inventions, devices, technology, trade secrets, compositions, designs, formulae, know-how, show-how, specifications, drawings, techniques, results, data, processes, methods, procedures, designs and regulatory correspondence and information (including pharmacological, toxicological, pre-clinical, clinical and manufacturing test data, manufacturing protocols, analytical methods and data, quality control data and process validation), whether or not patentable, including any tangible embodiments of the foregoing.

1.40 "Knowledge" means, with respect to a Party or its Affiliates, the good faith understanding of the facts and information in possession of an executive officer of, or in-house legal counsel of, or in-house patent agents employed by, such Party or its Affiliates after (a) inquiry of in-house employees with relevant knowledge and outside legal counsel and (b) reasonable investigation of the relevant internal records of a Party. For purposes of this definition, an "executive officer" shall mean any person in the position of vice president, senior vice president, president or chief executive officer of a Party or any of its Affiliates.

1.41 "Law" means, individually and collectively, any and all laws, statues, ordinances, orders, rules, rulings, directives and regulations (including written governmental interpretations thereof, the guidance related thereto, or the application thereof) of any kind whatsoever of any Governmental Entity or Regulatory Authority, and any judicial, governmental, or administrative order, judgement, decree, or ruling, within the applicable jurisdiction.

1.42 "License" has the meaning set forth in Section 2.2(c).

1.43 "License Fee" means each of the license fees referred to in Sections 3.1 and 3.2 hereof, and "License Fees" means all such license fees collectively.

1.44 "Licensed Know-How" means all Know-How, including the Know-How listed on Schedule 2 hereof, but only to the extent (a) Controlled by SNFX or any of its Affiliates as of the Effective Date or at any time during the Term, and (b) reasonably necessary or useful to Develop, Manufacture, Commercialize or otherwise Exploit an antibody-drug conjugate obtained by [***].

1.45 "Licensed Patents" means those Patents Controlled by SNFX or any of its Affiliates as of the Effective Date or at any time during the Term, including those Patents listed

in Schedule 1 attached hereto, that are reasonably necessary or useful to Develop, Manufacture, Commercialize or otherwise Exploit an antibody-drug conjugate obtained by [***].

1.46 "Licensed Target" has the meaning set forth in Section 2.2(c).

1.47 "Licensed Technology" means the Licensed Know-How and the Licensed Patents.

1.48 "Litigation Costs" has the meaning set forth in Section 8.1.

1.49 "Losses" has the meaning set forth in Section 8.1.

1.50 "Major Market Country" means each of [***].

1.51 "Manufacture" or "Manufacturing" means all operations necessary or appropriate to make, test, release, package, store, label, supply and ship a Product, in accordance with applicable packaging, controls, industry standards, GMPs, applicable Laws, and the Product's specifications.

1.52 "Manufacturing Processes" has the meaning set forth in Section 2.6.

1.53 "Material" or "Materials" has the meaning set forth in Section 2.5.

1.54 "Material Transfer Agreement" or "MTA" means that certain *Materials Transfer Agreement* by and between the Parties with an effective date of November 17, 2017, as amended by that certain *Materials Transfer Agreement Amendment #1* dated as of August 22, 2018, and as further amended by that certain *Materials Transfer Agreement Amendment #2* dated as of December 30, 2018, that are attached to this CLOA as Exhibit A through Exhibit C, respectively.

1.55 "MERSANA Indemnitees" has the meaning set forth in Section 8.2.

1.56 "MERSANA Technology" means MERSANA's proprietary technology used for the creation, identification, Development, Manufacture, Commercialization or other Exploitation of antibody-drug conjugates, including, but not limited to, linkers and payloads.

1.57 "Mutual Non-Disclosure Agreement" means that certain *Mutual Non-Disclosure Agreement* by and between the Parties with an effective date of October 14, 2015, as amended by that certain *Confidential Disclosure Agreement Amendment* with an effective date of October 13, 2018.

1.58 "NDA" means a "New Drug Application," as defined in the FD&C Act and applicable regulations promulgated thereunder by the FDA and all amendments and supplements thereto filed with the FDA, or the equivalent application filed with any Regulatory Authority, including all documents, data, and other information concerning Product, which are necessary for gaining Regulatory Approval to market and sell Product in the relevant jurisdiction.

1.59 "Net Sales" means the gross amounts invoiced for a Product by MERSANA, its Affiliates and their respective Sublicensees for sales or other disposition of such Product to a Third Party purchaser, less the following to the extent that the following are directly incurred with respect to a Product, or allocated specifically to a Product in accordance with generally accepted accounting principles consistently applied across the books and records of MERSANA, its Affiliates and their respective Sublicensees, as applicable:

(a) customer, trade, quantity and cash discounts actually allowed with respect to such sales which effectively reduce the selling price and are appropriately deducted from sales under appropriate accounting principles, consistently applied;

(b) rejected goods, damaged or defective goods, recalls, returns, rebates, field destroys, reimbursements, chargebacks and other allowances actually allowed with respect to such sales;

(c) retroactive price reductions that are actually allowed or granted;

(d) deductions to the gross invoice price of Product imposed by Regulatory Authorities or other Governmental Entities;

(e) sales (such as VAT or its equivalent) and excise taxes, other consumption taxes, and customs duties (excluding any taxes paid on the income from such sales) to the extent the selling Person is not otherwise entitled to a credit or a refund for such taxes or duties;

(f) a reasonable reserve for non-collectable receivables related to Product (provided that, such amounts shall not exceed two percent (2%) of Net Sales in a given Calendar Year and that if such amounts are later collected, they shall be included in Net Sales in the Calendar Quarter of collection); and

(g) charges for packing, freight, shipping and insurance (to the extent separately stated on the invoice).

To the extent that MERSANA, its Affiliates and its Sublicensees receive consideration other than or in addition to cash upon the sale or disposition of a Product to a Third Party purchaser, Net Sales for such Product shall be calculated based on the average price of such Product sold for cash during the period based on the quantity of Product sold. The Parties agree that such price, less any cash consideration received with respect to a Product, reflects the fair market value of any non-cash consideration received with respect to such Product.

Any Products for which no monetary consideration is received that are used for promotional or advertising purposes, used for free samples, or otherwise distributed to patients unable to purchase the same (including patients in Clinical Trials or compassionate use programs) shall not be included in Net Sales. Donations for charity reasons (to avoid doubt, for which no monetary consideration is received) shall also not be included in Net Sales.

If any Product is sold as part of a Combination Product (as defined below), the Net Sales for such Product shall be determined by multiplying the applicable Net Sales of the Product (as determined without the application of this paragraph) by the fraction, A/(A+B), where A is the average per unit sale price of the Product component of the Combination Product when sold separately as a stand-alone product in finished form in the country in which the Combination Product is sold and B is the average per unit sale of the other active ingredients contained in the Combination Product when sold separately as stand-alone products in finished form in the country in which the Combination Product is sold, in each case during the applicable royalty reporting period in accordance with Section 3.5(b) or, if sales of such stand-alone products did not occur in such country in the applicable period, then in the most recent royalty reporting period in which such sales of such stand-alone products occurred in such country. If such average sale prices cannot be determined, Net Sales shall be mutually agreed upon by the Parties based on the relative fair market value of each component, such agreement not to be unreasonably withheld. As used herein, "Combination Product" means any pharmaceutical product that consists of a Product as well as one or more other active therapeutic ingredients, other than an active therapeutic ingredient conjugated to such Product.

1.60 "Notice Period" has the meaning set forth in Section 10.2(b).

1.61 "Option Notice" has the meaning set forth in Section 2.2(b)(5).

1.62 "Option Term" has the meaning set forth in Section 2.2(a).

1.63 "Patents" means any and all national, regional and international: (a) patents and pending patent applications (including provisional patent applications); (b) patent applications filed from the foregoing or from an application claiming priority to the foregoing, including all provisional applications, converted provisionals, continuations, continuations-in-part, continued prosecution, divisional and substitute applications, renewals, continued prosecution applications and all patents granted thereon; (c) patents-of-addition, revalidations, reissues, reexaminations and extensions or restorations (including any supplementary protection certificates and the like) by existing or future extension or restoration mechanisms, including patent term adjustments, patent term extensions, supplementary protection certificates or the equivalent thereof; (d) inventor's certificates, utility models, petty patents, innovation patents and design patents; (e) other forms of government-issued rights substantially similar to any of the foregoing, including so-called pipeline protection or any importation, revalidation, confirmation or introduction patent or registration patent or patent of additions to any of such foregoing; and (f) United States and foreign counterparts of any of the foregoing.

1.64 "Person" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

1.65 "Phase 1 Trial" means (a) both a Phase 1a Trial and a Phase 1b Trial, or (b) a single trial that may contain elements of both a Phase 1a Trial and a Phase 1b Trial.

(a) "Phase 1a Trial" means a Clinical Trial of a compound, the principal purpose of which is a preliminary determination of safety, pharmacokinetics, and

pharmacodynamic parameters in healthy individuals or patients, as described in 21 C.F.R. 312.21(a), or a similar clinical study prescribed by the Regulatory Authorities in a foreign country.

(b) "Phase 1b Trial" means a Clinical Trial of a compound, the principal purpose of which is a further determination of safety and pharmacokinetics (including exploration of trends of a biomarker-based or clinical endpoint-based efficacy relationship to dose which are not designed to be statistically significant) of the compound whether or not in combination with concomitant treatment after an initial Phase 1a Clinical Trial, prior to commencement of Phase 2 Clinical Trials or Phase 3 Clinical Trials, and which provides (itself or together with other available data) sufficient evidence of safety to be included in filings for a Phase 2 Clinical Trial or a Phase 3 Clinical Trial with Regulatory Authorities, or a similar clinical study prescribed by the Regulatory Authorities in a foreign country.

1.66 "Phase 2 Trial" means a Clinical Trial of a product in any country that would satisfy the requirements of U.S. 21 C.F.R. Part 312.21(b) and is intended to explore a variety of doses, dose response, and duration of effect, and to generate evidence of clinical safety and effectiveness for a particular indication or indications in a target patient population, or a similar clinical study prescribed by the relevant Regulatory Authorities in a country other than the United States.

1.67 "Phase 3 Trial" means a Clinical Trial of a product in any country that would satisfy the requirements of U.S. 21 C.F.R. Part 312.21(c) and is intended to (a) establish that the product is safe and efficacious for its intended use, (b) define contraindications, warnings, precautions and adverse reactions that are associated with the product in the dosage range to be prescribed, and (c) support Regulatory Approval for such product, or a similar clinical study prescribed by the relevant Regulatory Authorities in a country other than the United States.

1.68 "Pivotal Clinical Trial" means a Clinical Trial of a product on a sufficient number of subjects that, prior to commencement of the trial, satisfies both of the following ((a) and (b)):

(a) such trial is designed to establish that such product has an acceptable safety and efficacy profile for its intended use, and to determine warnings, precautions, and adverse reactions that are associated with such product in the dosage range to be prescribed, which trial is intended to support Regulatory Approval of such product, or a similar clinical study prescribed by the FDA, EMA or other applicable Regulatory Authority; and

(b) such trial is a registration trial sufficient for filing an application for a Regulatory Approval for such product in the U.S. or another country or some or all of an extra-national territory, as evidenced by (i) an agreement with or statement from the FDA, the EMA or other applicable Regulatory Authority on a Special Protocol Assessment or equivalent, or (ii) other guidance or minutes issued by the FDA, EMA or other applicable Regulatory Authority, for such registration trial.

1.69 "Pricing Approval" means, in a country where a Governmental Entity authorizes reimbursement for, or approves or determines pricing for, biopharmaceutical products, receipt

(or, if required to make such authorization, approval or determination effective, publication) of such reimbursement authorization or pricing approval or determination (as the case may be).

1.70 "Product" means any product comprising or consisting of an antibody-drug conjugate against a Licensed Target that uses or incorporates Mersana Technology and (a) which uses or comprises the Licensed Technology; or (b) which is Covered by any Valid Claim of the Licensed Patents.

1.71 "Prosecute" or "Prosecution" means, with respect to Patents, the filing for, prosecuting, responding to oppositions, nullity actions, re-examinations, revocation actions and similar proceedings (including conducting or participating in interference and oppositions) filed by Third Parties against, and maintaining, Patents.

1.72 "Regulatory Approval" means, with respect to a country or jurisdiction within the Territory, final regulatory approval (excluding Pricing Approval) required for the Manufacture and Commercialization of a Product for a disease or condition in accordance with the Laws of such country or jurisdiction. In the United States, its territories and possessions, Regulatory Approval means approval of a NDA, Biologics License Application or an equivalent by the FDA. In the EU, Regulatory Approval means marketing authorization from the EMA.

1.73 "Regulatory Authority" means any national (e.g., the FDA), supranational (e.g., the EMA), regional, state or local regulatory agency, department, bureau, commission, council or other Governmental Entity in any jurisdiction of the world involved in the granting of Regulatory Approval or Pricing Approval for biopharmaceutical products.

1.74 "Regulatory Documentation" means all submissions to Regulatory Authorities and other Governmental Entities, including for Clinical Trials, preclinical trials, tests, and biostudies, relating to a Product, including all INDs, NDAs, Biologics License Application, Regulatory Approvals and Pricing Approvals, as well as all correspondence with Governmental Entities (registration and licenses, pricing and reimbursement correspondence, regulatory drug lists, advertising and promotion documents), adverse event files, complaint files, Manufacturing records and inspection reports.

1.75 "Representatives" means a Party's Affiliates and its and their officers, directors, employees, contractors, agents (including internal and external legal counsel and accountants) and advisors.

1.76 "Reservation Fee" has the meaning set forth in Section 2.2(b)(7).

1.77 "Reservation Notice" has the meaning set forth in Section 2.2(b)(5).

1.78 "Reservation Period" has the meaning set forth in Section 2.2(b)(7).

1.79 "Reserved Target" has the meaning set forth in Section 2.2(b)(7).

1.80 "Royalty Term" means, on a Product-by-Product and country-by-country basis, the period beginning on the First Commercial Sale of such Product in such country and ending

on the expiration, cessation of enforceability or abandonment of the last Valid Claim in all Licensed Patents that Cover such Product in such country.

1.81 "Sales Milestone Event" has the meaning set forth in Section 3.4.

1.82 "Sales Milestone Payment" has the meaning set forth in Section 3.4.

1.83 "Sublicense Agreement" has the meaning set forth in Section 2.3.

1.84 "Sublicensee" means a Third Party to whom MERSANA or its Affiliate enters into a Sublicense Agreement hereunder to Develop, Manufacture, Commercialize, or otherwise Exploit a Product, but excluding wholesalers and other physical distributors. For the avoidance of doubt, if MERSANA sells to a wholesaler and/or other physical distributor, such sale to such wholesaler and/or distributor shall be deemed a sale for purposes of calculating Net Sales hereunder.

1.85 "SNFX Indemnitees" has the meaning set forth in Section 8.1.

1.86 "Supply Agreement" shall mean the supply agreement to be negotiated and agreed upon between the Parties, the key terms of which are attached as Schedule 3 hereto.

1.87 "Target" means the specific protein (including any glyco or lipoprotein) and any unique fragment, peptide, epitope or isoform thereof, and any naturally occurring allelic variant or splice variants thereof, that are encoded by the same gene.

1.88 "Target Approval Request Notice" has the meaning set forth in Section 2.2(b)(1).

1.89 "Tech Transfer" has the meaning set forth in Section 2.6.

1.90 "Term" has the meaning set forth in Section 10.1.

1.91 "Terminated Target" has the meaning set forth in Section 10.2(a).

1.92 "Territory" means worldwide.

1.93 "Three-way Mutual Non-Disclosure Agreement" means that certain *3-Way Mutual Non-Disclosure Agreement* by and between the Parties and Me Jean-Paul Vulliety (escrow agent) with an effective date of August 2, 2018, as amended by that certain *Confidential Disclosure Agreement Amendment* with an effective date of November 29, 2018, that is attached to this CLOA as Exhibit D and Exhibit E, respectively.

1.94 "Third Party" means any Person other than SNFX, MERSANA or any Affiliate of either SNFX or MERSANA.

1.95 "Unavailable Target" means, with respect to a Target, any Target for which (a) SNFX or any of its Affiliates has granted an exclusive license or an exclusive option to a license, that in either case has not expired or terminated, to a Third Party to Develop, Manufacture,

Commercialize and otherwise Exploit a product against the Target that would conflict with the grant of rights with respect to such Target to MERSANA hereunder prior to the date Agent sends notice of Final Target Verification (as defined herein) to MERSANA, (b) SNFX has notified MERSANA that it has reserved for itself or its Affiliates such Target (without, for the avoidance of doubt, any obligation to conduct Development activities with respect to such Target); provided that the number of such reserved Targets shall not exceed three (3) at any given time and SNFX will not add or substitute any reserved Targets more than one (1) time per Calendar Quarter, or (c) SNFX has initiated a *bona fide* program for Development of a product against the Target, for which SNFX has approved a research plan, has identified an antibody-drug conjugate or other product against such Target to be used in such program, and has commenced activities to make an antibody-drug conjugate or other product against such Target, and in the case of clause (a), (b) or (c), SNFX has provided written notice thereof to Agent prior to the date Agent sends notice of Final Target Verification to MERSANA.

1.96 "Valid Claim" means, with respect to a Patent in a country, any claim of an (a) issued patent that has not (i) been held unpatentable, unenforceable or invalid by a court or other Governmental Entity of competent jurisdiction in a decision that is not appealed or is unappealable, or (ii) expired, irretrievably lapsed or been abandoned, revoked, admitted to be invalid or unenforceable through reissue, dedicated to the public or disclaimed, or (b) application for a Patent that (i) has been pending for less than [***] years and is being prosecuted in good faith and has not been cancelled, withdrawn or abandoned or (ii) has not been admitted to be invalid or unenforceable through reissue, reexamination, or disclaimer, and which is not subject to an interference claim.

1.97 Unless the context of this CLOA otherwise requires: (a) words of any gender include each other gender; (b) words using the singular or plural number also include the plural or singular number, respectively; (c) the terms "hereof," "herein," "hereby" and derivative or similar words refer to this entire CLOA; (d) the terms "Article," "Section" or "Exhibit" refer to the specified Article, Section or Exhibit of this CLOA; and (e) the term "including" means "including without limitation" and "but not limited to"; (f) the words "will" and "shall" have the same meaning and (g) all references to monetary amounts are to United States of America currency (U.S. Dollars). Whenever this CLOA refers to a number of days, such number shall refer to calendar days. The preamble to this CLOA and the descriptive headings of Articles and Sections are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of the content of this CLOA or of such Articles or Sections.

ARTICLE 2
LICENSES, SUPPLY AND TECHNOLOGY TRANSFER

2.1 Non-Exclusive License for the Initial Target.

(a) During the Term and thereafter as provided in Sections 10.3(a)(2) and 10.3(a)(3) and in accordance with the terms and conditions of this CLOA, SNFX, on behalf of itself and its Affiliates, shall grant and does hereby grant to MERSANA and its Affiliates a non-exclusive, transferable only in accordance with Section 11.5, royalty-bearing right and license, with the right to grant sublicenses (through multiple tiers) only in accordance with Section 2.3, to

and under the Licensed Technology to Develop, Manufacture, Commercialize and otherwise Exploit Products that are, in each case, against the Initial Target, in the Field in the Territory.

(b) SNFX, on behalf of itself and its Affiliates, shall grant and does hereby grant to MERSANA and its Affiliates a non-exclusive, transferable only in accordance with Section 11.5, royalty-free right and license, with the right to grant sublicenses (through multiple tiers) solely to Third Parties acting on MERSANA's behalf and in accordance with Section 2.3, to use the Materials (as defined herein) supplied pursuant to Section 2.5 to conduct internal research and perform or have performed Manufacturing activities for such research for the purpose of determining whether to exercise an option right hereunder (i) after confirmation that a Target is not an Unavailable Target, (ii) after reservation of such Target (including payment of the applicable Reservation Fee for such Target) pursuant to Section 2.2(b)(7), and (iii) during the corresponding Reservation Period for such Target.

2.2 Option Right and Non-Exclusive License for Additional Targets

(a) At any time on or after the Effective Date and until the option term expiration date set forth below in this Section 2.2(a) on a Target-by-Target basis for each corresponding Target (as applied to each Target, the "Option Term" for such Target) MERSANA may exercise its option to obtain non-exclusive licenses, under the Licensed Technology, for Products against [***]additional Targets (i.e., [***]) in the Field, in the Territory, provided however, that each such additional Target is not an Unavailable Target on the day that the Agent provides notice of Final Target Verification (as defined below) to MERSANA for such Target. The option right for each of [***] will expire on a Target-by-Target basis upon the corresponding Option Term expiration date shown below if such option right remains unexercised on such expiration date.

Target Number	Option Term Expiration Date
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

(b) During any applicable Option Term, MERSANA may exercise its reservation and option rights for the corresponding Target set forth in Section 2.2(a) as follows:

(1) MERSANA shall send a written notice to the Agent identifying the Target it wishes to confirm is not an Unavailable Target and/or reserve for the purpose of the grant of a License under Section 2.2(c) of this CLOA ("Target Approval Request Notice"); provided, however, that the Agent shall not be required to process more than [***] such requests at the same time.

(2) Within [***] days after its receipt of the Target Approval Request Notice, the Agent shall verify, and confirm in writing to MERSANA and SNFX, whether the

requested Target is an Unavailable Target and, if the Target is an Unavailable Target, whether the Unavailable Target is an Unavailable Target as a result clause (b) or clause (c) of Section 1.95.

(3) If the proposed Target is an Unavailable Target, MERSANA will not have exhausted any of its rights to designate another Target and the above procedure may be repeated by MERSANA until such a notice is made with respect to a Target that is not an Unavailable Target; and provided, further, that such process shall not extend or otherwise alter the Option Term specified for any given Target as set forth in Section 2.2(a).

(4) If the Target requested by MERSANA is not an Unavailable Target, the Agent shall confirm in writing to MERSANA that the Target is available for the grant of a License within [***] days after its receipt of the Target Approval Request Notice ("Final Target Verification"). On the date the Agent sends a Final Target Verification notice to MERSANA, a Target shall not become an Unavailable Target (i) during the applicable Reservation Period (as defined below) subject to MERSANA following the Target reservation process set forth in Sections 2.2(b)(5) and 2.2(b)(7), including paying the applicable Reservation Fee, or (ii) unless and until MERSANA does not timely (A) provide the Option Notice (as defined below) and (B) make payment of the appropriate License Fee (as defined below) for such Target. MERSANA shall not make any further Target Approval Request Notices in any specific Calendar Quarter after the Agent has confirmed in writing to MERSANA two (2) times in such Calendar Quarter that a Target is not an Unavailable Target and is available for the grant of a License. Furthermore, Agent shall not be asked to process any further Target Approval Request Notices in any specific Calendar Quarter after the Agent has identified two (2) times in such Calendar Quarter that a Target is not an Unavailable Target and is available for the grant of a License.

(5) Within [***] Days after receiving such Final Target Verification, MERSANA may provide written notification to SNFX of its right to either (i) reserve the Target subject to Section 2.2(b)(7) (the "Reservation Notice") or (ii) exercise the option right under this Section 2.2(b) (the "Option Notice"), and in the case of either (i) or (ii), the Reservation Notice or Option Notice (as applicable) shall indicate the identity of the Target, which shall be specified by its common name and UniProtKB/Swiss-Prot number.

(6) With respect to each Option Notice, within [***] days after MERSANA provides SNFX with such Option Notice, and following receipt of a written invoice, MERSANA shall pay the appropriate License Fee to SNFX, as set forth in Section 3.2, with respect to such Target.

(7) During the applicable Option Terms, MERSANA may exercise its option to reserve up to five (5) Targets that are not Unavailable Targets (each, a "Reserved Target") pursuant to a Reservation Notice for a period of up to [***]months each (the "Reservation Period"); provided that the maximum number of Reserved Targets cannot exceed the number of remaining Targets that MERSANA has not yet exercised its option rights to under this Section 2.2(b). With respect to any Reserved Target, such Target shall not become an Unavailable Target during the applicable Reservation Period. MERSANA shall pay to SNFX a

one-time non-refundable reservation issuance fee for each Reserved Target of [***](each, a "Reservation Fee") within [***] days after MERSANA provides SNFX with a Reservation Notice for such Target, and following receipt of a written invoice from SNFX. If MERSANA subsequently elects to exercise its option right under this Section 2.2(b) for a Reserved Target during the Reservation Period, then MERSANA shall provide an Option Notice and pay the remainder of the License Fee owed pursuant to the procedures set forth in Section 2.2(b)(6); provided that the Reservation Fee previously paid by MERSANA shall be deducted from the License Fee owed by MERSANA under Section 3.2 for such Target. If MERSANA does not subsequently elect to exercise its option right under this Section 2.2(b) for a Reserved Target during the Reservation Period, then the Reservation Fee paid by MERSANA for such Reserved Target shall be deemed to be final, nonrefundable and noncreditable against any other payments owed by MERSANA to SNFX.

(c) Only upon MERSANA exercising its option right for a given Target by (i) obtaining Final Target Verification for such Target, (ii) providing its Option Notice for such Target, and (iii) making payment of the appropriate License Fee, shall the option right of MERSANA be considered fully exercised with respect to such Target (each such Target, a "Designated Target") whereby, during the Term and thereafter as provided in Section 10.3(a)(2), and in accordance with the terms and conditions of this CLOA, SNFX, on behalf of itself and its Affiliates, shall grant and does hereby grant to MERSANA and its Affiliates a non-exclusive, transferable only in accordance with Section 11.5, royalty-bearing right and license, with the right to grant sublicenses (through multiple tiers) only in accordance with Section 2.3, to and under the Licensed Technology to Develop, Manufacture, Commercialize and otherwise Exploit Products that are, in each case, against such Designated Target, in the Field in the Territory (each such grant, a "License," and each such Designated Target, including the Initial Target, a "Licensed Target").

(d) SNFX shall be solely responsible for the Agent's performance of its obligations under this CLOA and SNFX shall be liable for any breach by the Agent of any such obligation or any error or omission of or by the Agent in performing such obligations related to (i) the correct assessment and reservation of each Target; and (ii) adherence to the timelines, both (i) and (ii) as set forth in Section 2.2(b).

(e) For clarity, except as expressly provided herein, SNFX grants no other right or license, including any rights or licenses to the Licensed Technology or any other Intellectual Property Rights not otherwise expressly granted herein. Notwithstanding anything to the contrary in this CLOA and without limitation of any rights granted or reserved to SNFX pursuant to any other term or condition of this CLOA, SNFX hereby expressly retains, on behalf of itself and its Affiliates and sublicensees, all rights in and to the Licensed Technology, including with respect to the Licensed Target, to Develop, Manufacture, Commercialize and otherwise Exploit products inside and outside the Field throughout the Territory and nothing in this CLOA shall be deemed or construed to in any way to restrict any such exploitation.

2.3 Sublicenses. The rights and licenses granted pursuant to Section 2.1 and Section 2.2 include the right to grant sublicenses (through multiple tiers) to Third Parties pursuant to a

written sublicense agreement (each a "Sublicense Agreement"); provided, however, that (a) MERSANA or its Affiliate may only enter into Sublicense Agreements with respect to Designated Targets, and with respect to any specific Designated Target, only after the corresponding License Fee for such Designated Target has been paid to SNFX; (b) MERSANA shall provide SNFX with a copy of each such Sublicense Agreement granted under this Section 2.3, and any amendment thereto, within thirty (30) days following execution thereof, it being understood and agreed to by SNFX that commercially sensitive information may be redacted from such copies to the extent such information is not necessary to verify compliance hereunder, and the terms, conditions and existence of such Sublicense Agreement and amendments thereto shall be deemed the Confidential Information of MERSANA; (c) any such Sublicense Agreement and amendments thereto shall be consistent with and subject to the terms and conditions of this CLOA; (d) MERSANA shall remain fully responsible to SNFX for the performance of its Sublicensee(s) with respect to MERSANA's obligations under the terms of this CLOA; and (e) MERSANA shall reserve the right under each Sublicense Agreement to conduct an audit of its Sublicensee in a comparable manner to Section 3.11. MERSANA shall remain obligated to make all payments due to SNFX under the terms of this CLOA with respect to the activities of its Sublicensees.

2.4 Manufacturing. Except as otherwise set forth in this Article 2, MERSANA shall, with the exception of activities under the Supply Agreement, be solely responsible for the cost and performance of Manufacturing and supplying, or having Manufactured and supplied, Products for Development, Commercialization and other Exploitation in the Territory. In this role, MERSANA shall have the right, in its sole discretion, to identify and manage CMOs (as defined below), as well as lead all supply chain management and quality control activities.

2.5 Supply Agreement. The Parties shall use Commercially Reasonable Efforts to negotiate and execute the Supply Agreement consistent with the terms set forth herein and in Schedule 3 attached hereto within sixty (60) days following the Effective Date. Pursuant to such Supply Agreement, SNFX will Manufacture and supply, or have Manufactured and supplied by one or multiple CMOs, for MERSANA batches of certain proprietary components of the Licensed Technology [***] for the Manufacture of Products (the "Materials"), in such quantities and at such times as reasonably requested by MERSANA for any pre-clinical activities and Phase 1 Trial of a Product and for use of the Materials in exercising the rights granted under Section 2.1(b). The Supply Agreement shall contain such additional terms that are reasonable and customary for similar supply agreements entered into by biopharmaceutical companies, including customary quality terms. If requested by MERSANA, the Parties shall use good faith efforts to enter into a mutually-agreeable quality agreement on customary terms. In the event that the Parties are not able to execute the Supply Agreement (and quality agreement, if applicable) by the date that is [***] days after the Effective Date, the Parties shall engage an independent expert mutually agreed upon by both Parties, the costs of which shall be equally shared by the Parties, and each Party shall submit to such expert, within [***] days of the selection of the expert, all applicable materials and information regarding the open areas of dispute in the Supply Agreement, and the expert shall provide its determination on such open areas within [***]days thereafter, which determination shall be binding on the Parties.

2.6 Tech Transfer.

(a) MERSANA shall have the right, at any time after the Effective Date, to require SNFX to effect a transfer to MERSANA, or any Affiliate or CMO designated by MERSANA, of SNFX's Know-How relating to the then-current process for the Manufacture of the Materials and/or the bioconjugation and Manufacture of remodeled antibodies using the Licensed Technology (collectively, the "Manufacturing Processes") as is necessary and useful to enable MERSANA to implement the Manufacturing Processes at facilities designated by MERSANA (such transfer, the "Tech Transfer"). SNFX shall provide, and shall use Commercially Reasonable Efforts to cause its CMOs to provide (including by using Commercially Reasonable Efforts to negotiate contractual obligations for such CMOs to do so under agreements entered into following the Effective Date), the reasonable assistance requested by MERSANA to enable MERSANA (or its Affiliates or designated CMOs, as applicable) to implement the Manufacturing Processes at the facilities designated by MERSANA. If requested by MERSANA, such assistance shall include facilitating the entering into of agreements with applicable CMOs relating to the Manufacture of the Materials and the bioconjugation and Manufacture of the remodeled antibodies using the Licensed Technology. Without limitation to the foregoing, in connection with each Tech Transfer:

(1) SNFX shall make available, and shall use Commercially Reasonable Efforts to cause its CMOs to make available (including by using Commercially Reasonable Efforts to negotiate contractual obligations for such CMOs to do so under agreements entered into following the Effective Date), to MERSANA (or its Affiliates or designated CMOs, as applicable) from time to time as MERSANA may reasonably request, all Manufacturing-related Know-How relating to the Manufacturing Processes, and all documentation constituting material support, performance advice, shop practice, standard operating procedures, specifications as to materials to be used and control methods, that are reasonably necessary or useful to enable MERSANA (or its Affiliates or designated CMOs, as applicable) to use and practice the Manufacturing Processes;

(2) SNFX shall cause all appropriate employees and representatives of SNFX and its Affiliates to meet with, and shall use Commercially Reasonable Efforts to cause all appropriate employees and representatives of its CMOs to meet with (including by using Commercially Reasonable Efforts to negotiate contractual obligations for such CMOs to do so under agreements entered into following the Effective Date), employees or representatives of MERSANA (or its Affiliates or designated CMOs, as applicable) at the applicable Manufacturing facility at mutually convenient times to assist with the working up and use of the Manufacturing Processes and with the training of MERSANA's personnel (or its Affiliates' or designated CMOs' personnel, as applicable) to the extent reasonably necessary or useful to enable MERSANA (or its Affiliates or designated CMOs, as applicable) to use and practice the Manufacturing Processes; and

(3) SNFX shall provide, and shall use Commercially Reasonable Efforts to cause its CMOs to provide (including by using Commercially Reasonable Efforts to negotiate contractual obligations for such CMOs to do so under agreements entered into

following the Effective Date), such other assistance as MERSANA (or its Affiliates or designated CMOs, as applicable) may reasonably request to enable MERSANA (or its Affiliates or designated CMOs, as applicable) to use and practice the Manufacturing Processes and otherwise to Manufacture the Materials and to perform bioconjugation and Manufacture the remodeled antibodies using the Licensed Technology.

(b) MERSANA shall pay to CMOs all verifiable costs incurred directly as a result of performing the Tech Transfer and pay to SNFX all verifiable, out-of-pocket costs and labor [***] incurred directly as a result of performing the Tech Transfer. MERSANA shall make such payment within [***] days following SNFX or a CMO providing MERSANA with an invoice and reasonable supporting documentation (including receipts) therefor.

(c) Without limiting the foregoing, in the event that SNFX makes any modification, improvement, alteration or enhancement relating to the Manufacture of the Materials or the bioconjugation or Manufacture of the remodeled antibodies using the Licensed Technology after completion of the activities set forth under this Section 2.6, SNFX shall promptly disclose such Improvement to MERSANA, and shall, at MERSANA's request, perform technology transfer with respect to such Improvement in the same manner as provided in this Section 2.6.

(d) Access to Tech Transfer assistance and consultation shall be requested and coordinated through a single contact person to be designated by SNFX.

2.7 Contract Manufacturing.

(a) Where SNFX, at its discretion, for any activities under the Supply Agreement, outsources the manufacture of any Materials to Third Party manufacturing organization(s) ("CMOs"), SNFX shall ensure that all contracts for the manufacture of Materials with such CMOs comply with the terms and conditions of this CLOA and the Supply Agreement; provided, however, that SNFX's right to use any such CMO is subject to (i) the Manufacturing Process for the Material implemented by such CMO being consistent with the regulatory standards applicable to the conduct of pre-clinical studies and Phase I Trials and (ii) MERSANA's approval of such CMO after conducting a satisfactory audit, such approval not to be unreasonably withheld or delayed. For avoidance of doubt, a satisfactory audit includes an audit where all identified deficiencies have been resolved or otherwise accepted by MERSANA.

(b) For the activities conducted under 2.7(a), up to [***] and upon not less than [***] prior written notice, SNFX will permit MERSANA or its designee, and to the extent it has the right to do so, cause its CMOs to permit MERSANA or its designee, to inspect and audit the parts of its facility, or its CMOs' facility where the Manufacture of the Materials is carried out in order to assess SNFX's or its CMOs' compliance with the Supply Agreement (and any quality agreement), and to discuss any related technical issues with SNFX's or its CMOs' management personnel. SNFX shall, and shall direct its CMOs, to the extent it has the right to do so, to reasonably cooperate with each inspection by making all necessary information in SNFX's or its CMOs' possession available to MERSANA or its designee for a reasonable amount of time to permit MERSANA or its designee to conduct such inspection. All of the

forgoing inspections and audits shall be at MERSANA's sole cost and expense. SNFX shall further provide MERSANA with copies of any audit findings of its CMOs promptly following the performance of an audit by SNFX of any CMO of SNFX; provided that, if required under the applicable agreement, SNFX shall use Commercially Reasonable Efforts to obtain such CMO's consent to provide such reports. In the event that any issues are identified in any audit by MERSANA or its designee, SNFX shall, within thirty (30) days after it receives notice of such identified issues, provide a written explanation thereof to MERSANA, including a corrective action plan that has been implemented to address such issues. SNFX shall take such actions as may be necessary to correct all identified issues in a timely manner and SNFX shall advise MERSANA periodically (and at such times as MERSANA may otherwise reasonably request) in writing of progress being made, as well as when such issues have been corrected. MERSANA shall not be liable for any costs or expenses incurred by SNFX to correct such deficiencies of SNFX's or its CMOs' Manufacturing Processes.

2.8 No Other Rights. SNFX and MERSANA each acknowledges and agrees that, except as expressly granted under this CLOA, no right, title, or interest of any nature whatsoever is granted whether by implication, estoppel, reliance, or otherwise, by either Party to the other Party. All rights with respect to other Intellectual Property Rights that are not specifically granted herein are reserved.

2.9 Bankruptcy. All rights and licenses granted under or pursuant to this CLOA, including amendments hereto, are, and will otherwise be deemed to be, for purposes of Section 365(n) of 11 U.S.C. Section 101, et. seq. ("Bankruptcy Code"), licenses of rights to "intellectual property" as defined under Paragraph 101(35A) of the Bankruptcy Code, and any comparable Law of a relevant jurisdiction. The Parties agree that MERSANA shall retain and may fully exercise all of its rights and elections under applicable Law. The Parties further agree that, in the event of the commencement of bankruptcy proceeding by or against SNFX, MERSANA shall be entitled to a complete duplicate of (or complete access to, as appropriate) any Licensed Technology which at that date is known to be useful or necessary for the Development, Manufacture, Commercialization and other Exploitation of any Products against a Licensed Target throughout the Territory and all embodiments of such Licensed Technology; and the same, if not already in MERSANA's possession, will be promptly delivered to MERSANA (a) upon any such commencement of a bankruptcy proceeding, upon MERSANA's written request therefor (which request must identify the specific Licensed Technology), unless SNFX (or trustee on behalf of SNFX) elects within [***] days to continue to perform all of its obligations under this CLOA or (b) if not delivered under (a) above, upon rejection of this CLOA by or on behalf of SNFX, upon written request therefore by MERSANA.

ARTICLE 3
PAYMENTS

3.1. **Initial Target License Issuance Fee**. In partial consideration of the rights and licenses granted by SNFX hereunder, MERSANA shall pay to SNFX a one-time non-refundable and non-creditable license issuance fee for the license granted hereunder with respect to the Initial Target of Seven Hundred and Fifty Thousand U.S. Dollars (U.S. $750,000.00) (the "Initial

Target License Fee") within [***] days after the Effective Date following receipt of a written invoice from SNFX.

3.2. Additional Target License Issuance Fee. In partial consideration of the rights and licenses granted by SNFX hereunder, MERSANA shall pay to SNFX on a Licensed Target-by-Licensed Target basis (other than with respect to the Initial Target) a one-time (for each Licensed Target) non-refundable and non-creditable license issuance fee of [***] (each license issuance fee for a Licensed Target, together with the Initial Target License Fee, a "License Fee") upon the issuance of each License for additional Target for which MERSANA exercises its option rights under Section 2.2. Each License Fee owed under this Section 3.2 shall be paid within [***] days after MERSANA provides SNFX with an Option Notice in accordance with Section 2.2(b)(5) following receipt of a written invoice from SNFX.

3.3. Development Milestone Payments. In further consideration of the rights and licenses granted by SNFX hereunder, MERSANA shall pay to SNFX on a Licensed Target-by-Licensed Target basis the one-time (for each Licensed Target), non-refundable and non-creditable milestone payments set forth below (each, a "Development Milestone Payment") upon the first achievement by MERSANA or its Affiliates or Sublicensees of each of the corresponding events (each, a "Development Milestone Event"). MERSANA shall notify SNFX pursuant to Section 11.10 within [***] days after achievement of the applicable Development Milestone Event and shall pay the corresponding Development Milestone Payment within [***] days after receipt of SNFX's invoice therefore. For clarity, each Development Milestone Payment set forth below shall be due and payable one time only for each Licensed Target (regardless of the number of Products or indications to achieve any such Development Milestone Event for such Licensed Target) and the Development Milestone Payment amount is determined as shown in the table based upon the Development Milestone Event and the date on which the License Fee was paid for such Licensed Target.

Development Milestone Number	**Development Milestone Event**	**Development Milestone Payment** **If Target License Fee Paid On or Before** [***]	**Development Milestone Payment** **If Target License Fee Paid On or After** [***] **but on or before** [***]	**Development Milestone Payment** **If Target License Fee Paid On or After** [***]
1.	First dosing of a patient in the first Phase 1 Clinical Trial of a Product	$750,000	[***]	[***]
2.	[***]	[***]	[***]	[***]
3.	[***]	[***]	[***]	[***]
4.	[***]	[***]	[***]	[***]
5.	[***]	[***]	[***]	[***]

The Parties understand and agree that, if MERSANA or its Affiliates or Sublicensees is able to accelerate the Development of a Product such that one or more Clinical Trials that would have represented a Development Milestone Event (as defined immediately above) can be omitted, the corresponding omitted clinical-stage Development Milestone Payment(s) shall still be paid in full by MERSANA to SNFX at the time that the next payable Development Milestone Payment is paid.

Notwithstanding the foregoing, the Development Milestone Payment amounts set forth in this Section 3.3 for any Licensed Target for which the corresponding License Fee was paid on or before [***] will be reduced by [***], but only for such Licensed Target.

3.4. Sales Milestone Payments. In further consideration of the rights and licenses granted by SNFX hereunder, MERSANA shall pay to SNFX on a Licensed Target-by-Licensed Target basis the one-time (for each Licensed Target), non-refundable and non-creditable milestone payments set forth below (each, a "Sales Milestone Payment") upon the first achievement by MERSANA or its Affiliates or Sublicensees of each of the corresponding events (each, a "Sales Milestone Event"). MERSANA shall notify SNFX pursuant to Section 11.10 within [***] days after achievement of the applicable Sales Milestone Event and shall pay the corresponding Sales Milestone Payment within [***] days after receipt of SNFX's invoice therefore. For clarity, each Sales Milestone Payment set forth below shall be due and payable one time only for each Licensed Target (regardless of the number of Products or indications to achieve any such Sales Milestone Event for each such Licensed Target). All such notices issued from MERSANA to SNFX hereunder shall be accompanied by a written statement setting forth in reasonable detail the calculation thereof.

Sales Milestone Event	Sales Milestone Payment
[***]	[***]
[***]	[***]
[***]	[***]

3.5. Payment of Royalties.

(a) Royalty Rate. In further consideration of the rights and licenses granted by SNFX hereunder, during the Royalty Term, MERSANA shall pay to SNFX on a Licensed Target-by-Licensed Target basis:

(1) [***] of Net Sales in a Calendar Year in the Territory of Products against a Licensed Target sold by MERSANA, its Affiliates and Sublicensees for that portion of such Net Sales less than [***]; and

(2) [***] of Net Sales in a Calendar Year in the Territory of Products against a Licensed Target sold by MERSANA, its Affiliates and Sublicensees for that portion of such Net Sales greater than or equal to [***] and less than [***]; and

(3) [***] of Net Sales in a Calendar Year in the Territory of Products against a Licensed Target sold by MERSANA, its Affiliates and Sublicensees for that portion of such Net Sales greater than or equal to [***].

(b) Payment of Royalties. MERSANA shall: (a) within [***] days following the end of each Calendar Quarter in which a royalty payment accrues, provide to SNFX a report, on a Licensed Target-by-Licensed Target basis, for each country in the Territory in which sales of Product occurred in the Calendar Quarter covered by such statement, specifying for such Calendar Quarter: the number of Products sold; the gross sales and Net Sales; the royalties payable, including an accounting of itemized deductions taken in the calculation of Net Sales in accordance with MERSANA's normal practices used to prepare its audited financial statements for internal and external reporting purposes and in accordance with GAAP; the applicable exchange rate to convert foreign currency to U.S. Dollars under Section 3.7; and the royalty calculation and royalties payable in U.S. Dollars, and (b) make the royalty payments owed to SNFX hereunder in accordance with such royalty report in arrears, within [***] days from the end of each Calendar Quarter in which such payment accrues.

(c) Royalty Term. Notwithstanding anything to the contrary, the royalties under this Section 3.5 shall be payable by MERSANA with respect to each Product on a country-by-country basis in the Territory solely during the Royalty Term.

(d) Third Party Payments on Products. MERSANA shall be responsible for paying any amounts due to Third Parties under any agreement between MERSANA and such Third Party in connection with the Development, Manufacture or Commercialization of Product throughout the Territory.

3.6. Payment Method. All payments made by MERSANA under this CLOA shall be made in U.S. Dollars, and such payments shall be made by check or wire transfer to:

[***]

Notwithstanding the foregoing, SNFX may designate another bank account in writing; provided that such other account information is provided to MERSANA at least thirty (30) days prior to any such payment becoming due hereunder.

3.7. Currency Conversion. In the event that Products are sold in any country in the Territory in currencies other than U.S. Dollars, Net Sales shall be calculated by MERSANA in accordance with U.S. generally accepted accounting principles, consistently applied. Net Sales in currencies other than U.S. Dollars shall be converted into U.S. Dollars using MERSANA's standard conversion methodology for its own financial reporting.

3.8. Late Payment Interest. Any payment due and payable to SNFX under the terms and conditions of this CLOA, including any royalty payment, made by MERSANA after the date such payment is due and payable shall bear interest as of the day after the date such payment was due and payable and shall continue to accrue such interest until such payment is made at a rate equal to the lesser of either (a) [***] above the prime rate as reported by Citibank, New York,

New York, as of the date such payment was due and payable, or (b) the maximum rate permitted by applicable Law.

3.9. Records. On a Product-by-Product basis, following the First Commercial Sale of such Product and thereafter during the Term, MERSANA shall maintain, and shall cause its Affiliates and Sublicensees to maintain, complete and accurate records sufficient to enable accurate calculation of royalties and other payments due SNFX hereunder. Such records and books of account shall be preserved by MERSANA for a period of [***] years after the end of the period covered by such records and books of account, which obligation shall survive termination of this CLOA. MERSANA must direct its Affiliates and Sublicensees to provide reports and keep records in a manner consistent with this Section 3.9. MERSANA shall provide reports received from any Affiliates and Sublicensees to SNFX with its applicable payments hereunder.

3.10. Taxes. MERSANA may withhold from any payment made to SNFX under this CLOA any tax liability of SNFX required to be withheld by MERSANA under the Laws of the United States or any other country or jurisdiction where MERSANA has Commercialized Products. If any tax is required by Law to be withheld by MERSANA, MERSANA shall provide SNFX receipts or other evidence of such withholding and payment to the appropriate tax authorities on a timely basis following such tax payment. Each Party agrees to cooperate with the other Party in claiming refunds or exemptions from such deductions or withholdings under any relevant agreement or treaty which is in effect. The Parties shall discuss applicable mechanisms for minimizing such taxes to the extent possible in compliance with applicable Law. In addition, the Parties shall cooperate in accordance with applicable Law to minimize indirect taxes (such as value added tax, sales tax, consumption tax and other similar taxes) in connection with this CLOA, provided that MERSANA shall be responsible for the payment of all such indirect taxes associated with the Manufacture and Commercialization of Product and shall not deduct any such indirect tax amounts from the payments due SNFX under this CLOA.

3.11. Audit Rights. On a Product-by-Product basis, following the First Commercial Sale of such Product, MERSANA shall permit an independent certified public accountant of internationally recognized standing designated by SNFX and reasonably acceptable to MERSANA, to have access, no more than [***] during the Term and no more than [***] following the termination of this CLOA, during regular business hours and upon at least [***] days written notice, to MERSANA's records and books to the extent necessary to determine the accuracy of Net Sales reported, and payments made, by MERSANA to SNFX within the [***] period immediately preceding such an audit. The independent public accountant shall disclose to SNFX only (a) the accuracy of Net Sales reported and the basis for royalty and other payments made to SNFX under this CLOA and (b) the difference, if any, such reported and paid amounts vary from amounts determined as a result of the audit. If such examination results in a determination that Net Sales or payments have been misstated, over or under paid amounts due shall be paid promptly to the appropriate Party. If Net Sales are understated by greater than [***], the fees and expenses of such accountant shall be paid by MERSANA; otherwise the fees and expenses of such accountant shall be paid by SNFX. All matters reviewed by such

independent public accountant shall be deemed Confidential Information of MERSANA subject to Article 6.

ARTICLE 4
PRODUCT ACTIVITIES

4.1 Diligence.

(a) MERSANA, directly or through one or more of its Affiliates or Sublicensees, will use Commercially Reasonable Efforts to Develop, Manufacture, Commercialize, and otherwise Exploit at least one Product against each Licensed Target in each Major Market Country.

(b) In addition to the obligation under Section 4.1(a), MERSANA shall file an IND with the FDA for one (1) Product within [***] of the Effective Date. In the event that MERSANA does not file an IND with the FDA for one (1) Product within such [***] period, then, if this Agreement has not been terminated prior to such date, MERSANA shall pay [***] to SNFX as SNFX's sole remedy for MERSANA's failure to so file such an IND. For the avoidance of doubt, MERSANA's obligations under this Section 4.1(b) shall have been fully satisfied and shall not apply to any other Product upon MERSANA either filing an IND with the FDA for one (1) Product within [***] of the Effective Date or paying [***] to SNFX as set forth in this clause (b).

4.2 Annual Reports. No later than January 31 of each year commencing on the Effective Date and ending, on a Licensed Product-by-Licensed Product basis, at the end of the applicable Royalty Term, MERSANA shall submit a written report to SNFX covering the preceding Calendar Year. Each report will summarize MERSANA's, its Affiliates' and Sublicensees' significant activities related to the Development and Commercialization of at least one Product against each Licensed Target and the status of Clinical Trials and applications for Regulatory Approval necessary for Exploiting such Products. Such reports will be deemed MERSANA's Confidential Information in accordance with Article 6.

4.3 Responsibilities. Except as otherwise set forth in this CLOA, MERSANA shall be solely responsible for the Development, Manufacturing, Commercialization and Exploitation of all Products in the Field in the Territory. MERSANA shall bear [***] of all costs and expenses associated with the Development, Manufacturing, Commercialization and Exploitation of Products.

4.4 Regulatory Matters.

(a) As between the Parties, MERSANA will (i) be solely responsible for, and will solely own, all applications for Regulatory Approval and Pricing Approval with respect to a Product and (ii) have the sole right and responsibility to file all INDs and make all other filings with the Regulatory Authorities, and to otherwise seek all Regulatory Approvals and Pricing Approvals for the Products, in the Territory, as well as to conduct all correspondence and communications with Regulatory Authorities regarding such matters. Upon the Effective Date

with respect to the Initial Target, and upon MERSANA exercising its option right for a Licensed Target (other than the Initial Target) in accordance with Section 2.2(c) during the Term and thereafter as provided in Section 10.3(a)(2), SNFX, on behalf of itself and its Affiliates, shall grant and does hereby grant to MERSANA and its Affiliates a non-exclusive, transferable in accordance with Section 11.5, "Right of Reference," as that term is defined in 21 C.F.R. § 314.3(b) and any foreign counterpart of such regulation, with the right to grant such a Right of Reference to Sublicensees hereunder (through multiple tiers), to and under all data contained in any Regulatory Documentation Controlled by SNFX that is necessary or useful to Develop, Manufacture, Commercialize or otherwise Exploit a Product in the Field in the Territory, and SNFX shall provide a signed statement to this effect, if requested by MERSANA, in accordance with 21 C.F.R. § 314.50(g)(3) (or any analogous applicable Law recognized outside of the United States).

(b) SNFX shall provide MERSANA with reasonable cooperation and assistance in connection with regulatory activities for each Product at MERSANA's sole cost and expense, including (i) reasonable assistance in preparing filings and submissions necessary to obtain and maintain Regulatory Approval and Pricing Approval (if applicable) for each Product, (ii) responding to reasonable requests by MERSANA for additional Regulatory Documentation (and information and clinical data contained therein) related to such Product, and (iii) providing other technical information in SNFX's Control that is necessary or useful for MERSANA in connection with any application for Regulatory Approval or Pricing Approval for a Product; provided that SNFX's cooperation is subject to MERSANA's reimbursement of any reasonable out-of-pocket costs incurred by SNFX and [***]. Further, such access shall be requested and coordinated through a single contact person to be designated by SNFX.

(c) MERSANA shall be responsible for ensuring, at its sole expense, that the Development, Manufacturing, Commercialization and other Exploitation of all Products in the applicable jurisdiction within the Territory are in compliance with applicable Laws in all material respects, including all rules and regulations promulgated by applicable Regulatory Authorities. Specifically and without limiting the foregoing, MERSANA shall be responsible for filing all compliance filings, certificates and safety reporting for the Products required by applicable Law at its sole expense in the Territory.

(d) MERSANA shall be responsible for taking all actions related to adverse event reporting and other regulatory obligations that are legally required of the holder of a Regulatory Approval application, license, registration or authorization under applicable Law.

ARTICLE 5
INTELLECTUAL PROPERTY

5.1 Ownership of Remodeled Antibodies. The Parties acknowledge and agree that MERSANA is and will be the sole and exclusive owner of all right, title and interest in and to any Intellectual Property Rights to the extent related to any remodeled antibody against a Licensed Target for which the License Fee has been paid, and that are conceived, generated, Developed or reduced to practice under this CLOA or the Supply Agreement that is derived from an antibody Controlled by MERSANA. For the avoidance of doubt, MERSANA will be the sole

and exclusive owner of all right, title and interest in and to any Intellectual Property Rights related to any Products conceived, generated, Developed or reduced to practice under this CLOA or the Supply Agreement that are derived from a remodeled antibody against a Licensed Target for which the License Fee has been paid, whether or not MERSANA Controls the intellectual property related to the antibody included in any such Product. Further, for the avoidance of doubt, SNFX will be the sole and exclusive owner of all right, title and interest in and to any Licensed Technology used, or any Improvements to the Licensed Technology that are not specific to a remodeled antibody against a Licensed Target for which the License Fee has been paid.

5.2 Improvements.

(a) Subject to Section 5.2(c), any Improvements to the Licensed Technology conceived, generated, Developed or reduced to practice solely by or on behalf of either Party or jointly by or on behalf of both Parties shall be exclusively owned by SNFX or its designee; provided that, with respect to any Improvements to the Licensed Technology conceived, generated, developed or reduced to practice by or on behalf of MERSANA individually or jointly with SNFX, such Improvements shall only be owned by SNFX or its designee pursuant to this Section 5.2(a) to the extent that the applicable Licensed Technology has been disclosed to MERSANA, or, in the case of Patents and Patent applications, that have been published. Subject to the preceding sentence, MERSANA shall assign, and does hereby assign to SNFX or its designee, all of MERSANA's right, title and interest in and to any such Improvements to the Licensed Technology including all Intellectual Property Rights therein.

(b) Subject to Section 5.2(c), any Improvements to the MERSANA Technology conceived, generated, Developed or reduced to practice solely by or on behalf of either Party or jointly by or on behalf of both Parties shall be exclusively owned by MERSANA or its designee; provided that, with respect to any Improvements to the MERSANA Technology conceived, generated, developed or reduced to practice by or on behalf of SNFX individually or jointly with MERSANA, such Improvements shall only be owned by MERSANA or its designee pursuant to this Section 5.2(b) to the extent that the applicable MERSANA Technology has been disclosed to SNFX or, in the case of Patents and Patent application, that have been published. Subject to the preceding sentence, SNFX shall assign, and does hereby assign to MERSANA or its designee, all of SNFX's right, title and interest in and to any such Improvements to the MERSANA Technology including all Intellectual Property Rights therein.

(c) Any Improvement that is an Improvement to both the Licensed Technology and the MERSANA Technology conceived, generated, developed or reduced to practice solely by or on behalf of either Party or jointly by or on behalf of both Parties in the course or performing or exercising rights under this CLOA or the Supply Agreement (each, a "Joint Improvement") shall be jointly owned by SNFX and MERSANA or their respective designee (other than any Improvements that are specific to the remodeled antibodies, which shall be solely owned by MERSANA pursuant to Section 5.1), and each of SNFX and MERSANA or their respective designee shall have, and does hereby have an undivided joint ownership interest in all rights, title, and interest worldwide in and to such Joint Improvement and all Intellectual

Property Rights therein, effective immediately upon the conception or reduction to practice thereof. In accordance with the foregoing, SNFX hereby assigns an undivided joint ownership interest in and to such Joint Improvement to MERSANA, and MERSANA hereby assigns an undivided joint ownership interest in and to such Joint Improvement to SNFX. Each Party shall have the right to practice, license and sublicense (through multiple tiers), or otherwise Exploit any Joint Improvement without the consent of or accounting to the other Party. In the event that any Joint Improvement is conceived, generated, developed or reduced to practice hereunder, the Parties shall promptly meet to discuss and determine whether to seek Patent protection thereon. If the Parties decide to seek Patent protection for any Joint Improvement, the Parties will mutually agree on the preparation, filing, prosecution and maintenance of any Joint Improvement Patent using Patent counsel that is reasonably acceptable to both Parties. The Parties shall timely discuss in good faith an enforcement strategy (including the allocation of costs) with respect to any Joint Improvement Patent and the allocation between the Parties of responsibility for enforcement of Joint Improvement Patents.

5.3 Other Intellectual Property. Except as set forth above in this Article 5, all other Intellectual Property Rights invented, conceived, generated, developed or reduced to practice solely by or on behalf of either Party or jointly by or on behalf of both Parties in the course or performing or exercising rights under this CLOA or the Supply Agreement will be owned by the Party that invented, conceived, generated, developed or reduced to practice such Intellectual Property Rights, the determination of which will be made in accordance with applicable Law in the United States.

5.4 Patent Maintenance and Prosecution. SNFX shall, at its sole expense and within its sole discretion, prepare, file, prosecute and maintain the Licensed Patents and be responsible for any related interference, re-issuance, re-examination and other opposition proceedings; provided that SNFX shall provide MERSANA with drafts of any filings that use MERSANA's data prior to their submission in sufficient time to allow MERSANA the reasonable opportunity to review, consider and substantively comment thereon. SNFX may abandon any Licensed Patent or Licensed Patent claims in SNFX's sole discretion.

5.5 Patent Term Extensions. SNFX shall have the sole right, but not the obligation, to seek, in SNFX's name, patent term extensions, adjustments, restorations, or supplementary protection certificates under applicable Law for the Licensed Patents in the Territory; it being understood and agreed that, if SNFX seeks a patent term extension, then MERSANA agrees to perform, at SNFX's request and sole expense, any reasonable measures required by applicable Law for SNFX to obtain such extension. SNFX, its agents and attorneys will give due consideration to all suggestions and comments of MERSANA regarding any such activities, including the choice of which Licensed Patent to apply term extensions to, but in the event of a disagreement between the Parties, SNFX shall have the final decision making authority. For clarity, (a) any such extended Licensed Patent will remain included in the definition of Valid Claim for purposes of extending the Term and (b) SNFX shall have the right, in its sole discretion, to abandon such Licensed Patent at any time.

5.6 Licensed Patents and Licensed Know-How Enforcement and Defense. If either Party becomes aware of an infringement by a Third Party of any Licensed Technology in the Territory, whether or not within the Field or with respect to a Licensed Target, it shall notify the other Party as soon as practicable. Upon notice of an infringement by a Third Party of any Licensed Technology, SNFX shall have the sole right (but not the obligation) at its sole cost to take the appropriate steps to enforce or defend any Licensed Patents in the Field against Third Parties. Any settlements, damages or other monetary awards relating to such infringement or violation by a Third Party of any Licensed Patent recovered by SNFX pursuant to a suit, action or proceeding brought pursuant to this Section 5.6 will be retained by SNFX.

5.7 Defense of Infringement Claims of Licensed Technology. Subject to Section 8.1, in the event that a Third Party institutes a claim against a Party in the Territory during the Term, alleging that the Development, Manufacture, Commercialization or Exploitation of the Products in the Territory in accordance with this CLOA infringes or misappropriates the Intellectual Property Rights of such Third Party, then such Party shall immediately provide the other Party with written notice of such claim along with the related facts in reasonable detail. MERSANA shall have the first right, but not the obligation, at its sole cost and expense, and through counsel of its choosing, to assume direction and control of the defense and settlement of any such claim brought against MERSANA, or, subject to any Third Party obligations, any such claim brought against SNFX; provided that it shall not: (a) settle or otherwise compromise any such claims brought against SNFX that would materially adversely affect SNFX; or (b) assert a claim or counterclaim against such Third Party based on the Licensed Technology, without the written consent of SNFX, such consent not to be unreasonably withheld or delayed. Without limiting the foregoing, MERSANA shall not settle any such claims brought against SNFX unless such settlement involves only the payment of money and includes a complete and unconditional release of SNFX from all liability with respect thereto. SNFX shall assist and cooperate in connection with the defense of such claim upon MERSANA's reasonable request and at the sole cost and expense of MERSANA.

5.8 Cooperation. In any suit, proceeding or dispute involving the infringement of any of the Licensed Patents in the Field or misappropriation of any of the Licensed Know-How in the Field, the Parties shall provide each other with reasonable cooperation, and, upon the request and at the expense of the Party bringing suit, the other Party shall make available to the Party bringing suit, at reasonable times and under appropriate conditions, all reasonable and relevant personnel, records, papers, information, samples, specimens, and the like in its possession. Notwithstanding any other provision of this Article 5, neither Party shall make any settlements of any suit, proceeding or action relating to an infringement of the Licensed Patents in the Field or misappropriation of any of the Licensed Know-How in the Field that would materially adversely affect the other Party or materially adversely affect the rights and licenses granted hereunder without first obtaining such other Party's prior written consent, such consent not to be unreasonably withheld or delayed.

ARTICLE 6
CONFIDENTIALITY

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [***], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO MERSANA THERAPEUTICS, INC. IF PUBLICLY DISCLOSED

6.1 Confidentiality Obligations. Each Party agrees that, during the Term and for [***] years thereafter, all Confidential Information of the other Party shall be maintained in confidence, and shall not be used for any purpose other than the purposes expressly permitted by this CLOA, and, subject to Section 6.2, shall not be disclosed to any Third Party. The Mutual Non-Disclosure Agreement shall terminate as of the Effective Date and the provisions of this Article 6 and this CLOA shall supersede the Mutual Non-Disclosure Agreement in all respects, and all "Confidential Information" (as defined in the Mutual Non-Disclosure Agreement) exchanged by the Parties thereunder shall be deemed to be Confidential Information hereunder and be subject only to the provisions of this Article 6 and CLOA as of and after the Effective Date. The foregoing obligations will not apply to any portion of Confidential Information to the extent that it can be established by competent proof that such portion of the Confidential Information:

(a) was already known to the recipient or its Representatives, other than under an obligation of confidentiality, at the time of disclosure;

(b) was generally available to the public or was otherwise part of the public domain at the time of its disclosure to the recipient or its Representatives;

(c) became generally available to the public or otherwise becomes part of the public domain after its disclosure and other than through any act or omission of the recipient in breach of this CLOA; or

(d) was subsequently lawfully disclosed to the recipient or its Representatives by a Third Party other than in contravention of a confidentiality obligation of such Third Party to the disclosing party.

6.2 Permitted Usage. Each Party may use and disclose the Confidential Information of the other Party, in accordance with this CLOA, as follows: (a) to its Representatives who have a need to know such Confidential Information to perform such Party's obligations under this CLOA and who are bound by obligations of confidentiality no less strict than those contained in this CLOA (other than the term of such confidentiality obligations, which shall be customary for the applicable situation), (b) to exercise rights granted to or retained by such Party; (c) in connection with the Prosecution or enforcement of Licensed Patents or Improvements, in accordance with this CLOA; or (d) in connection with prosecuting or defending litigation, complying with applicable governmental regulations, filing for, obtaining and maintaining Regulatory Approvals and Pricing Approvals, or as otherwise required by Law, but provided that if a Party is required by Law to make any disclosure of the other Party's Confidential Information, it will give reasonable advance notice to the other Party of such disclosure requirement (if legally permitted), it will disclose only for the sole purpose of and solely to the extent required by such Law, and it will use its reasonable efforts to secure confidential treatment of such portion of the Confidential Information required to be disclosed.

6.3 Terms of Agreement. The terms of this CLOA shall be the Confidential Information of both Parties, and subject to the terms of this Article 6. Notwithstanding the foregoing, either Party may make a disclosure of the terms of this CLOA: (a) to any bona fide

financial advisors, accountants, investors, potential acquirers, or, in the case of MERSANA, potential sublicensees who have undertaken substantive negotiation of a Sublicense Agreement with MERSANA in good faith and are bound in writing to maintain the confidentiality of such disclosure to the same extent required of the Parties hereunder, (b) if required by applicable Law, or (c) as otherwise permitted pursuant to Section 6.5. A Party will give the other Party written notice of any required disclosure under (b) above (if legally permitted), which notice shall, to the extent reasonably practicable, be given a reasonable period of time in advance of such required disclosure. In the event either Party is required to file this CLOA with the U.S. Securities and Exchange Commission or any comparable non-U.S. Governmental Entity, such Party shall apply for confidential treatment of this CLOA to the fullest extent permitted by applicable Law, shall provide the other Party a copy of the confidential treatment request a reasonable enough time in advance of its filing to attempt to give the other Party a meaningful opportunity to comment thereon, and shall incorporate in such confidential treatment request any reasonable comments of the other Party (if reasonably practicable).

6.4 Permitted Publications.

(a) In the event MERSANA desires to publish or present any information with respect to the Licensed Technology, MERSANA shall provide SNFX with a copy of such proposed publication or presentation no less than twenty (20) days prior to its intended submission for publication or public disclosure. SNFX shall respond in writing promptly and in no event later than ten (10) days after receipt of the proposed material, with one or more of the following: (a) comments on the proposed material, which MERSANA shall consider in good faith; (b) a specific statement of concern, based upon the need to seek Patent protection or to block publication or public disclosure if SNFX reasonably determines that the proposed disclosure includes intellectual property that should be maintained as a trade secret to protect any Licensed Technology, in which event MERSANA agrees not to submit such publication or make such presentation that contains such information for at least forty-five (45) days in order for SNFX to have the opportunity to seek Patent protection for any material in such publication or presentation which it believes is patentable; (c) an identification of SNFX's Confidential Information that is contained in the material reviewed, which MERSANA shall remove, if requested by SNFX; or (d) an identification of any SNFX trade secret that is contained in the material reviewed and which SNFX desires to maintain as a trade secret, which MERSANA shall remove, if requested by SNFX.

(b) The contents of any publication or presentation that has been reviewed and approved by SNFX may be re-released by MERSANA without a requirement for re-approval.

(c) SNFX shall be expressly prohibited from publishing or presenting any information with respect to the MERSANA Technology or any Product without MERSANA's prior written consent, which may be withheld in its sole discretion.

6.5 Public Announcements. The Parties agree that the press release attached hereto as Exhibit F regarding the existence of this CLOA will be issued upon execution of this CLOA on the Effective Date. Additional public announcements or press releases regarding this CLOA may be issued by either Party at any other time pending approval of the public announcement or

press release content by both Parties, such approval not to be unreasonably withheld. Neither Party shall make any subsequent public announcement concerning this CLOA or the terms hereof not previously made public without the prior written approval of the other Party, such consent not to be unreasonably withheld or delayed by such other Party, with regard to the form, content, and precise timing of such announcement.

ARTICLE 7
Representations, Warranties and Covenants

7.1 General. Each Party represents and warrants, and covenants (as applicable), to the other Party, that:

(a) as of the Effective Date, it is duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization and has all requisite power and authority to conduct its business and engage in the transactions provided for in this CLOA;

(b) as of the Effective Date, the execution, delivery and performance by it of this CLOA, and the consummation by it of the transactions contemplated hereby, have been duly authorized and approved by all necessary corporate or equivalent action on its part. This CLOA has been duly executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or other laws relating to or affecting creditors' rights generally;

(c) as of the Effective Date, the execution, delivery and performance by it of this CLOA, and the consummation by it of the transactions contemplated hereby, do not and will not: (i) violate any applicable Laws; (ii) conflict with, or result in the breach of any provision of, its certificate or articles of incorporation, bylaws or equivalent organizational documents; (iii) result in the creation of any lien or encumbrance of any nature upon any property being transferred or licensed by it pursuant to this CLOA; or (iv) violate, conflict with, result in the breach or termination of, or constitute a default under (or event which, with notice, lapse of time or both, would constitute a default under), any permit, contract, agreement or other obligation or restriction to which it is a party or by which any of its properties or businesses are bound;

(d) as of the Effective Date, no authorization, consent or approval of, or notice to or filing with, any Regulatory Authority is required for the execution, delivery and performance by it of this CLOA (excluding approvals of Regulatory Authorities as contemplated herein);

(e) where this CLOA refers to an action or obligation to be undertaken by a Party's Affiliates, such Party will cause such Affiliates, during the Term, to undertake such obligations or other actions, and such Party will be responsible and liable for any acts or omissions by its Affiliates;

(f) it shall not use, during the Term, any employee or consultant who has been debarred by any Regulatory Authority, or, to the best of such Party's Knowledge, is the subject of debarment proceedings by a Regulatory Authority; and

(g) it will maintain throughout the Term all permits, licenses, registrations, and other forms of authorizations and approvals from any Governmental Entity that are necessary or required to be obtained or maintained by such Party in order for such Party to execute and deliver this CLOA and to perform its obligations hereunder in a manner which complies with all applicable Laws.

7.2 Representations and Covenants of MERSANA. MERSANA hereby covenants that it shall, and shall direct its Affiliates and Sublicensees to, perform all of its obligations under this CLOA, and shall comply in all material respects with all applicable Laws in the Development, Manufacture and Commercialization of the Product.

7.3 Representations of SNFX. SNFX hereby represents and warrants to MERSANA, as of the Effective Date and, except as stated otherwise, on each separate date that MERSANA receives a license to a Licensed Target pursuant to Section 2.2(c), except as may be set forth in a disclosure schedule delivered by SNFX to MERSANA on each such date, that:

(a) SNFX and/or its Affiliates are the sole and exclusive owner(s) of the Licensed Technology, all of which is, except for [***], free and clear of any liens, charges or encumbrances, and, except for any Patents disclosed by SNFX to MERSANA in writing prior to each such date, to SNFX's Knowledge, neither SNFX nor any of its Affiliates have infringed any Patents or misappropriated any Know-How of a Third Party in connection with Developing the Licensed Technology.

(b) Except for any Patents disclosed by SNFX to MERSANA in writing prior to each such date, to SNFX's Knowledge, the practice of the Licensed Technology in the manner contemplated by this CLOA and disclosed by MERSANA to SNFX as of the Effective Date does not infringe any Patents or misappropriate any Know-How of a Third Party;

(c) SNFX and/or its Affiliates have complied in all material respects with all applicable Laws with respect to the filing, prosecution and maintenance of the Licensed Patents, paid all maintenance and annuity fees with respect to the Licensed Patents, and no dispute regarding inventorship has been alleged or threatened with respect to the Licensed Patents;

(d) Except for the pending oppositions filed against [***], there are no actual, pending or, to SNFX's Knowledge, alleged or threatened, adverse actions, suits, claims, interferences, re-examinations, oppositions, inventorship challenges or formal governmental investigations involving the Licensed Technology by or against SNFX or any of its Affiliates, in each case that are in or before any Governmental Entity;

(e) Schedule 1 includes a complete and correct list of the Licensed Patents, as of the Effective Date, necessary or useful for MERSANA to Develop, Manufacture, Commercialize or otherwise Exploit Products as contemplated herein;

(f) SNFX or its Affiliates have and will have the full right, power and authority to grant all of the right, title and interest in the licenses and other rights granted or to be granted to MERSANA, its Affiliates or Sublicensees under this CLOA;

(g) where this CLOA refers to an action or obligation to be undertaken by the Agent, SNFX will cause the Agent, during the Term, to undertake such obligations or other actions, and SNFX will be responsible and liable for any acts or omissions by the Agent; and

(h) the execution, delivery and performance by SNFX of this CLOA and its compliance with the terms and provisions hereof does not and will not violate or result in a breach of or default under any binding obligation or agreement of SNFX existing as of the Effective Date.

7.4 Covenants of SNFX. SNFX covenants that it will not, during the Term, undertake any obligation, or grant any right, license, interest or lien, that conflicts with its obligations, or the rights and licenses granted to MERSANA, under the terms of this CLOA, or impairs the rights granted by SNFX to MERSANA under the terms of this CLOA.

7.5 DISCLAIMER. EXCEPT AS PROVIDED IN THIS ARTICLE 7, NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY (EXPRESS, IMPLIED, STATUTORY OR OTHERWISE) WITH RESPECT TO THE SUBJECT MATTER OF THIS CLOA, AND EACH PARTY SPECIFICALLY DISCLAIMS ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND ALL WARRANTIES AND CONDITIONS OF THE VALIDITY OF THE LICENSED PATENTS OR NONINFRINGEMENT OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS. THIS SECTION 7.5 SHALL NOT BE CONSTRUED TO LIMIT EITHER PARTY's OBLIGATIONS UNDER ARTICLE 8.

ARTICLE 8
INDEMNIFICATION; INSURANCE

8.1 Indemnification by MERSANA. MERSANA shall indemnify, hold harmless, and defend SNFX and its Representatives ("SNFX Indemnitees") from and against any and all Third Party claims, suits, losses, liabilities, damages, costs, fees and expenses (including reasonable attorneys' fees) (collectively, "Losses") finally awarded to a Third Party by a court of competent jurisdiction or agreed to in a settlement approved by MERSANA that results from any claim made or brought against a SNFX Indemnitee by or on behalf of such Third Party, and subject to Section 8.3, any direct out-of-pocket costs and expenses (including reasonable attorneys' fees) ("Litigation Costs") incurred by a SNFX Indemnitee while investigating or conducting the defense of such Third Party claim, in any such case, solely to the extent such claim is directly based on or directly arises out of (a) the breach by MERSANA of any representation, warranty or covenant contained in this CLOA, (b) the negligence or willful misconduct of MERSANA or its Representatives or Sublicensees in connection with the performance of MERSANA's obligations in this CLOA, (c) any actual violation by MERSANA of applicable Laws in the Development, Manufacture, Commercialization or Exploitation of any Product, (d) the Development, Manufacturing and/or Commercialization of a Product by

MERSANA or its Affiliates or Sublicensees (including product liability) in the Territory, and/or (e) the Development, Manufacture, Commercialization or Exploitation of any Product that infringes any Patent or misappropriates any Know-How owned or possessed by any Third Party (except to the extent no such infringement or misappropriation would occur but for the practice of the Licensed Technology); provided, however, that such indemnification right shall not apply to any Losses or Litigation Costs for which SNFX is obligated to indemnify MERSANA under Section 8.2.

8.2 Indemnification by SNFX. SNFX shall indemnify, hold harmless, and defend MERSANA and its Representatives ("MERSANA Indemnitees") from and against any and all Losses finally awarded to a Third Party by a court of competent jurisdiction or agreed to in a settlement approved by SNFX that result from any claim made or bought against an MERSANA Indemnitee by or on behalf of such Third Party, and subject to Section 8.3, any Litigation Costs incurred by a MERSANA Indemnitee while investigating or conducting the defense of such Third Party claim, in any such case, solely to the extent such claim is directly based on or directly arises out of (a) the breach by SNFX of any representation, warranty or covenant contained in this CLOA, (b) the negligence or willful misconduct of SNFX or its Representatives or sublicensees in connection with the performance of SNFX's obligations in this CLOA, (c) any actual violation by SNFX of applicable Laws in its performance of its obligations in this CLOA, and/or (d) any action or omission of the Agent in performing its obligations under or in connection with this CLOA; provided, however, that such indemnification right shall not apply to any Losses or litigation costs for which MERSANA is obligated to indemnify SNFX under Section 8.1.

8.3 Procedure. In the event of any such claim against any MERSANA Indemnitee or SNFX Indemnitee (individually, an "Indemnitee"), such Indemnitee shall promptly notify the other Party (the "Indemnifying Party") in writing of the claim and the Indemnifying Party shall manage and control, at its sole expense, the defense of the claim and its settlement; provided that the failure to so notify promptly shall not relieve the Indemnifying Party of its obligations under this Article 8 except to the extent of the actual prejudice suffered by such Indemnifying Party as a result of such failure. The Indemnitee shall cooperate with the Indemnifying Party and may, at its option and expense, be represented in and participate in any such action or proceeding. The Indemnifying Party shall not be liable for any settlements, litigation costs or expenses incurred by any Indemnitee without the Indemnifying Party's written authorization. Notwithstanding the foregoing, if the Indemnifying Party believes that any of the exceptions to its obligation of indemnification of the Indemnitees set forth in Section 8.1 or Section 8.2 may apply, the Indemnifying Party shall promptly notify the Indemnitees, which shall then have the right to be represented in any such action or proceeding by separate counsel at their expense; provided that the Indemnifying Party shall be responsible for payment of such expenses if the Indemnitees are ultimately determined to be entitled to indemnification from the Indemnifying Party. The Indemnifying Party shall not effect any settlement of any such claims without the consent of the Indemnitee, which consent shall not be unreasonably withheld or delayed, unless such settlement involves only the payment of money and includes a complete and unconditional release of the Indemnified Party from all liability with respect thereto.

8.4 Insurance. Each Party shall procure and maintain insurance, or shall self-insure, in each case, in a manner adequate to cover its obligations hereunder and consistent with normal business practices of prudent companies similarly situated at all times during which any Product is being Developed, Manufactured, Commercialized or otherwise Exploited hereunder. Each Party shall procure insurance or self-insure at its own expense. Such insurance does not create a limit on either Party's liability with respect to its indemnification obligations under this Article 8. Each Party shall provide the other Party with written evidence of such insurance or self-insurance upon request. Each Party shall provide the other Party with written notice at least [***] days before the cancellation or non-renewal of such insurance.

ARTICLE 9
LIMITATION OF LIABILITY

9.1 LIMITATION. EXCEPT FOR ANY LOSSES THAT RESULT FROM A BREACH OF THE CONFIDENTIALITY OBLIGATIONS IN ARTICLE 6 OR ARE SUBJECT TO INDEMNIFICATION UNDER ARTICLE 8, OR LIABILITY THAT IS THE CONSEQUENCE OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A PARTY, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, CONSEQUENTIAL, EXEMPLARY OR INCIDENTAL DAMAGES (INCLUDING LOST OR ANTICIPATED REVENUES OR PROFITS RELATING TO THE SAME), HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY ARISING OUT OF THIS CLOA, WHETHER SUCH CLAIM IS BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, AND WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE. THIS ARTICLE 9 SHALL NOT BE CONSTRUED TO LIMIT EITHER PARTY'S OBLIGATIONS UNDER ARTICLE 8.

ARTICLE 10
TERM AND TERMINATION

10.1 Term. This CLOA shall commence on the Effective Date and, on a country-by-country and Licensed Target-by-Licensed Target basis, and, unless earlier terminated pursuant to this Article 10, shall remain in effect until the last to expire of any Royalty Term for each Product against a Licensed Target in such country (the "Term").

10.2 Termination.

(a) For Convenience. MERSANA shall have the right, at any time, to terminate this CLOA in its entirety or on a Licensed Target-by-Licensed Target basis (in the event of termination of this CLOA on a Licensed Target-by-Licensed Target basis pursuant to this Section 10.2(a) or Section 10.2(b), each such terminated Licensed Target, a "Terminated Target") by providing not less than [***] days' prior written notice to SNFX of such termination.

(b) For Material Breach. If either Party shall at any time breach any material term, condition or agreement herein, and shall fail to have cured any such default or breach within [***] days (or [***] days if such default or breach is the non-payment of any amounts due hereunder) (such period, the "Notice Period") after receipt of written notice thereof

by the other Party, then the other Party may, at its option, terminate this CLOA; provided that, in the event such an uncured breach by either Party relates only to one or more, but not all, of the Licensed Targets, the non-breaching Party shall only have the right to terminate this Agreement with respect to such Licensed Target(s); provided further, that the non-breaching Party shall have the right to terminate this Agreement in its entirety in the event that such an uncured breach by the other Party relates to at least [***] of the Licensed Targets; provided further, that if a breach is unrelated to any payment obligations hereunder and cannot be cured within the Notice Period but the breaching Party commences actions to cure such breach within the Notice Period, the Notice Period will be extended for an additional [***] days so long as the breaching Party thereafter diligently continues such actions; and provided further that if either Party initiates a dispute resolution procedure under Section 11.11 to resolve the dispute for which termination is being sought during the Notice Period, the Notice Period will be tolled and the termination will become effective only if such breach remains uncured for [***] days after the final resolution of the dispute through such dispute resolution procedure (or, if the breach is unrelated to any payment obligations hereunder and cannot be cured within such [***] day period after such final resolution, such period to cure such breach will be extended for a subsequent [***] day period so long as the breaching Party diligently continues such actions to cure such breach). Any termination of this CLOA under this Section 10.2 shall not, however, prejudice the right of the Party who terminates this CLOA to recover any payment due at the time of such termination.

(c) For Bankruptcy. Either Party may terminate this CLOA upon the occurrence of one or more of the following: (i) immediately upon written notice to the other Party in the event the other Party is insolvent or initiates a voluntary proceeding under any applicable bankruptcy Law or code; or (ii) immediately upon written notice to the other Party in the event the other Party becomes the subject of an involuntary proceeding under any applicable bankruptcy Law or code and such proceeding is not dismissed or stayed within [***] days of its commencement.

(d) Patent Challenge. SNFX may terminate this CLOA in its entirety upon [***] days' written notice to MERSANA in the event MERSANA, or any of its Affiliates or Sublicensees, challenges in a legal or administrative proceeding the validity or enforceability of a Valid Claim of any Licensed Patent (except as (i) required under a court order or subpoena or (ii) a defense against a claim, action or proceeding asserted by SNFX against MERSANA or any of its Affiliates or Sublicensees); provided that any such termination shall not become effective if (A) such action has been withdrawn before the end of the aforementioned notice period and/or (B) in the event that the challenging party is a Sublicensee of MERSANA, MERSANA terminates such Sublicensee's Sublicense to the challenged Licensed Patent before the end of the aforementioned notice period. In addition, if the Valid Claim of a Licensed Patent is upheld, MERSANA shall reimburse SNFX for its reasonable legal costs and expenses incurred in defending any such challenge.

10.3 Effect of Expiration or Termination.

(a) Rights and Obligations Upon Expiration or Termination.

(1) Upon expiration or termination of this CLOA, neither Party shall have any further rights or obligations hereunder in the Territory with respect to the Terminated Targets or under this CLOA in its entirety, as applicable, except pursuant to any provisions hereunder that expressly survive such expiration or termination (including, for the avoidance of doubt, this Section 10.3).

(2) Upon the date of expiration (but not earlier termination) of each Royalty Term with respect to all Products with respect to a Licensed Target in a country, the rights and licenses granted by SNFX or its Affiliates to MERSANA and its Affiliates under this CLOA to Develop, Manufacture, Commercialize and otherwise Exploit Products against such Licensed Target in the Field throughout the Territory shall convert to irrevocable, perpetual, non-exclusive, royalty-free, fully paid-up, freely transferable, non-terminable rights and licenses, with the right to grant sublicenses (through multiple tiers), with no further obligation to SNFX.

(3) In the event of any termination by MERSANA pursuant to Sections 10.2(b) or 10.2(c), the rights and licenses granted by SNFX or its Affiliates to MERSANA and its Affiliates under this CLOA to Develop, Manufacture, Commercialize and otherwise Exploit Products against a Licensed Target in the Field throughout the Territory shall convert to irrevocable, perpetual, non-exclusive, freely transferable, non-terminable rights and licenses, with the right to grant sublicenses (through multiple tiers), subject to the continued payment by MERSANA of all amounts due to SNFX pursuant to Article 3 during the applicable Royalty Term in a country;

(4) In the event of any termination by SNFX pursuant to Sections 10.2(b), 10.2(c), or 10.2(d) or MERSANA terminates pursuant to Section 10.2(a), as of the effective date of such termination of this CLOA:

(i) this CLOA and all rights and licenses granted to MERSANA under Sections 2.1, 2.2 and 4.4(a) shall terminate with respect to the Terminated Targets or with respect to all Licensed Targets, as applicable, and all such applicable rights in the Licensed Technology shall revert to SNFX; and

(ii) except as required for a Party to exercise its rights or fulfill its obligations under this Section 10.3, each Party shall return to the other Party or destroy (at the disclosing Party's option) and cease using all Confidential Information of the other Party (including, for the avoidance of doubt, the Licensed Know-How and all copies thereof) that are solely related to the Terminated Targets or with respect to all Confidential Information if this CLOA is terminated in its entirety, as applicable; provided, however, each Party may retain one (1) copy of such Confidential Information for archival purposes. Each Party shall confirm in writing to the other Party that all such Confidential Information, except one (1) copy for archival purposes, has been returned to the other Party. Notwithstanding the foregoing, the obligation to return Confidential Information shall not cover information that is required to be retained by applicable Law or information maintained on routine computer system backup tapes, disks or other backup storage devices as long as such backed-up information is not used, disclosed or otherwise recovered from such backup devices.

(b) Accrued Rights. Termination of this CLOA for any reason will be without prejudice to any rights that will have accrued to the benefit of a Party prior to such termination. Such termination will not relieve a Party from accrued payment obligations or from obligations which are expressly indicated to survive termination of this CLOA.

(c) Survival. The provisions of Sections 2.1(a) (to the extent set forth in Section 10.3(a)(2) and 10.3(a)(3)), 2.8, 2.9, 5.1, 5.2, 5.3, 10.3 and Article 1, Article 3 (to the extent set forth in Section 10.3(a)(3)), Article 6, Article 7, Article 8, Article 9 and Article 11 shall survive expiration or termination of this CLOA for the period so specified, if any, or for perpetuity.

ARTICLE 11
GENERAL PROVISIONS

11.1 Entire Agreement. The Parties acknowledge that this CLOA, together with the exhibits and schedules attached hereto, sets forth the entire agreement and understanding of the Parties as to the subject matter hereof, and supersedes all prior and contemporaneous discussions, agreements and writings in respect hereto, except for the Material Transfer Agreement which shall remain in full force and effect between SNFX and MERSANA, and the Three-way Mutual Non-Disclosure Agreement which shall remain in full force and effect between SNFX, MERSANA and Me Jean-Paul Vulliety. To the extent there is any conflict or ambiguity between this CLOA and the Material Transfer Agreement (or any amendments thereto that may be agreed in the future between the Parties), this CLOA shall control. To the extent there is any conflict or ambiguity between this CLOA and the Three-way Mutual Non-Disclosure Agreement (or any amendments thereto that may be agreed in the future between the parties thereto), the Three-way Mutual Non-Disclosure Agreement shall control.

11.2 Modification; Waiver. No waiver, modification, amendment or alteration of any provision of this CLOA will be valid or effective unless made in writing and signed by each of the Parties. The failure of a Party to enforce any rights or provisions of the CLOA shall not be construed to be a waiver of such rights or provisions, or a waiver by such Party to thereafter enforce such rights or provisions or any other rights or provisions hereunder.

11.3 Further Assurances. Each Party agrees to execute, acknowledge, and deliver such further instruments and to do all such other acts as may be necessary or appropriate in order to carry out the express provisions of this CLOA.

11.4 Force Majeure. Neither Party shall be held responsible for any delay or failure in performance hereunder caused by strikes, embargoes, unexpected government requirements, civil or military authorities, acts of God, earthquake, terrorism, or by the public enemy or other causes reasonably beyond such Party’s control and without such Party’s fault or negligence; provided that the affected Party notifies the unaffected Party as soon as reasonably possible, and resumes performance hereunder as soon as reasonably possible following cessation of such force majeure event.

11.5 Assignments. A Party shall not have the right to assign, by operation of law or otherwise, any of its rights or obligations under this CLOA without the prior written consent of the other Party, which consent shall not be unreasonably withheld, except that either Party may assign or transfer this CLOA in its entirety, without the written consent of the other Party, (a) to any successor in interest that acquires all or substantially all of the business or assets of a Party or that portion of the business or assets of such Party pertaining to the subject matter of this CLOA (whether by merger, reorganization, acquisition, consolidation, sale or otherwise) or (b) to its Affiliate; provided that any permitted assignee will assume all rights and obligations of its assignor under this CLOA. Any assignment not in accordance with this Section 11.5 will be null and void.

11.6 Performance by Affiliates. The Parties recognize that each may perform some or all of its obligations under this CLOA through its Affiliates or may exercise some or all of its rights under this CLOA through its Affiliates; provided, however, that each Party shall remain responsible and be the guarantor of the performance by its Affiliates and shall cause its Affiliates to comply with the provisions of this CLOA in connection with such performance. In particular and without limitation, all Affiliates of a Party that receive Confidential Information of the other Party pursuant to this CLOA shall be governed and bound by all obligations set forth in Article 6. Each Party will prohibit all of its Affiliates from taking any action that such Party is prohibited from taking under this CLOA as if such Affiliates were parties to this CLOA.

11.7 Relationship of the Parties. The Parties shall perform their obligations under this CLOA as independent contractors and nothing in this CLOA is intended or will be deemed to constitute a partnership, agency, joint venture or employer-employee relationship between the Parties. Neither Party will have any right, power or authority to assume, create, or incur any expense, liability, or obligation, express or implied, on behalf of the other.

11.8 No Third Party Beneficiaries. Except for the rights to indemnification provided for under Article 8 above, all rights, benefits and remedies under this CLOA are solely intended for the benefit of MERSANA and SNFX, and except for such rights to indemnification expressly provided pursuant to Article 8, no Third Party shall have any rights whatsoever to: (a) enforce any obligation contained in this CLOA; (b) seek a benefit or remedy for any breach of this CLOA; or (c) take any other action relating to this CLOA under any legal theory, including actions in contract, tort (including negligence, gross negligence and strict liability), or as a defense, setoff or counterclaim to any action or claim brought or made by the Parties.

11.9 No Use of Names. Except as otherwise required under applicable Law or permitted under this CLOA, neither Party will use the name, logo or trademark of the other Party or any of its Affiliates or any of its or their Sublicensees in its advertising, press releases or marketing or promotional materials without the prior written consent of such other Party.

11.10 Notices. Any notice, request, delivery, approval or consent required or permitted to be given under this CLOA will be in writing and will be deemed to have been sufficiently given if delivered in person (in which case, it will be effective upon delivery), transmitted by facsimile, if facsimile number is provided below (receipt verified; in which case, it will be effective upon delivery), by express courier service (signature required; in which case, it will be

effective two days after being deposited with such courier service), or transmitted by email, if email is provided below (receipt verified; in which case, it will be effective upon delivery) to the Party to which it is directed.

If to SNFX: Synaffix B.V.
Industrielaan 63
5349 AE, Oss
The Netherlands
Email: p.vandesande@synaffix.com
Attention: CEO
With copy to: legal@synaffix.com

If to MERSANA: Mersana Therapeutics
840 Memorial Drive
Cambridge, Massachusetts 02139 USA
Facsimile: (617) 498-0109
Email: JOwen@mersana.com
Attention: Legal Department

With a copy to:
Ropes & Gray LLP
800 Boylston Street
Boston, MA 02199
Attention: Marc Rubenstein
Fax: (617) 235-0706
Email: marc.rubenstein@ropesgray.com

11.11 Dispute Resolution. The Parties agree that any disputes arising with respect to the interpretation, enforcement, termination or invalidity of this CLOA (each, a "Dispute") shall first be presented to the Parties' respective Executive Officers for resolution. If the Parties are unable to resolve a given Dispute pursuant to this Section 11.11 after discussions between the Executive Officers within ten (10) days after referring such Dispute to the Executive Officers, either Party may, at its sole discretion, seek resolution of such matter in accordance with Section 11.12.

11.12 Submission to Court for Resolution. Subject to Section 11.11, the Parties hereby irrevocably and unconditionally consent to the exclusive jurisdiction of the courts located in the Southern District of New York for any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this CLOA, and agree not to commence any action, suit or proceeding (other than appeals therefrom) related thereto except in such courts. The Parties further hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this CLOA in the courts of New York, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any

such court has been brought in an inconvenient forum. Each Party further agrees that service of any process, summons, notice or document by registered mail to its address set forth in Section 11.10 shall be effective service of process for any action, suit or proceeding brought against it under this CLOA in any such court.

11.13 Governing Law. This CLOA and all questions regarding its validity or interpretation, or the performance or breach of this CLOA, shall be governed by and construed and enforced in accordance with the laws of the State of New York and the Federal laws of the United States of America, without reference to conflicts of laws principles.

11.14 Headings. The article, section and subsection headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of the articles, sections or subsections to which such headings apply.

11.15 Severability. When possible, each provision of this CLOA will be interpreted in such manner as to be effective and valid under applicable Law, but, if any provision of this CLOA is held to be prohibited by or invalid under applicable Law, such provision will be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or of this CLOA. The Parties will make a good faith effort to replace the invalid or unenforceable provision with a valid one which in its economic effect is most consistent with the invalid or unenforceable provision.

11.16 Equitable Relief. Nothing contained in this CLOA will deny any Party the right to seek injunctive or other equitable relief from a court of competent jurisdiction in the context of prospective irreparable harm.

11.17 Counterparts. This CLOA may be executed in two (2) or more counterparts (including by facsimile or electronic signature), each of which shall be deemed an original and all of which together shall constitute one instrument.

[*Signature Page Follows*]

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [***], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO MERSANA THERAPEUTICS, INC. IF PUBLICLY DISCLOSED

IN WITNESS WHEREOF, the Parties have executed this CLOA in duplicate originals by their duly authorized representatives as of the Effective Date.

SYNAFFIX B.V. **("SNFX")**		**MERSANA THERAPEUTICS, INC.** **("MERSANA")**	
By:	/s/ Peter van de Sande	By:	/s/ Anna Protopapas
Name:	Peter van de Sande	Name:	Anna Protopapas
Title:	Chief Executive Officer	Title:	Chief Executive Officer

[*Signature Page of Non-Exclusive License Agreement*]

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Schedule 1

Licensed Patents

Field	Title	Application no.	Publication no. Patent no.
[***]	[***]	[***]	[***]
		[***]	[***]
		[***]	[***]
		[***]	[***]
		[***]	[***]
		[***]	[***]
		[***]	[***]
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		[***]	[***]
		[***]	[***]

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[***]	[***]	[***]	[***]
		[***]	[***]
		[***]	[***]
		[***]	[***]
		[***]	[***]
		[***]	[***]
		[***]	[***]
		[***]	[***]

[***]

Schedule 1

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Schedule 2

Licensed Know-How

1. [***].

2. [***].

3. [***].

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Schedule 3

Commercial Terms for Supply Agreement

In accordance with Sections 2.5 and 2.7 of this CLOA and under the Supply Agreement, batches of Materials (under 1 through 2 below) will be supplied to MERSANA by SNFX.

1. Supply of the Enzymes

At cost plus a handling fee of [***], SNFX shall provide any additional manufacturing process development related to, and supply batches of Enzymes [***] of a sufficient quality and sufficient size (estimated to be approximately [***] of each of [***] and [***]) to generate the Product for pre-clinical activities and Phase 1 Trials of a Product.

2. Supply of the other Components (excluding Enzyme)

At cost plus a handling fee of [***], SNFX shall provide any additional manufacturing process development related to, and supply batches of [***] and [***]of a sufficient quality and sufficient size (estimated to be approximately [***] grams of [***] and [***]grams of [***]) to generate the Product for pre-clinical activities and Phase 1 Trials of a Product.

The Parties agree that the estimated quantities of Enzymes and other Components to be supplied to MERSANA by SNFX set forth under 1 through 2 above are preliminary, non-binding estimates only. SNFX agrees that it shall make reasonable efforts to supply MERSANA's actual needs for such Enzymes and other Components in order for MERSANA to conduct pre-clinical activities through Phase 1 Trials of a Product.

3. Invoicing

Amounts payable for production of batches of Materials under the Supply Agreement are due and payable by MERSANA within [***] days of receipt by MERSANA of the corresponding invoice(s).

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Exhibit A
Materials Transfer Agreement

[***]

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Exhibit B
Materials Transfer Agreement
Amendment 1

[***]

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Exhibit C
Materials Transfer Agreement
Amendment 2

[***]

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Exhibit D

Three-way Mutual Non-Disclosure Agreement

[***]

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Exhibit E
Confidential Disclosure Agreement Amendment

[***]

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Exhibit F

Press Release

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Synaffix Announces License Agreement with Mersana Therapeutics for the Use of its GlycoConnect™ Site-Specific ADC Technology

AMSTERDAM, NETHERLANDS – January 4, 2019 – Synaffix B.V. announced today it has entered into a license agreement with Mersana Therapeutics, Inc., a clinical-stage biopharmaceutical company focused on discovering and developing a pipeline of antibody drug conjugates (ADCs) targeting cancers in areas of high unmet need. This agreement provides Mersana access to Synaffix's industry-leading site-specific GlycoConnect™ ADC technology that has consistently demonstrated an ability to improve both the safety and the efficacy profiles of ADC product candidates. Synaffix is eligible to receive upfront and milestone payments on a per-target basis with a projected total deal value of $295 million, plus royalties.

Under the terms of the agreement, Mersana has been granted a non-exclusive license to incorporate GlycoConnect™ into one of its ADC development candidates, as well as an option to expand to additional programs. This agreement follows a research collaboration between the two companies that was centered around multiple product candidates.

"After evaluating several site-specific conjugation platforms, we have chosen Synaffix's GlycoConnect™ technology for use in future ADC candidates," said Anna Protopapas, President and Chief Executive Officer of Mersana. "We are excited about the potential of this technology as it is designed not to require additional antibody engineering or cell-line modifications, which would offer us the potential to create site-specific antibodies for use in our ADCs when required."

"We are particularly excited to enter into this agreement with a leading company in the field of ADCs such as Mersana," said Peter van de Sande, CEO of Synaffix, who added "This collaboration is another testimony of the additional value that GlycoConnect™ is able to provide to already cutting-edge ADC technologies, thereby enabling novel medicines that are uniquely positioned to address areas of unmet medical need."

Per the agreement, Mersana is responsible for the research, development, manufacturing and commercialization of any resulting ADC product while Synaffix will supply components that are specifically related to its proprietary GlycoConnect™ technology.

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [***], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO MERSANA THERAPEUTICS, INC. IF PUBLICLY DISCLOSED

About GlycoConnect™
The proprietary GlycoConnect™ technology of Synaffix is a platform ADC technology that utilizes proprietary enzymes and metal-free click conjugation to stably attach ADC payloads specifically to the native glycan of any antibody, a privileged site for ADC applications. This approach can be applied directly to an existing antibody without any DNA and or protein engineering and is compatible with all ADC payload classes. The growing experience of Synaffix and its collaboration partners continues to confirm the ability of GlycoConnect™ to consistently generate ADCs that are more effective and better tolerated when compared to the three major clinical-stage ADC conjugation technologies.

About Synaffix B.V.
Synaffix B.V. is a Dutch biotechnology company that enables highly competitive ADC product candidates using its site-specific ADC technology platform. In addition to GlycoConnect™ and the ADC-enhancing HydraSpace™ technology, the extension of the platform with toxSYN™ payloads provides a fully complimentary technology platform that enables any company with an antibody to develop superior, proprietary ADC products.

The Synaffix platform comes with an IND-ready CMC package to support rapid timeline to clinic. Granted patents covering Synaffix's technology provide end-to-end protection of the platform technology as well as resulting products through at least 2035. The business model of Synaffix is target-specific technology out-licensing.

Synaffix is backed by a top tier, life science-focused investor syndicate including Aravis, BioGeneration Ventures, BOM Capital and M Ventures.

For more information, please visit the website at www.synaffix.com.

Synaffix BV Contact
Anthony DeBoer
Director, Business Development
bd@synaffix.com

Exhibit 31.1

Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Anna Protopapas, certify that:

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

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

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

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

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

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

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

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

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

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

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

Mersana Therapeutics, Inc.

/s/ Anna Protopapas

Anna Protopapas

President and Chief Executive Officer
(Principal Executive Officer)

Dated: August 7, 2020

Exhibit 31.2

Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Brian DeSchuytner, certify that:

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

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

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

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

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

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

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

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

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

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

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

Mersana Therapeutics, Inc.

/s/ Brian DeSchuytner

Brian DeSchuytner

Senior Vice President, Finance & Product Strategy
(Principal Financial Officer)

Dated: August 7, 2020

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Mersana Therapeutics, Inc. (the "Company") for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the company, hereby certifies, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that to the best of her or his knowledge:

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

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

Dated: August 7, 2020

/s/ Anna Protopapas

Anna Protopapas

President and Chief Executive Officer
(Principal Executive Officer)

Dated: August 7, 2020

/s/ Brian DeSchuytner

Brian DeSchuytner

Senior Vice President, Finance & Product Strategy
(Principal Financial Officer)