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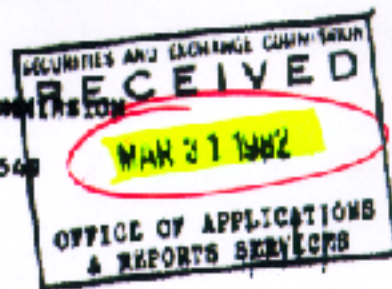
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20540

FORM 10-K



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

FOR THE YEAR ENDED DECEMBER 31, 1981

Commission File Number 2-71298

GENETIC SYSTEMS CORPORATION

(A Delaware Corporation)

IRS Employer Identification Number 91-1131601

3005 First Avenue, Seattle, Washington 98121

Telephone Number: (206) 624-4300

Securities registered pursuant to Section 12(g) of the Act:
A registration statement on Form S-1 has been filed for
the Company's Common Stock, par value \$.01 per share

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 since June 4, 1981 (date of initial registration), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Aggregate market price of shares held by nonaffiliates of the issuer at February 12, 1982 was \$26,179,353.

Common Stock outstanding at February 12, 1982: 13,700,000 shares.

The Registrant's definitive proxy statement for its 1982 Annual Meeting of Shareholders is incorporated by reference into Part III hereof.

Doc. Ref. No.

033182

GENETIC SYSTEMS CORPORATION
AND SUBSIDIARY
(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

(1) Loss Per Average Common Share

Loss per average common share is computed using the weighted average number of common shares outstanding during the period of 10,641,303 shares. Fully-diluted earnings per share, assuming conversion of outstanding warrants, is not presented since conversion of the warrants would be anti-dilutive.

(2) Significant Agreements

(a) Pacific Northwest Research Foundation

(Hatch related)

The Company entered into a five-year research agreement, commencing March 5, 1981, with the Pacific Northwest Research Foundation (PNRF). Continuation of the agreement is subject to annual approval by both parties. Under terms of the agreement, PNRF will endeavor to produce monoclonal antibodies directed against certain specified diseases. The Company will fund this research at a base rate of \$125,000 per year, with an annual escalator of 10%. In addition, PNRF received 50,000 shares of common stock valued at \$1.0 per share for services rendered to the Company. Monoclonal antibodies and hybridomas developed under this agreement become the property of the Company. The Company, upon marketing of monoclonal antibodies developed under the agreement, will pay royalties to PNRF ranging from 3-1/2% to 5% of net sales. Royalties are payable on all products for a period of 20 years from the date of the first commercial sale of each such product.

(b) Fred Hutchinson Cancer Research Center

On March 5, 1981 the Company entered into an agreement with the Fred Hutchinson Cancer Research Center for commercial distribution of monoclonal antibodies. The Company has exclusive rights to produce, develop for the purpose of FDA approval, and market these antibodies in return for 8% royalties on net sales for research applications, 3% royalties on net sales for diagnostic and therapeutic purposes and, for sales of antibodies to Syva Company, the higher of the above percentages or 10% of the royalties the Company receives from Syva under the Syva agreement.

(Continued)