UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

OR

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

For the transition period from_____to

Commission File Number: 001-37746

APTEVO THERAPEUTICS INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**81-1567056**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2401 4th Avenue, Suite 1050 Seattle, Washington	**98121**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (206) 838-0500

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

Title of Each Class	**Trading Symbols(s)**	**Name of Exchange on Which Registered**
Common Stock, $0.001 par value per share	**APVO**	**The Nasdaq Stock Market LLC (The Nasdaq Capital 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 (§232.405 of this chapter) 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, a 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 ☒

As of May 11, 2023, the number of shares of the registrant's common stock outstanding was 7,290,121.

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In this Quarterly Report on Form 10-Q, "we," "our," "us," "Aptevo," and "the Company" refer to Aptevo Therapeutics Inc. and, where appropriate, its consolidated subsidiaries.

Item 1. Financial Statements.

Aptevo Therapeutics Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts, unaudited)

	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,328	$ 22,635
Royalty and milestone receivable	—	2,500
Prepaid expenses	1,575	1,571
Other current assets	1,582	744
Total current assets	28,485	27,450
Property and equipment, net	1,284	1,462
Operating lease right-of-use asset	5,200	5,303
Total assets	$ 34,969	$ 34,215
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 4,134	$ 3,499
Accrued compensation	627	2,105
Current portion of long-term debt	—	2,000
Other current liabilities	1,036	1,102
Total current liabilities	5,797	8,706
Long-term debt	—	1,456
Operating lease liability	5,916	6,079
Total liabilities	11,713	16,241
Stockholders' equity:		
Preferred stock: $0.001 par value; 15,000,000 shares authorized, zero shares issued or outstanding	—	—
Common stock: $0.001 par value; 500,000,000 shares authorized; 7,239,471 and 6,466,294 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	49	48
Additional paid-in capital	226,470	223,962
Accumulated deficit	(203,263)	(206,036)
Total stockholders' equity	23,256	17,974
Total liabilities and stockholders' equity	$ 34,969	$ 34,215

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

Aptevo Therapeutics Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts, unaudited)

	For the Three Months Ended March 31,	
	2023	2022
Royalty revenue	$ —	$ 3,114
Operating expenses:		
Research and development	(4,168)	(4,866)
General and administrative	(3,588)	(3,859)
Loss from operations	(7,756)	(5,611)
Other income (expense):		
Other expense from continuing operations, net	(67)	(2,264)
Gain related to sale of non-financial asset	9,650	—
Net income (loss) from continuing operations	$ 1,827	$ (7,875)
Discontinued operations:		
Income from discontinued operations	$ 946	$ 178
Net income (loss)	$ 2,773	$ (7,697)
Net income (loss) per share:		
Basic and diluted net income (loss) from continuing operations	$ 0.26	$ (1.59)
Basic and diluted net income (loss)	$ 0.39	$ (1.55)
Weighted-average shares used to compute per share calculations	$ 7,022,292	$ 4,937,456

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

Aptevo Therapeutics Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	For the Three Months Ended March 31,	
	2023	**2022**
Operating Activities		
Net income (loss)	$ 2,773	$ (7,697)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock-based compensation	915	601
Depreciation and amortization	178	242
Non-cash interest expense and other	10	1,687
Changes in operating assets and liabilities:		
Royalty receivable	2,500	550
Prepaid expenses and other current assets	(841)	296
Operating lease right-of-use asset	103	278
Accounts payable, accrued compensation and other liabilities	(909)	(798)
Long-term operating lease liability	(163)	(276)
Net cash provided by (used in) operating activities	4,566	(5,117)
Investing Activities		
Net cash used in investing activities	—	—
Financing Activities		
Payments of long-term debt, including fees	(3,467)	(10,767)
Repayments under liability related to sale of royalties	—	(3,665)
Value of equity awards withheld for tax liability	(8)	(4)
Proceeds from milestones related to sale of royalties	—	10,000
Transaction costs for milestones related to sale of royalties	—	(500)
Proceeds from issuance of common stock	1,602	—
Net cash used in financing activities	(1,873)	(4,936)
Increase (decrease) in cash, cash equivalents, and restricted cash	2,693	(10,053)
Cash, cash equivalents, and restricted cash at beginning of period	22,635	46,303
Cash, cash equivalents, and restricted cash at end of period	$ 25,328	$ 36,250

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

Aptevo Therapeutics Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share amounts, unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance at December 31, 2022	6,466,294	$ 48	$ 223,962	$ (206,036)	$ 17,974
Common stock issued upon vesting of restricted stock units	42,264	—	(8)	—	(8)
Proceeds from issuances of commons stock	730,913	1	1,601	—	1,602
Stock-based compensation	—	—	915	—	915
Net income for the period	—	—	—	2,773	2,773
Balance at March 31, 2023	7,239,471	$ 49	$ 226,470	$ (203,263)	$ 23,256

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2021	4,898,143	$ 47	$ 215,232	$ (214,063)	$ 1,216
Common stock issued upon vesting of restricted stock units	9,822	—	(4)	—	(4)
Commitment shares issued pursuant to Lincoln Park Purchase Agreement	99,276	—	—	—	—
Stock-based compensation	—	—	601	—	601
Net loss for the period	—	—	—	(7,697)	(7,697)
Balance at March 31, 2022	5,007,241	$ 47	$ 215,829	$ (221,760)	$ (5,884)

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

Note 1. Nature of Business and Significant Accounting Policies

Organization and Liquidity

Aptevo Therapeutics Inc. (Aptevo, we, us, or the Company) is a clinical-stage, research and development biotechnology company focused on developing novel immunotherapy candidates for the treatment of different forms of cancer. We have developed two versatile and enabling platform technologies for rational design of precision immune modulatory drugs. Our lead clinical candidates, APVO436 and ALG.APV-527, and preclinical candidates, APVO603 and APVO711, were developed using our ADAPTIR™ modular protein technology platform. Our preclinical candidate APVO442 was developed using our ADAPTIR-FLEX™ modular protein technology platform.

We are currently trading on the Nasdaq Capital Market under the symbol “APVO.”

The accompanying financial statements have been prepared on a basis that assumes we will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. For the three months ended March 31, 2023, we had a net income of $2.8 million. We had an accumulated deficit of $203.3 million as of March 31, 2023. For the three months ended March 31, 2023, net cash provided by our operating activities was $4.6 million. We have suffered recurring losses from operations and negative cash flows from operating activities. We believe that our existing cash resources, milestone payments related to the Royalty Purchase Agreement with HealthCare Royalty Management, LLC (HCR), funds available under the Purchase Agreement with Lincoln Park Capital Fund, LLC (Lincoln Park) and the Equity Distribution Agreement with Piper Sandler & Co (Piper Sandler), cash to be generated from future milestones related to IXINITY sales and regulatory approvals achieved by Medexus Pharmaceuticals, Inc. (Medexus), and contingent considerations to be received from Kamada Ltd. (previously Saol), will be sufficient to meet our projected operating requirements for at least twelve months from the date of issuance of these financial statements. We may choose to raise additional funds to support our operating and capital needs in the future.

We continue to face significant challenges and uncertainties and, as a result, our available capital resources may be consumed more rapidly than currently expected due to: (a) changes we may make to the business that affect ongoing operating expenses; (b) changes we may make in our business strategy; (c) changes we may make in our research and development spending plans; (d) whether and to what extent expected milestones are received from Medexus with respect to IXINITY; (e) whether and to what extent future milestone payments are received under our Royalty Purchase Agreement; (f) macroeconomic conditions such as rising interest rates, inflation and costs; and (g) other items affecting our forecasted level of expenditures and use of cash resources. We may obtain additional funding through our existing equity Purchase Agreement with Lincoln Park or our Equity Distribution Agreement with Piper Sandler, or attempt to obtain other public or private financing, collaborative or licensing arrangements with strategic partners, or through credit lines or other debt financing sources to increase the funds available to fund operations. However, we may not be able to secure such funding in a timely manner or on favorable terms, if at all. Furthermore, if we issue equity or debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences, and privileges senior to those of our existing stockholders. If we raise additional funds through collaboration, licensing, or other similar arrangements, it may be necessary to relinquish valuable rights to our potential products or proprietary technologies, or grant licenses on terms that are not favorable to us. Without additional funds, we may be forced to delay, scale back, or eliminate some of our research and development activities or other operations and potentially delay product development in an effort to provide sufficient funds to continue our operations. If any of these events occurs, our ability to achieve our development and commercialization goals may be adversely affected. Given the continuing global economic and geopolitical climate, including rising interest rates and stock market volatility, we may experience delays or difficulties in the financing environment and raising capital due to economic uncertainty.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). These unaudited condensed consolidated financial statements include all adjustments, which include normal recurring adjustments, necessary for the fair presentation of the Company’s financial position. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2022, and the notes thereto, which are included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in these estimates are recorded when known.

The unaudited condensed consolidated financial statements include the accounts of the Company and our wholly owned subsidiary, Aptevo Research and Development LLC. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities in the unaudited condensed financial statements and accompanying notes. Estimates are used for, but not limited to, clinical accruals, useful lives of equipment, commitments and contingencies, stock-based compensation, and incremental borrowing rate (IBR) used for our lease. Given the global economic and geopolitical climate, these estimates are becoming more challenging, and actual results could differ materially from those estimates.

Significant Accounting Policies

Gain Related to Sale of Nonfinancial Asset to XOMA (US) LLC

On March 29, 2023, we entered into and closed a payment interest purchase agreement (the "Purchase Agreement") with XOMA (US) LLC ("XOMA") pursuant to which we sold to XOMA our right, title and interest in all of the deferred payments and a portion of the milestone payments from Medexus pursuant to our LLC Purchase Agreement. Under the terms of the Purchase Agreement, we received $9.6 million at closing (the "Closing Payment") and we were eligible to receive an additional post-closing payment of $0.05 million if the deferred payment with respect of net sales under our LLC Purchase Agreement with Medexus for the first calendar quarter of 2023 ("Q1 2023") exceeded $0.5 million. In exchange for the Closing Payment, the Company sold to XOMA its right, title and interest to the following payments under the LLC Purchase Agreement: (i) 100% of the Company's entitlement to receive the deferred payments that may become due and payable following March 29, 2023 (including, for avoidance of doubt, any and all payments earned during Q1 2023), (ii) 25% of the milestone payment upon receipt of a Notice of Compliance for IXINITY from Health Canada (the "Canadian Approval Milestone Payment"); and (iii) 50% of the milestone payments upon receipt of regulatory approval in each of Germany, France, the United Kingdom, Spain and Italy (the "European Approval Milestone Payments") and when the worldwide net sales of IXINITY for a fiscal year meet or exceed $120 million (the "Net Sales Milestone Payment").

We accounted for the $9.6 million Closing Payment and the $0.05 million post-closing payment from XOMA as other income in accordance with Accounting Standards Codification (ASC) 610-20 *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets* in the first quarter of 2023. Contractual rights sold to XOMA represent an intangible asset under ASC 610-20 *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets* for which XOMA bears all benefit and Aptevo has no obligations going forward. The Company will continue to account for its portion of future milestones under our LLC Purchase Agreement with Medexus as contingent consideration under *ASC 450-30 Gain Contingencies* and will record income when proceeds are received.

Liability Related to Sale of Royalties and Non-Cash Interest Expense

On March 30, 2021, we entered into and closed a Royalty Purchase Agreement with HCR pursuant to which we sold to HCR the right to receive royalty payments made by Pfizer in respect of global net sales of RUXIENCE. Under the terms of the Royalty Purchase Agreement, we have received $47.5 million through March 31, 2023 ($35 million at closing and $12.5 million in milestone payments) and we are eligible to receive an additional $10 million based on the achievement of sales milestone 2023.

Through March 31, 2022, we accounted for the Royalty Purchase Agreement with HCR as a debt-like instrument, amortized under the effective interest rate method over the life of the related expected royalty stream. The liabilities related to the sale of royalties and the debt amortization were based on our estimates of royalties expected to be paid over the life of the arrangement. We received the 2021 milestone payments in the collective amount of $10 million on March 8, 2022. The proceeds from these milestone payments, net of transaction costs, were recorded as an additional liability related to the sale of royalties on the consolidated balance sheet as of March 31, 2022 pursuant to ASC 470-10-25, *Debt – Sales of Future Revenues or Various Other Measures of Income*.

On June 7, 2022, we entered into and closed an amendment to the Royalty Purchase Agreement (the Amendment to Royalty Purchase Agreement) (see Note 8) which removed all restrictions related to HCR's rate of return, and it is no longer a sale of a specified percentage of royalty revenue. The Amendment to Royalty Purchase Agreement was accounted for under ASC 610-20, *Gains and Losses from Derecognition of Nonfinancial Assets* and ASC 405-20, *Liabilities – Extinguishment of Liabilities* and the transaction was no longer considered a debt-like financing.

As a result of the Amendment to Royalty Purchase Agreement, the Company recognized a gain of $37.2 million in the second quarter of 2022, which was the total balance of liability related to the sale of royalties on the closing date. Future Milestone Amounts will be accounted for as variable consideration and recognized as other income when such milestones are earned using the most likely method in accordance with ASC 610-20 *Other Income — Gains and Losses from the Derecognition of Nonfinancial Assets.* We received the 2022 milestone payment of $2.5 million on February 28, 2023. The proceeds from the 2022 milestone payment were recorded as other income in the consolidated statement of operations for the year ended December 31, 2022. The Company is eligible to receive an additional milestone payment of $10 million based on achievement of sales milestones in 2023.

Royalty Revenue

We recognized revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

RUXIENCE Royalty Revenue

Aptevo's royalty revenue was exclusively related to royalties on Pfizer's net sales of RUXIENCE. We did not recognize royalty revenue for the three months ended March 31, 2023. Royalty revenue for the period covered by this report reflects revenue recorded only in the first quarter of 2022 due to our Amendment to Royalty Purchase Agreement with HCR (see Note 8). As a result of the Amendment to Royalty Purchase Agreement, we ceased reporting as royalty revenue, royalties paid by Pfizer to HCR related to Pfizer's sales of RUXIENCE.

We recognized royalty revenue under ASC 606, which provides revenue recognition constraints by requiring the recognition of revenue at the later of the following: (1) when the subsequent sale or usage occurs or (2) when the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied). We satisfied our performance obligation prior to the period covered by this report, specifically in May 2011 when the original Collaboration and License Agreement between Trubion Pharmaceuticals and Wyeth was amended to remove the exclusivity/non-compete restrictions so that Pfizer could develop a CD20 biosimilar product in exchange for a one-time payment of $2.5 million and future royalties of 2.5% on any CD20 biosimilar product commercialized by Pfizer in the future. We do not have future performance obligations under this agreement. We applied the royalty recognition constraint required under the guidance for sales-based royalties, which requires a sales-based royalty to be recorded no sooner than the underlying sale. Therefore, royalties on sales of products commercialized by Pfizer were recognized in the quarter the product is sold.

Given the royalty revenues were based on 2.5% of global net sales of RUXIENCE, the considerations were considered variable. Pfizer generally reported sales information to us within 60 days of quarter end. Unless we received finalized sales information for the respective quarter, we estimated the expected royalty proceeds based on an analysis of historical experience, analyst expectations, interim data provided by Pfizer, including their publicly announced sales, and other publicly available information. Differences between actual and estimated royalty revenues were adjusted for in the period in which they became known, typically the following quarter. Aptevo did not record revenue for the three months ended March 31, 2023 due to our Amendment to Royalty Purchase Agreement. Revenue recorded for the three months ended March 31, 2022 represents actual royalty revenue given the timing of RUXIENCE sales reports received from Pfizer. There was no significant financing component to the contract.

Debt Modification

On March 29, 2023, we used a portion of the proceeds from our Purchase Agreement with XOMA to fully repay the $2.8 million outstanding principal balance of our MidCap debt, and $0.3 million in exit fees. The pre-payment was not considered an amendment to our Credit Agreement since we were required to fully repay the remaining principal balance if we sold our IXINITY deferred payment stream and milestones.

Other Significant Accounting Policies

Our other significant accounting policies were reported in our Annual Report on Form 10-K for the year ended December 31, 2022 that was filed with the SEC on March 30, 2023. Our other significant accounting policies have not changed materially from the policies previously reported.

Note 2. Discontinued Operations

The accompanying unaudited condensed consolidated financial statements include discontinued operations from two separate transactions: the sale of our hyperimmune business to Saol International Limited (subsequently acquired by Kamada Ltd.) in September 2017, from which we received a payment in March 2023 related to the collection of certain accounts receivable, and the sale of our Aptevo BioTherapeutics LLC business to Medexus in February 2020.

The following table represents the components attributable to income from discontinued operations in the unaudited condensed consolidated statements of operations (in thousands):

	For the Three Months Ended March 31,	
	2023	2022
Deferred payment from Medexus	523	178
Gain on contingent consideration from release of escrow related to sale of Aptevo BioTherapeutics	163	—
Gain on contingent consideration from Kamada	260	—
Income from discontinued operations	$ 946	$ 178

The LLC Purchase Agreement with Medexus entitled us to future deferred payments and milestones. For the three months ended March 31, 2023, we collected $0.5 million in deferred payments from Medexus related to IXINITY sales and $0.2 million related to funds released from escrow from the sale of Aptevo BioTherapeutics in 2020. Additionally, we received $0.3 million related to the sale of hyperimmune business to Saol as a result of the collection of certain accounts receivable. For the three months ended March 31, 2022, we collected $0.2 million in deferred payment from Medexus related to IXINITY sales. The proceeds from the income from discontinued operations is included within net income in the operating section of the unaudited condensed consolidated statements of cash flows.

Note 3. XOMA Transaction

On March 29, 2023, we entered into and closed a Purchase Agreement with XOMA pursuant to which we sold to XOMA our right, title and interest in and to all of the deferred payments and a portion of the milestone payments from Medexus under our 2020 LLC Purchase Agreement. Under the terms of our Purchase Agreement with XOMA, we received $9.6 million at closing (the "Closing Payment") and we were eligible to receive an additional post-closing payment of $0.05 million (the "Post-Closing Payment") if the deferred payment in respect of net sales under the LLC Purchase Agreement for the Q1 2023 exceeds $0.5 million. In exchange for the Closing Payment, we sold to XOMA our right, title and interest to the following payments under the LLC Purchase Agreement: (i) 100% of the Company's entitlement to receive the deferred payments that may become due and payable following March 29, 2023 (including, for avoidance of doubt, any and all payments earned during Q1 2023), (ii) 25% of the Company's entitlement to receive the Canadian Approval Milestone Payment; and (iii) 50% of the Company's entitlement to receive the European Approval Milestone Payments and Net Sales Milestone Payment.

We accounted for the $9.6 million Closing Payment and the $0.05 million post-closing payment from XOMA as other income in accordance with *ASC 610-20 Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets* in the first quarter of 2023. Contractual rights sold to XOMA represent an intangible asset under ASC 610-20 *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets* for which XOMA bears all benefit and Aptevo has no obligations going forward. The Company will continue to account for its portion of future milestones under our LLC Purchase Agreement with Medexus as contingent consideration under *ASC 450-30 Gain Contingencies* and will record income when proceeds are received.

Note 4. Collaboration Agreements

Alligator Bioscience AB

On July 20, 2017, our wholly owned subsidiary Aptevo Research and Development LLC (Aptevo R&D), entered into a collaboration and option agreement (the Collaboration Agreement) with Alligator Bioscience AB (Alligator), pursuant to which Aptevo and Alligator have been collaboratively developing ALG.APV-527, a lead bispecific antibody candidate simultaneously targeting 4-1BB (CD137), a member of the TNFR superfamily of a costimulatory receptor found on activated T cells, and 5T4, a tumor antigen widely overexpressed in a number of different types of cancer.

We assessed the arrangement in accordance with ASC 606 and concluded that the contract counterparty, Alligator, is not a customer. As such the arrangement is not in the scope of ASC 606 and is instead treated as a collaborative agreement under ASC 808 – *Collaborative Arrangements* (ASC 808). In accordance with ASC 808, we concluded that because the Collaboration Agreement is a cost sharing agreement, there is no revenue.

For the three months ended March 31, 2023 and 2022, we recorded approximately $0.8 million and $0.2 million, which represent 50% of our cost share, in our research and development expense related to the Collaboration Agreement, respectively.

Note 5. Fair Value Measurements

The Company's estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, it gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The level in the fair value hierarchy within which the fair value measurement is reported is based on the lowest level input that is significant to the measurement in its entirety. The three levels of the hierarchy are as follows:

Level 1— Quoted prices in active markets for identical assets and liabilities;

Level 2— Inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3— Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

At March 31, 2023 and December 31, 2022, we had $22.8 million and $21.6 million in Level 1 money market funds, respectively. The carrying amounts of our money market funds approximate their fair value. At March 31, 2023 and December 31, 2022, we did not have any Level 2 or Level 3 assets.

Note 6. Cash, Cash Equivalents, and Restricted Cash

The Company's cash equivalents are highly liquid investments with a maturity of 90 days or less at the date of purchase and include time deposits and investments in money market funds. Restricted cash, which are time deposits, includes $0.4 million securing letters of credit.

The following table shows our cash, cash equivalents and restricted cash as of March 31, 2023 and December 31, 2022:

(in thousands)	March 31, 2023	December 31, 2022
Cash	$ 2,478	$ 1,066
Cash equivalents	22,850	21,569
Total cash, cash equivalents, and restricted cash	$ 25,328	$ 22,635

Note 7. Debt

Credit Agreement

On August 5, 2020, we entered into a Credit Agreement, with MidCap Financial. The Credit Agreement provided us with up to $25.0 million of available borrowing capacity under a term loan facility. The full $25.0 million was drawn on the closing date of the Credit Agreement.

On June 7, 2022, we amended the Credit Agreement with MidCap Financial to obtain MidCap Financial's limited consent to amend our Royalty Purchase Agreement with HCR. The Limited Consent and Second Amendment to Credit Agreement did not change future cash flows or other terms of the Credit Agreement.

Additionally, on August 30, 2022, we amended our Credit Agreement with MidCap Financial to replace the LIBOR benchmark with SOFR, which is regulated by the Federal Reserve Bank of New York. We amended our Credit Agreement due to FCA's planned phase-out of one-month US Dollar LIBOR settings in 2023. Our Credit Agreement continues to bear base interest at a rate of 6.25% per annum plus SOFR, subject to a 1.50% SOFR floor and a 2.50% SOFR cap.

On March 29, 2023, we used a portion of the proceeds from our Purchase Agreement with XOMA to fully repay the $2.8 million outstanding principal of our MidCap debt, including payment of $0.3 million in exit fees. The pre-payment was not considered an amendment to our Credit Agreement since we were required to fully repay the remaining principal balance if we sold IXINITY deferred payment stream and milestones. As of March 31, 2023, we do not have any outstanding debt on the balance sheet.

Note 8. Liability Related to Sale of Royalties

On March 30, 2021, we entered into and closed a Royalty Purchase Agreement with HCR pursuant to which we sold to HCR the right to receive royalty payments made by Pfizer in respect of global net sales of RUXIENCE. Under the terms of the Royalty Purchase Agreement, we have received $47.5 million through March 31, 2023 ($35 million at closing and $12.5 million in milestone payments) and we are eligible to receive an additional $10 million based on the achievement of sales milestone 2023.

Due to the nature of the transaction, which included a cap on HCR's rate of return, we recorded a liability related to the proceeds received from HCR of $35.0 million, net of transaction costs of $1.1 million and the 2021 milestone payments in the collective amount

of $10.0 million as an additional liability related to the sale of royalties on the consolidated balance sheet as of March 31, 2022 pursuant to ASC 470-10-25, *Debt – Sales of Future Revenues or Various Other Measures of Income*.

On June 7, 2022, we entered into and closed an amendment to our Royalty Purchase Agreement, resulting in the Company recognizing a $37.2 million gain, which was the total balance of liability related to the sale of royalties on the closing date. The Amendment to Royalty Purchase Agreement eliminated all of our continuing involvement with the cash generating activities related to the royalties and removed all restrictions related to the rate of return and was therefore accounted for under ASC 610-20, *Gains and Losses from Derecognition of Nonfinancial Assets* and ASC 405-20, *Liabilities – Extinguishment of Liabilities*.

Future milestone payments will be accounted for as variable consideration and recognized using the most likely method in accordance with ASC 610-20 *Other Income — Gains and Losses from the Derecognition of Nonfinancial Assets*. We received 2022 milestone payment of $2.5 million on February 28, 2023. The proceeds from 2022 milestone payment were recorded as other income in the consolidated statement of operations for the year ended December 31, 2022. We are eligible to receive additional milestone payment of $10 million based on achievement of sales milestones in 2023.

Due to our Amendment to Royalty Purchase Agreement, we did not have any liability related to sale of royalties as of March 31, 2023. The following table presents the changes in the liability in the prior period related to the sale of royalties under the Royalty Purchase Agreement with HCR (in thousands):

	For the Three Months Ended March 31, 2022
Liability related to sale of royalties, beginning balance	$ 31,045
Proceeds from milestone payments, net of transaction costs	9,500
Non-cash interest expense	1,780
RUXIENCE royalties paid by Pfizer to HCR	(3,665)
Liability related to sale of royalties, ending balance	38,660
Current portion of liability related to sale of royalties	(15,318)
Liability related to sale of royalties, non-current	$ 23,342

We recorded non-cash interest expense through the date of the Amendment to Royalty Purchase Agreement.

Note 9. Leases

Office Space Lease - Operating

We have an operating lease related to our office and laboratory space in Seattle, Washington. This lease was amended in March 2019 to extend the term through April 2030 and provide two options to extend the lease term, each by five years, as well as a one-time option to terminate the lease in April 2023, with nine months' notice, or by July 2022. We had previously determined we should not include any periods after the termination option when evaluating this amendment as we were not reasonably certain to not exercise the option, therefore we recorded our liability through April 30, 2023.

On May 26, 2022, we amended our office and laboratory lease to remove the one-time termination option. In exchange for removing the termination option, we received six months of free rent. As a result, we recorded an additional $4.4 million of lease liability and right-of-use asset on the consolidated balance sheet on the date of the amendment. As of March 31, 2023, we are not reasonably certain to exercise the two options to extend the lease term. Therefore, pursuant to our May 26, 2022 amendment, we recorded our lease liability through April 30, 2030.

For the three months ended March 31, 2023 and 2022, we recorded $0.2 million related to variable lease expense.

Components of lease expense:

(in thousands)	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
Operating lease cost	$ 297	$ 360
Total lease cost	$ 297	$ 360

Right of use assets acquired under operating leases:

(in thousands)	As of March 31, 2023	As of December 31, 2022
Seattle office lease, including amendment	5,200	5,303
Total operating leases	$ 5,200	$ 5,303

Lease payments:

(in thousands)	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
For operating leases	$ 115	$ 323

As of March 31, 2023, the long-term and current portion of the lease liabilities is $5.9 million and $0.6 million, respectively. As of March 31, 2022, the long-term and current portion of the lease liabilities were $1.1 million.

As of March 31, 2023, the weighted-average remaining lease term and weighted-average discount rate for operating leases was 7.1 years and 12.03%. As of March 31, 2022, the weighted-average remaining lease term and weighted-average discount rate for operating leases was 1.08 years and 14.45%.

Note 10. Net Income (Loss) per Share

Basic net income (loss) per share is calculated by dividing the net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted net income (loss) per share is computed by dividing the net income (loss) by the weighted-average number of common share equivalents outstanding for the period using the as-if converted method. For the purpose of this calculation, warrants, stock options and restricted stock units (RSUs) are only included in the calculation of diluted net income (loss) per share when their effect is dilutive.

We utilize the control number concept in the computation of diluted earnings per share to determine whether potential common stock instruments are dilutive. The control number used is income (loss) from continuing operations or income from discontinued operations. The control number concept requires that the same number of potentially dilutive securities applied in computing diluted earnings per share from continuing operations be applied to all other categories of income or loss, regardless of their anti-dilutive effect on such categories.

Common stock equivalents include warrants, stock options and unvested RSUs.

The following table presents the computation of basic and diluted net income (loss) per share (in thousands, except share and per share amounts):

	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
Net income (loss) from continuing operations	$ 1,827	$ (7,875)
Income from discontinued operations	946	178
Net income (loss)	$ 2,773	$ (7,697)
Basic and diluted net income (loss) per share:		
Net income (loss) from continuing operations	$ 0.26	$ (1.59)
Income from discontinued operations	$ 0.13	$ 0.04
Net income (loss)	$ 0.39	$ (1.55)
Weighted-average shares used to compute per share calculations	$ 7,022,292	$ 4,937,456

The following table represents all potentially dilutive shares:

(in thousands)	As of March 31, 2023	2022
Warrants	351	351
Outstanding options to purchase common stock	468	366
Unvested RSUs	327	70

We use the treasury stock method when determining dilutive shares. As of March 31, 2023, we determined that outstanding warrants, options, and RSUs are not dilutive as the exercise and grant prices were higher than our average share price for the three

months ended March 31, 2023. For the three months ended March 31, 2022, the Company was in a net loss position, therefore the share number used to calculate diluted earnings per share is the same as the basic earnings per share calculation.

Note 11. Equity

Equity Distribution Agreement

On December 14, 2020, we entered into an Equity Distribution Agreement with Piper Sandler. The Equity Distribution Agreement provides that, upon the terms and subject to the conditions set forth therein, we may issue and sell through Piper Sandler, acting as sales agent, shares of our common stock, $0.001 par value per share having an aggregate offering price of up to $50.0 million. This offering supersedes and replaces the program we commenced in December 2017. We have no obligation to sell any such shares under the Equity Distribution Agreement. The shares of common stock by Piper Sandler will be sold pursuant to a Registration Statement on Form S-3 which we filed on December 14, 2020. In the three months ended March 31, 2023, the Company issued 730,913 shares of common stock at an average price of $2.26 under the Equity Distribution Agreement. We received $1.6 million in proceeds from the issuance of these shares. We did not issue any shares under the Equity Distribution Agreement in the three months ended March 31, 2022.

Lincoln Park Purchase Agreement

On February 16, 2022, we entered into a Purchase Agreement (2022 Purchase Agreement) and a Registration Rights Agreement with Lincoln Park. The 2022 Purchase Agreement and Registration Rights Agreement replaced our 2018 Purchase Agreement and Registration Rights Agreement with Lincoln Park. Under the 2022 Purchase Agreement, Lincoln Park committed to purchase up to $35.0 million of our common stock over a 36-month period commencing after the satisfaction of certain conditions, which are within our control, as set forth in the Purchase Agreement. The purchase price per share will be based on prevailing market prices; provided, however, that the prevailing market price is not below $1.00. We agreed to and issued 99,276 shares of our common stock to Lincoln Park for no cash consideration as an initial fee for its commitment to purchase shares of our common stock under the Purchase Agreement. We did not issue any shares of common stock for cash consideration to Lincoln Park under the Purchase Agreement in the three months ended March 31, 2023 and 2022.

Rights Plan

On November 8, 2020, our Board of Directors (Board) approved and adopted a Rights Agreement, dated as of November 8, 2020, by and between the Company and Broadridge Corporate Issuer Solutions, Inc., as rights agent, pursuant to which the Board declared a dividend of one preferred share purchase right (each, a Right) for each outstanding share of the Company's common stock held by stockholders as of the close of business on November 23, 2020. When exercisable, each Right initially would represent the right to purchase from the Company one one-thousandth of a share of a newly-designated series of preferred stock, Series A Junior Participating Preferred Stock, par value $0.001 per share, of the Company, at an exercise price of $400.00 per one one-thousandth of a Series A Junior Participating Preferred Share, subject to adjustment. Subject to various exceptions, the Rights become exercisable in the event any person (excluding certain exempted or grandfathered persons) becomes the beneficial owner of ten percent (10%) or more of the Company's common stock without the approval of the Board. The Rights Agreement was amended on November 4, 2021 to extend the expiration date of such agreement from November 8, 2021 to November 5, 2022 and further amended on November 4, 2022 to extend the expiration of such agreement to November 4, 2023.

2016 Stock Incentive Plan

On August 1, 2016, the Company adopted the 2016 Stock Incentive Plan (2016 SIP). A total of 0.2 million shares of Aptevo common stock have been authorized for issuance under the 2016 SIP in the form of equity stock options.

2018 Stock Incentive Plan

On June 1, 2018, at the 2018 Annual Meeting of the Stockholders, the Company's stockholders approved a new 2018 Stock Incentive Plan (2018 SIP), which replaced the Restated 2016 Plan on a go-forward basis. All stock options, RSUs or other equity awards granted subsequent to June 1, 2018 have been and will be issued out of the 2018 SIP, which has 0.3 million shares of Aptevo common stock authorized for issuance. The 2018 Plan became effective immediately upon stockholder approval at the 2018 Annual Meeting of the Stockholders. Any shares subject to outstanding stock awards granted under the 2016 SIP that (a) expire or terminate for any reason prior to exercise or settlement; (b) are forfeited because of the failure to meet a contingency or condition required to vest such shares or otherwise return to the Company; or (c) otherwise would have returned to the 2016 SIP for future grant pursuant to the terms of the 2016 Plan (such shares, the "Returning Shares") will immediately be added to the share reserve under the 2018 SIP as and when such shares become Returning Shares, up to a maximum of 0.3 million shares.

On June 7, 2022, at the 2022 Annual Meeting of Stockholders, our stockholders approved the Amended and Restated 2018 SIP to increase the number of shares authorized for issuance under the 2018 SIP by 500,000 shares of common stock. As of March 31, 2023, there are approximately 0.1 million shares available to be granted under the 2018 SIP.

Stock options and RSUs under the Amended and Restated 2018 SIP generally vest pro rata over a one-year or three-year period. Stock options terminate ten years from the grant date, though the specific terms of each grant are determined individually. The Company's executive officers, members of our board of directors, and certain other employees and consultants may be awarded options and/or RSUs with different vesting criteria, and awards granted to non-employee directors will vest over a one-year period. Option exercise and RSU grant prices for new awards granted by the Company equal the closing price of the Company's common stock on the Nasdaq Capital Market on the date of grant.

Stock-Based Compensation Expense

Stock-based compensation expense includes amortization of stock options and RSUs granted to employees and non-employees and has been reported in our unaudited condensed consolidated statements of operations as follows:

	For the Three Months Ended March 31,	
(in thousands)	**2023**	**2022**
Research and development	$ 310	$ 24
General and administrative	605	577
Total stock-based compensation expense	$ 915	$ 601

The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted based on the fair value of the award as of the grant date. The Company recognizes the compensation expense over the vesting period. All assumptions used to calculate the grant date fair value of non-employee equity awards are generally consistent with the assumptions used for equity awards granted to employees. In the event the Company terminates any of its consulting agreements, the unvested equity underlying the agreements would also be forfeited.

Stock Options

Aptevo utilizes the Black-Scholes valuation model for estimating the fair value of all stock options granted. Set forth below are the assumptions used in valuing the stock options granted:

	For the Three Months Ended March 31,	
	2023	**2022**
Expected dividend yield	—	—
Expected volatility	103.63%	106.30%
Risk-free interest rate	4.18%	1.60%
Expected average life of options	5 years	5 years

Management has applied an estimated forfeiture rate of 30% for the three months ended March 31, 2023, and 29% for the three months March 31, 2022. Expected volatility slightly decreased as our stock price fluctuated from a low of $1.74 to a high of $2.54 for the three months ended March 31, 2023, compared to a low of $4.48 to a high of $6.96 for the three months ended March 31, 2022.

The following is a summary of option activity for the three months ended March 31, 2023:

	Number of Shares	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Term**	**Aggregate Intrinsic Value (in thousands)**
Balance at December 31, 2022	364,266	$ 15.77	7.39	$ —
Granted	103,965	2.11	—	—
Exercised	—	—	—	—
Forfeited	(645)	27.87	—	—
Outstanding at March 31, 2023	467,586	12.72	7.81	1
Exercisable at March 31, 2023	249,006	14.93	6.65	
Vested and expected to vest at March 31, 2023	386,276	13.85	7.48	1

As of March 31, 2023, we had $1.5 million of unrecognized compensation expense related to options expected to vest over a weighted-average remaining vesting period of 1.3 years. The weighted-average grant date fair value per share of options granted during the three months ended March 31, 2023 and 2022 was $1.68 and $4.43, respectively. The aggregate intrinsic value of options exercised for the three months ended March 31, 2023 and 2022 was $0. The total fair value of stock options vested for the three months ended March 31, 2023 and 2022 was $0.9 million.

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the closing stock price of Aptevo's common stock on the last trading day of March 2023 and the exercise price, multiplied by the number of in the money options) that would have been received by the option holders had all the option holders exercised their options on the last trading day of the quarter.

Restricted Stock Units

The following is a summary of RSU activity for the three months ended March 31, 2023:

	Number of Units	Weighted Average Fair Value per Unit
Balance at December 31, 2022	223,775	$ 8.47
Granted	150,313	2.15
Vested	(46,056)	11.23
Forfeited	(1,414)	3.43
Outstanding and expected to vest at March 31, 2023	326,618	$ 5.19

As of March 31, 2023, there was $1.4 million unrecognized stock-based compensation expense related to unvested RSUs expected to vest over the weighted-average period of 1.7 years. As of March 31, 2022, there was $1.2 million unrecognized stock-based compensation expense related to unvested RSUs expected to vest over the weighted-average period of 2.1 years.

The fair value of each RSU has been determined to be the closing trading price of the Company's common stock on the date of grant as quoted on the Nasdaq Capital Market.

Warrants

In March 2019, as part of a public offering, we issued warrants to purchase up to 1,725,000 shares of our common stock, 1,571,429 of which have an exercise price of $18.20 per share and have a five-year life, and 153,571 of pre-funded warrants with an exercise price of $0.14 per share. The pre-funded warrants had a ten-year life and would have expired on March 11, 2029; however, all of the pre-funded warrants were exercised in March 2019. We determined the warrants do not meet liability classification pursuant to ASC 480 – *Distinguishing Liabilities from Equity*. These are therefore included within equity on our unaudited condensed consolidated balance sheet. For the three months ended March 31, 2023 and 2022, the Company did not have any of its warrants exercised. As of March 31, 2023 and 2022, there were warrants to purchase 350,589 shares of common stock outstanding.

Note 12. Subsequent Events

From May 5, 2023, through May 11, 2023, we issued 50,000 shares of our common stock to Lincoln Park under the 2022 Purchase Agreement. We received $0.1 million in proceeds from issuance of these shares.

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

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements in this Quarterly Report on Form 10-Q other than statements of historical facts, including statements regarding our strategy, future operations, future financial position, future revenues, the achievement of milestones and receipt of future payments, projected costs, prospects, plans, intentions, expectations, clinical trial results, compliance with listing requirements, future macroeconomic conditions and objectives could be forward-looking statements. The words "anticipates," "believes," "could," "designed," "estimates," "expects," "goal," "intends," "may," "plans," "projects," "should," "will," "would" and similar expressions (including the negatives thereof) are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

We have based these forward-looking statements largely on our current assumptions, expectations, projections, intentions, objectives and/or beliefs about future events or occurrences and these forward-looking statements are subject to a number of risks, uncertainties and assumptions, including, but not limited to, those described in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and our other filings with the Securities and Exchange Commission. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. The timing of certain events and circumstances and known and unknown risks and uncertainties could cause actual results to differ materially from those anticipated or implied in the forward-looking statements that we make. Therefore, you should not place undue reliance on our forward-looking statements. Our forward-looking statements in this Quarterly Report on Form 10-Q are based on current information and we do not assume any obligation to update any forward-looking statements except as required by the federal securities laws.

You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations (this MD&A) together with the unaudited condensed consolidated financial statements and the related notes thereto included in this Quarterly Report on Form 10-Q. This MD&A contains forward-looking statements that are subject to risks and uncertainties, such as those set forth in the sections of this Quarterly Report on Form 10-Q, "Risk Factors" and elsewhere. As a result, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

We are a clinical-stage, research and development biotechnology company focused on developing novel immunotherapy candidates for the treatment of different forms of cancer. We have developed two versatile and enabling platform technologies for rational design of precision immune modulatory drugs. Our lead clinical candidates, APVO436 and ALG.APV-527 (in collaboration with Alligator), and preclinical candidates, APVO603 and APVO711, were developed using our ADAPTIR™ modular protein technology platform. Our preclinical candidate APVO442 was developed using our ADAPTIR-FLEX™ modular protein technology platform.

Our ADAPTIR and ADAPTIR-FLEX platforms are designed to generate monospecific, bispecific, and multi-specific antibody candidates capable of enhancing the human immune system against cancer cells. ADAPTIR and ADAPTIR-FLEX are both modular platforms, which gives us the flexibility to generate immunotherapeutic candidates with a variety of mechanisms of action. This flexibility in design allows us to potentially generate novel therapeutic candidates that may provide effective strategies against difficult to treat, as well as advanced forms of cancer. We have successfully designed and constructed numerous investigational-stage product candidates based on our ADAPTIR platform. The ADAPTIR platform technology is designed to generate monospecific and bispecific immunotherapeutic proteins that specifically bind to one or more targets, for example, bispecific therapeutic molecules, which may have structural and functional advantages over monoclonal antibodies. The structural differences of ADAPTIR molecules over monoclonal antibodies allow for the development of ADAPTIR immunotherapy candidates that are designed to engage immune effector cells and disease targets to produce signaling responses that modulate the immune system to kill tumor cells.

We believe we are skilled at candidate generation, validation, and subsequent preclinical and clinical development using the ADAPTIR platform and the ADAPTIR-FLEX platform to generate multi-specific candidates or other candidates to our platform capabilities. We have developed a preclinical candidate based on the ADAPTIR-FLEX platform which is advancing in our pipeline. We are developing our ADAPTIR and ADAPTIR-FLEX molecules using our protein engineering, preclinical development, process development, and clinical development capabilities.

Recent Developments:

Raised $9.7 million in non-dilutive funding, extending cash runway beyond 12 months.

- A portion of the proceeds was used to fully repay the existing debt facility on the Company's balance sheet.
- The Company achieved this by closing a transaction for the complete sale of all future IXINITY deferred payments and a portion of IXINITY milestones to XOMA Corporation.

Announced plans to initiate its Phase 2 program in the second half of 2023 to further evaluate APVO436, a bispecific CD3xCD123 ADAPTIR molecule, in combination with venetoclax and azacytidine in frontline and relapsed/refractory venetoclax treatment naïve patients with acute myeloid leukemia (AML). The trial design will be informed by the positive Phase 1 results announced at ASH in December 2022.

Dosed the first patient in the Company’s Phase 1 trial evaluating ALG.APV-527 intended for the treatment of solid tumors, potentially including, but not limited to, breast, colon, lung and pancreatic, which are likely to express the 5T4 antigen.

- ALG.APV-527 is a bispecific antibody designed to target cancer cells by activating both T-cells and natural killer cells and is intended to bind to tumor-specific antigens while sparing healthy cells and maximizing immune response.

Introduced pipeline candidate, APVO711, a PD-L1 x CD40 compound with a dual mechanism of action that includes a checkpoint inhibitor that blocks the T cell inhibitory pathway while also stimulating antigen presenting cells.

- APVO711 has the potential to fight a range of solid malignancies such as head and neck squamous cell carcinoma, melanoma, and carcinomas of the lung, gastrointestinal tract and colon.
- The Company filed a provisional patent for APVO711 in January 2023.

Results of Operations

Except as otherwise stated below, the following discussions of our results of operations reflect the results of our continuing operations, excluding the results related to Aptevo BioTherapeutics LLC (Aptevo BioTherapeutics), which was sold in February 2020 to Medexus and has been separated from continuing operations and reflected as a discontinued operation. See Note 2 – Discontinued Operations to the accompanying financial statements for additional information.

Comparison of the Three months ended March 31, 2023 and March 31, 2022

Royalty Revenue

For the three months ended March 31, 2023 and 2022, royalty revenue was $0 and $3.1 million, respectively. We did not recognize royalty revenue in 2023 due to our Amendment to Royalty Purchase Agreement with HCR. As a result of the amendment, we ceased reporting as royalty revenue, royalties paid by Pfizer to HCR related to Pfizer’s sales of RUXIENCE beginning in the second quarter of 2022. The royalty revenue from Pfizer related to a Collaboration and License Agreement (Definitive Agreement) acquired by Aptevo as part of our spin-off from Emergent in 2016. The agreement was originally executed by Trubion Pharmaceuticals, which was subsequently acquired by Emergent, and Wyeth, a wholly owned subsidiary of Pfizer (see Note 8).

We received 2022 milestone payment of $2.5 million on February 28, 2023. The proceeds from 2022 milestone payment were recorded as other income in the consolidated statement of operations for the year ended December 31, 2022. We are eligible to receive additional milestone payment of $10 million based on achievement of sales milestones in 2023.

Research and Development Expenses

We expense research and development costs as incurred. These expenses relate primarily to conducting non-clinical studies and clinical trials, fees to professional service providers for analytical testing, consulting costs, independent monitoring or other administration of our clinical trials and obtaining and evaluating data from our clinical trials and non-clinical studies, as well as costs of contract manufacturing services for clinical trial material, and costs of materials used in clinical trials and research and development. Our research and development expenses include:

- employee salaries and related expenses, including stock-based compensation and benefits for our employees involved in our drug discovery and development activities;
- consulting costs related to our clinical and pre-clinical programs;
- external research and development expense incurred under agreements with third-party contract research organizations (CRO’s) and investigative sites;

- manufacturing material expense for third-party manufacturing; and,
- overhead costs such as rent, utilities and depreciation.

We expect our research and development spending will be dependent upon such factors as the results from our clinical trials, the availability of reimbursement of research and development spending, the number of product candidates under development, the size, structure and duration of any clinical programs that we may initiate, and the costs associated with manufacturing our product candidates on a large-scale basis for later stage clinical trials. We may experience interruption of key clinical trial activities, such as site initiation, patient enrollment and clinical trial site monitoring, and key non-clinical activities. While a number of our programs are still in the preclinical trial phase, we do not provide a breakdown of the initial associated expenses as we are often evaluating multiple product candidates simultaneously. Costs are reported in preclinical research and discovery until the program enters the clinic.

Our research and development expenses by program for the three months ended March 31, 2023 and 2022 are shown in the following table:

	For the Three Months Ended March 31,		
(in thousands)	**2023**	**2022**	**Change**
Clinical programs:			
APVO436	$ 1,048	$ 1,587	$ (539)
ALG.APV-527	$ 702	$ —	$ 702
Preclinical program, general research and discovery	2,418	3,279	(861)
Total	$ 4,168	$ 4,866	$ (698)

For the three months ended March 31, 2023, research and development expenses decreased by $0.7 million, to $4.2 million from $4.9 million for the three months ended March 31, 2022. The decrease was primarily due to lower spending on APVO436 as we concluded enrollment in our dose expansion phase of the clinical trial and working toward the launch of Phase 2, following promising clinical data reported in the fourth quarter of 2022. Additionally, we had lower consulting and employee related costs compared to the same period in prior year. The decrease was partially offset by higher spending on the ALG.APV-527 Phase 1 clinical trial.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related costs and professional fees in support of our executive, business development, finance, accounting, information technology, legal and human resource functions. Other costs include facility costs not otherwise included in research and development expenses.

For the three months ended March 31, 2023, general and administrative expenses decreased by $0.3 million, to $3.6 million from $3.9 million for the three months ended March 31, 2022. The decrease is primarily due to lower employee and consulting costs.

Other Income (Expense), Net

Other income (expense), net consists primarily of a gain related to the sale of nonfinancial asset, costs related to debt extinguishment, accrued exit fees on debt, non-cash interest on financing agreements, and interest on debt.

Other Expense, Net

Other expense, net was $0.1 million and $2.3 million for the three months ended March 31, 2023 and 2022, respectively. Beginning in Q2 2022, we no longer record non-cash interest expense due to our Amendment to the Royalty Purchase Agreement in the second quarter of 2022, which eliminated the liability related to the sale of royalties. This contributed $1.7 million of the decrease during the period. The rest of the decrease is primarily due to lower interest expense recorded in Q1 2023 on our MidCap term loan due to principal paydown.

Gain Related to Sale of Nonfinancial Asset

We recorded $9.7 million in other income for the three months ended March 31, 2023, due to the sale of the deferred payments and milestones to XOMA during the quarter (see Note 3). We did not have any such gain for the comparative period in the prior year.

Discontinued Operations

The accompanying unaudited condensed consolidated financial statements include discontinued operations from two separate transactions: the sale of hyperimmune business to Saol International Limited in September 2017, from which we received a payment in 2021 related to the collection of a certain accounts receivable, and the sale of Aptevo BioTherapeutics in 2020.

The following table represents the components attributable to income from discontinued operations in the unaudited condensed consolidated statements of operations (in thousands):

	For the Three Months Ended March 31,	
	2023	2022
Deferred payment from Medexus	523	178
Gain on contingent consideration from release of escrow related to sale of Aptevo BioTherapeutics	163	—
Gain on contingent consideration from Kamada	260	—
Income from discontinued operations	$ 946	$ 178

For the three months ended March 31, 2023, we collected $0.5 million in deferred payments from Medexus related to IXINITY sales and $0.2 million related to funds released from escrow from the sale of Aptevo BioTherapeutics in 2020. Additionally, we received $0.3 million related to the sale of hyperimmune business Saol as a result of the collection of certain accounts receivable. For the three months ended March 31, 2022, we collected $0.2 million in deferred payments from Medexus related IXINITY sales. The proceeds from the income from discontinued operations is included within net income in the operating section of the unaudited condensed consolidated statements of cash flows.

Critical Accounting Policies and Significant Judgments and Estimates

The preparation of our unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We base our estimates on historical experience and on various other factors. Although we believe that our judgments and estimates are appropriate, actual results may differ materially from our estimates and changes in these estimates are recorded when known. An accounting policy is considered critical if it is important to a company's financial condition and results of operations and if it requires the exercise of significant judgment and the use of estimates on the part of management in its application.

Refer to Note 1 for discussion of our accounting policies, significant judgments, and estimates.

Liquidity and Capital Resources

Cash Flows

The following table provides information regarding our cash flows for the three months ended March 31, 2023 and 2022:

	For the Three Months Ended March 31,	
(in thousands)	**2023**	**2022**
Net cash provided by (used in):		
Operating activities	$ 4,566	$ (5,117)
Investing activities	—	—
Financing activities	(1,873)	(4,936)
(Decrease) increase in cash, cash equivalents, and restricted cash	$ 2,693	$ (10,053)

Net cash provided by operating activities of $4.6 million for the three months ended March 31, 2023 was primarily due to our net income for the period and changes in working capital accounts. The net income position was primarily due to $9.7 million received from our XOMA transaction. Net cash used in operating activities of $5.1 million for the three months ended March 31, 2022 was primarily due to our net loss of $7.7 million and changes in working capital accounts.

We did not have any investing activities for the three months ended March 31, 2023 and 2022.

Net cash used in financing activities of $1.9 million for the three months ended March 31, 2023 was primarily due to the $3.5 million of repayments of the MidCap Financial term loan, which included the remaining outstanding principal balance and loan prepayment fees. This was offset by the $1.6 million proceeds received from issuance of common stock pursuant to our Equity Distribution Agreement with Piper Sandler. Net cash used in financing activities for the three months ended March 31, 2022 was primarily due to the $10.7 million of partial repayments of the MidCap Financial term loan and $3.7 million of royalties received by HCR pursuant to our Royalty Purchase Agreement. This was offset by the $10 million milestone received from HCR related to the sale of royalties, net of $0.5 million transaction costs.

Sources of Liquidity

Royalty Purchase Agreement and Milestone Payments

On March 30, 2021, we entered into and closed a Royalty Purchase Agreement with HCR pursuant to which we sold to HCR the right to receive royalty payments made by Pfizer in respect of global net sales of RUXIENCE. Under the terms of the Royalty Purchase Agreement, we have received $47.5 million through March 31, 2023 ($35 million at closing and $12.5 million in milestone payments) and we are eligible to receive an additional $10 million based on the achievement of sales milestone 2023.

IXINITY Milestone Payments

On February 28, 2020, Aptevo entered into an LLC Purchase Agreement with Medexus, pursuant to which we sold all of the issued and outstanding limited liability company interests of Aptevo BioTherapeutics LLC, a wholly owned subsidiary of Aptevo. On March 29, 2023, we entered into and closed a Purchase Agreement with XOMA pursuant to which we sold to XOMA our right, title, and interest to all future deferred payments from Medexus and a portion of potential milestones. As a consideration, we received $9.6 million at closing from XOMA and we were eligible to receive an additional $0.05 million post-closing payment if Medexus' first quarter 2023 net sales of IXINITY exceeds $0.5 million. Aptevo continues to be eligible to receive up to $5.8 million in milestone payments from Medexus upon achievement of certain regulatory and IXINITY net sales threshold. For the three months ended March 31, 2023, Aptevo received $0.5 million in deferred payments from Medexus related to IXINITY sales for the fourth quarter of 2022.

Registration Statement

On December 14, 2020, we filed a Registration Statement on Form S-3 covering the offering, issuance, and sale of up to $200 million in common stock, preferred stock, and various series of debt securities and/or warrants to purchase any of such securities, which included the unsold securities from the Prior Registration Statement. On March 29, 2022, we filed an amendment to the prospectus supplement to the Registration Statement on Form S-3 filed on December 14, 2020 pursuant to General Instruction I.B.6 of Form S-3 (General Instruction I.B.6), which updates the amount of shares that we are eligible to sell under the Equity Distribution Agreement. So long as the aggregate market value of our common stock held by non-affiliates is less than $75 million, we will not sell any registered shares under this Form S-3 with a value of more than one-third of the aggregate market value of our common stock held by non-affiliates in any 12-month period due to the limitations of General Instruction I.B.6 of Form S-3 and the current public float of our common stock. In the last 12 months, we have sold $8.8 million worth of shares of our common stock pursuant to our Equity Distribution Agreement. If our public float increases such that we may sell additional amounts under the Equity Distribution Agreement and the prospectus than is mentioned in our last prospectus supplement to the Registration Statement on Form S-3 filed on December 13, 2020, we will file another amendment to the prospectus supplement prior to making additional sales. The limitations of General Instruction I.B.6 do not

apply to sales of our shares under our Purchase Agreement with Lincoln Park Financial LLC as those sales were committed prior to us being subject to the limitations of General Instruction I.B.6.

Equity Distribution Agreement

On December 14, 2020, we entered into an Equity Distribution Agreement with Piper Sandler & Co (Piper Sandler). The Equity Distribution Agreement provides that, upon the terms and subject to the conditions set forth therein, we may issue and sell through Piper Sandler, acting as sales agent, shares of our common stock having an aggregate offering price of up to $50 million. We have no obligation to sell any such shares under the Equity Distribution Agreement. The sale of the shares of our common stock by Piper Sandler, if any, will be effected pursuant to a Registration Statement on Form S-3 which we filed on December 14, 2020. In the three months ended March 31, 2023, the Company issued 730,913 shares of common stock at an average price of $2.26 under the Equity Distribution Agreement. We received $1.6 million in proceeds from the issuance of these shares. We did not issue any shares under the Equity Distribution Agreement in the three months ended March 31, 2022.

The Equity Distribution Agreement will terminate upon the issuance and sale of all shares under the Equity Distribution Agreement or upon the earlier termination thereof at any time by us or Piper Sandler upon notice to the other party.

Lincoln Park Purchase Agreement

On February 16, 2022, we entered into a new Purchase Agreement and a Registration Rights Agreement with Lincoln Park. The 2022 Purchase Agreement and Registration Rights Agreement replaced our 2018 Purchase Agreement and Registration Rights Agreement with Lincoln Park. Under the 2022 Purchase Agreement, Lincoln Park committed to purchase up to $35.0 million worth of our common stock over a 36-month period commencing after the satisfaction of certain conditions, which are within our control, as set forth in the Purchase Agreement. The purchase price per share will be based on prevailing market price; provided, however, that the prevailing market price is not below $1.00. The Company issued 99,276 shares of our common stock to Lincoln Park for no cash consideration as an initial fee for its commitment to purchase shares of our common stock under the Purchase Agreement. The aggregate number of shares that we can sell to Lincoln Park under the Purchase Agreement may not exceed 981,103 shares, unless shareholder approval is obtained or the average price of all applicable sales of our common stock sold to Lincoln Park equals or exceeds $6.14 per share. The Company did not issue any shares of common stock for cash consideration to Lincoln Park under the Purchase Agreement in the three months ended March 31, 2023.

Actual sales of shares of our common stock to Lincoln Park under the Purchase Agreement will occur at our discretion from time to time and depend on a variety of factors, including, among others, market conditions, the trading price of our common stock and additional determinations as to the appropriate sources of funding for our operations. Lincoln Park has no right to require any sales, but is obligated to make purchases as we direct, in accordance with the Purchase Agreement.

Warrants

On March 11, 2019, in connection with the completion of a public offering of common stock, we issued warrants to purchase 1,571,247 shares of common stock at a price of $18.20. As of March 31, 2023 and 2022, there were warrants to purchase 350,589 shares of common stock outstanding. These warrants have a 5-year life, and expire in March 2024.

Liquidity

We have financed our operations to date primarily through revenue generated from our commercial products, the Royalty Purchase Agreement with HCR, royalty payments from Pfizer, deferred payments from Medexus, the Purchase Agreement with XOMA, the sale of our hyperimmune products business in September 2017, the sale of Aptevo BioTherapeutics on February 28, 2020, public offerings of our common stock, loan proceeds, milestone payments, research and development funding from strategic partners, and funds received at the date of our spin-off from Emergent. We had cash and cash equivalents of $25.3 million and an accumulated deficit of $203.3 million as of March 31, 2023.

For the three months ended March 31, 2023, net cash provided by our operating activities was $4.6 million.

Our future success is dependent on our ability to develop our product candidates. We anticipate that we will continue to incur significant operating losses for the next several years as we incur expenses to continue to execute on our development strategy to advance our preclinical and clinical stage assets. We will not generate revenues from our development stage product candidates unless and/or until we or our collaborators successfully complete development and obtain regulatory approval for such product candidates, which we expect will take a number of years and is subject to significant uncertainty. If we obtain regulatory approval for one of our development stage product candidates, we expect to incur significant commercialization expenses related to sales, marketing, manufacturing and distribution, to the extent that such costs are not paid by collaborators. We do not have sufficient cash to complete the clinical development of any of our development stage product candidates and will require additional funding in order to complete the development activities required for regulatory approval of such product candidates. We will require substantial additional funds to continue our development programs and to fulfill our planned operating goals.

Due to the current macroeconomic environment, we may experience delays in opportunities to partner our product candidates, due to financial and other impacts on potential partners. Additionally, we may experience potential impacts on our future milestones from Medexus due to effects of macroeconomic impacts, including, but not limited to, bank failure, and the rising and fluctuating inflation, which may impact Medexus' ability to continue to successfully commercialize the IXINITY businesses. Additionally, we may experience potential impacts on our future milestones, which are based on global net sales of RUXIENCE, from HCR due to the effects of the macroeconomic environment, which may impact Pfizer's ability to continue to successfully commercialize the RUXIENCE business. We believe that our existing cash resources, milestone payments related to the Royalty Purchase Agreement with HCR, funds available under Purchase Agreement with Lincoln Park and the Equity Distribution Agreement with Piper Sandler, cash to be generated from future milestones related to IXINITY sales and approvals by Medexus, will be sufficient to meet our projected operating requirements for at least twelve months from the date of this filing of this Quarterly Report on Form 10-Q.

There are numerous risks and uncertainties associated with research, development, and commercialization of pharmaceutical products. Accordingly, our future funding requirements may vary from our current expectations and will depend on many factors, including, but not limited to:

- our ability to raise additional capital when needed or on acceptable terms;
- future profitability given our historical losses;
- our ability to attract, motivate and retain key personnel;
- the timing of, and the costs involved in, completing our clinical trials, and obtaining regulatory approvals for our product candidates;
- our ability to obtain regulatory clearance to commence clinical trials for product candidates;
- our ability to establish and maintain strategic partnerships, licensing or other arrangements and the financial terms of such agreements;
- the effects of macroeconomic conditions, including rising and fluctuating inflation, interest rates and supply chain constraints;
- our ability to successfully develop our ADAPTIR or ADAPTIR-FLEX platforms;
- the results of our current and planned preclinical studies and clinical trials;
- the scope, progress, results, and costs of researching and developing our product candidates, and of conducting preclinical and clinical trials, including whether clinical trial results will be consistent with the past data;
- our reliance on third parties to effectively conduct our clinical and non-clinical trials, and to effectively carry out their contractual duties, comply with regulatory requirements or meet expected deadlines;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims, including litigation costs and the outcome of such litigation;
- the cost of commercialization activities if any of our product candidates are approved for sale, including marketing, sales, and distribution costs;
- whether and to what extent future milestones are received under our Royalty Purchase Agreement with HCR; and
- the timing, receipt and amount of any milestone payments from Medexus with respect to IXINITY.

If we are unable to raise substantial additional capital in the next year, whether on terms that are acceptable to us or at all, then we may be required to:

- delay, limit, reduce or terminate our clinical trials or other development activities for one or more of our product candidates; and/or,
- delay, limit, reduce or terminate our establishment of other activities that may be necessary to commercialize our product candidates, if approved.

The sale of additional equity or convertible debt securities may result in additional dilution to our stockholders. If we raise additional funds through the issuance of debt securities or preferred stock or through credit facilities, these securities and/or the loans under credit facilities could provide for rights senior to those of our common stock and could contain covenants that would restrict our operations. Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. We also expect to seek additional funds through arrangements with collaborators, licensees or other third parties. These arrangements would generally require us to relinquish or encumber rights to some of our technologies or drug candidates, and we may not be able to enter into such arrangements on acceptable terms, if at all. Due to the macroeconomic factors, we may experience delays in clinical trials and non-clinical work, and opportunities to partner our product candidates, due to financial and other impacts on potential partners.

Contractual Obligations

We have an operating lease related to our office and laboratory space in Seattle, Washington. This lease was amended in March 2019 to extend the term of the amended lease is through April 2030 and provided two options to extend the lease term, each by five years, as well as a one-time option to terminate the lease in April 2023, with nine months' notice, or by July 2022. On May 26, 2022, we further amended our office and laboratory lease to remove the one-time termination option in April 2023. In exchange for removing the termination option, we received six months of free rent. As a result, we recorded an additional $4.4 million of lease liability and right-of-use asset on the consolidated balance sheet in May 2022.

We have a non-exclusive Commercial Platform License Agreement with OMT (OMT License Agreement") for certain transgenic rodents of OMT's OmniAb platform. Our OMT License Agreement obligates us to make milestone and royalty payments upon achievement of certain regulatory approvals and commercialization of our product candidates. APVO436 and APVO603 are the product candidates currently subject to this agreement. Pursuant to our agreement, we are required to make a $2.0 million milestone payment upon dosing the first patient in our Phase 2 clinical trial of APVO436.

Our principal commitments include obligations under vendor contracts to purchase research services and other purchase commitments with our vendors. In the normal course of business, we enter into services agreements with contract research organizations, contract manufacturing organizations and other third parties. Generally, these agreements provide for termination upon notice, with specified amounts due upon termination based on the timing of termination and the terms of the agreement. The actual amounts and timing of payments under these agreements are uncertain and contingent upon the initiation and completion of the services to be provided.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of March 31, 2023, there were no material changes to the information provided under Item 7A, Quantitative and Qualitative Disclosures About Market Risk in our Annual Report on Form 10-K for the year ended December 31, 2022 filed on March 30, 2023.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of March 31, 2023, management, with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2023, the design and operation of our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We may from time to time be named as a party to legal claims, actions and complaints, including matters involving employment claims, our intellectual property or other third-party claims. Our management believes that there are currently no claims or actions pending against us, the ultimate disposition of which could have a material adverse effect on our results of operations, financial condition or cash flows.

Item 1A. Risk Factors.

We are subject to significant risks and uncertainties that could impact the Company's businesses, results of operations and financial condition, including by causing our actual results to differ materially from those projected in any forward-looking statements. Additional risks and uncertainties that are not currently known to the Company or management or that are not currently believed by the Company or management to be material may also harm the Company's business, financial condition and results of operation. You should carefully consider the following risks and other information in this Quarterly Report on Form 10-Q in evaluating us and our common stock.

RISK FACTOR SUMMARY

The following is a summary of the material risks to our business, operations, and ownership of our common stock:

- We have a history of losses and may not be profitable in the future.
- We will require additional capital and may be unable to raise capital when needed or on acceptable terms.
- Our success is dependent on our continued ability to attract, motivate and retain key personnel, and any failure to attract or retain key personnel may negatively affect our business.
- If we experience delays or difficulties in the commencement, site initiation, enrollment of patients or completion of our clinical trials, the time to reach critical trial data and receipt of any necessary regulatory approvals could be delayed.
- Our long-term success depends, in part, upon our ability to develop, receive regulatory approval for and commercialize our product candidates.
- We may not be successful in establishing and maintaining collaborations that leverage our capabilities in pursuit of developing and commercializing our product candidates.
- We face and will continue to face substantial competition and our failure to effectively compete may prevent us from achieving significant market penetration for our product candidates, if approved.
- Our business is affected by macroeconomic conditions, including rising and fluctuating inflation, interest rates, market volatility, economic uncertainty, bank failure, and supply chain constraints.
- We may not be successful in our efforts to use and further develop our ADAPTIR or ADAPTIR-FLEX platforms.
- If we are unable to protect our intellectual proprietary rights, our business could be harmed.
- Actions of activist stockholders against us have been and could be disruptive and costly and may cause uncertainty about the strategic direction of our business.
- Our future cash flow will depend, in part, on the ability of Pfizer to successfully sell RUXIENCE and our receipt of milestone payments from HCR in connection therewith. If Pfizer is unable, or does not devote sufficient resources, to maintain or continue increasing sales of RUXIENCE, or if HCR does not comply with the Royalty Purchase Agreement, our results of operations will be adversely affected.
- The results of our current and planned preclinical studies and clinical trials may not satisfy the requirements of the FDA or non-U.S. regulatory authorities. Results from early-preclinical studies and clinical trials may not be predictive of results from later-stage or other trials and interim or top line data may be subject to change or qualification based on the complete analysis of data.
- Serious adverse events, undesirable side effects or other unexpected properties of our product candidates may be identified that could delay, prevent, or cause the withdrawal of regulatory approval, limit the commercial potential, or result in significant negative consequences following marketing approval.
- We depend on third parties to conduct our clinical and non-clinical trials. If these third parties do not effectively carry out their contractual duties, comply with regulatory requirements or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed.

- Our stock price may be volatile.
- Our common stock may be at risk for delisting from the Nasdaq Capital Market in the future if we do not maintain compliance with Nasdaq's continued listing requirements. Delisting could adversely affect the liquidity of our common stock and the market price of our common stock could decrease.
- We may be subject to periodic litigation, which could result in losses or unexpected expenditure of time and resources.
- Our future income will depend, in part, on the ability of Medexus to successfully further develop, market and commercialize IXINITY, resulting in milestone payments to the Company by Medexus.
- The COVID-19 pandemic, reoccurrences of COVID-19 or other pandemics, or other future widespread public health epidemics could adversely impact our business, including our clinical trials.

RISKS RELATED TO OUR BUSINESS

Financial Risks

We have a history of losses and may not be profitable in the future.

We have experienced significant operating losses in the past and may not be profitable in the future. For the three months ended March 31, 2023, we had net income of $2.8 million compared to $7.7 million net loss for the same period in 2022. The net income for the three months ended March 31, 2023 was due to a one-time $9.7 million gain recognized as a result of our Purchase Agreement with XOMA. As of March 31, 2023, we had an accumulated deficit of $203.3 million. We expect to continue to incur annual net operating losses for the foreseeable future, and will require substantial resources over the next several years as we expand our efforts to discover, develop and commercialize immunotherapeutic candidates. While we believe our existing cash and cash equivalents and the funding provided by our Purchase Agreement with XOMA, the ability to receive Milestone Amounts under the Royalty Purchase Agreement with HCR, potential future milestone payments from Medexus under our LLC Purchase Agreement, our ability to issue securities under the Equity Distribution Agreement with Piper Sandler and our Purchase Agreement with Lincoln Park Capital, and exercises of warrants will provide us with sufficient liquidity to meet our cash requirements through at least next twelve months, our future success and ability to attain profitability will depend upon our ability to develop and commercialize our product candidates.

We will require additional capital and may be unable to raise capital when needed or on acceptable terms.

As of March 31, 2023, we had cash, cash equivalents, and restricted cash in the amount of $25.3 million. We will require additional funding to grow our business including to support the ongoing clinical development of APVO436 and ALG.APV-527, develop additional products, support commercial marketing activities or otherwise provide additional financial flexibility. If we are not able to secure adequate additional funding, we may need to make reductions in spending. This may include extending payment terms with suppliers, liquidating assets, and suspending or curtailing planned programs. We may also have to delay, reduce the scope of, suspend or eliminate one or more research and development programs. We may also be forced to grant rights to develop and market our product candidates that we would otherwise prefer to develop or market ourselves or we may be unable to take advantage of future business opportunities. A failure to raise the additional funding or to effectively implement cost reductions could harm our business, results of operations and future prospects. Our future capital requirements will depend on many factors, including:

- the level, timing and receipt of any milestone payments under our agreements with Medexus with respect to the sales of IXINITY;
- whether and to what extent future milestone payments are received under our Amendment to Royalty Purchase Agreement with HCR;
- the extent to which we invest in products or technologies;
- the ability to satisfy the payment obligations and covenants under any future indebtedness;
- the ability to secure partnerships and/or collaborations that generate additional cash;
- capital improvements to our facilities;
- the scope, progress, results, and costs of our development activities;
- clinical development costs, timing, and other requirements to complete dosing of our Phase 1b clinical trial for APVO436 and Phase 1 clinical trial of ALG.APV-527, as well as future clinical trials;
- the cost of preparing, filing and prosecuting patent applications, obtaining, maintaining, enforcing and protecting our intellectual property rights and defending intellectual property-related claims; and
- macroeconomic conditions, including the impact of inflation and cost of capital.

Further, changing circumstances, some of which may be beyond our control, such as macroeconomic conditions, could cause us to consume capital significantly faster than we currently anticipate, and we may need to seek additional funds sooner than planned.

We cannot guarantee that future financing will be available in sufficient amounts, or on commercially reasonable terms, or at all. If our capital resources are insufficient to meet our future capital requirements, we will need to finance our cash needs through bank loans, public or private equity or debt offerings, collaboration and licensing arrangements, or other strategic transactions. Our ability to raise future capital on acceptable terms or at all will be impacted by the macroeconomic environment, including rising and fluctuating interest rates, economic uncertainty and volatility in the capital market, geopolitical tensions, including the ongoing war between Ukraine and Russia, or other factors could also adversely impact our ability to access capital as and when needed or increase our costs in order to raise capital. Current capital market conditions, including the impact of inflation, have increased borrowing rates and can be expected to significantly increase our cost of capital as compared to prior periods. Future issuances of common stock may include, but not be limited to, (i) any sale of up to $50.0 million worth of shares of our common stock pursuant to our Equity Distribution Agreement with Piper Sandler, (ii) any sale of up to $35 million worth of shares of our common stock to issue from our Purchase Agreement with Lincoln Park, (iii) the issuance of up to 350,589 remaining outstanding shares of common stock upon the exercise of warrants issued in connection with our March 2019 public offering of common stock and warrants or (iv) the issuance of common stock in a firm commitment offering or private placement. Public or bank 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, pursuing acquisition opportunities, declaring dividends, our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. If we raise funds by issuing equity securities, our stockholders will experience dilution. If we raise funds through collaboration and licensing arrangements with third parties or enter into other strategic transactions, it may be necessary to relinquish valuable rights to our technologies or product candidates or grant licenses on terms that may not be favorable to us. If financing is unavailable or lost, our business, results of operations, financial condition and financial prospects would be adversely affected and we could be forced to delay, reduce the scope of or eliminate many of our planned activities.

Further, SEC regulations limit the amount of funds we can raise during any 12-month period pursuant to our shelf registration statement on Form S-3. On March 29, 2022, we filed an amendment to the prospectus related to the Registration Statement on Form S-3 filed on December 14, 2020 pursuant to General Instruction I.B.6 of Form S-3 (General Instruction I.B.6), which updates the amount of registered shares that we are eligible to sell. So long as the aggregate market value of our common stock held by non-affiliates is less than $75 million, we will not sell any registered shares under this Form S-3 with a value of more than one-third of the aggregate market value of our common stock held by non-affiliates in any 12-month period due to the limitations of General Instruction I.B.6 of Form S-3 and the current public float of our common stock. In the last 12 months, we have sold $8.8 million worth of shares of our common stock pursuant to our Equity Distribution Agreement. The limitations of General Instruction I.B.6 do not apply to sales of our shares under our Purchase Agreement with Lincoln Park Financial LLC as those sales were committed prior to us being subject to the limitations of General Instruction I.B.6. If we are required to file a new registration statement on another form, we may incur additional costs and be subject to delays in raising capital due to review by SEC staff.

Our business is affected by macroeconomic conditions, including rising and fluctuating inflation, interest rates, market volatility, economic uncertainty, and supply chain constraints.

Various macroeconomic factors have in the past and could adversely affect in the future our business and the results of our operations and financial condition, including changes in inflation, interest rates and overall economic conditions and uncertainties such as those resulting from the current and future conditions in the global financial markets. For instance, inflation has negatively impacted the Company by increasing our labor costs, through higher wages and higher interest rates, and operating costs. Supply chain constraints have led to higher inflation, which if sustained could have a negative impact on the Company's product development and operations. If inflation or other factors were to significantly increase our business costs, our ability to develop our current pipeline and new therapeutic products may be negatively affected. Interest rates, the liquidity of the credit markets and the volatility of the capital markets could also affect the operation of our business and our ability to raise capital on favorable terms, or at all, in order to fund our operations.

We are susceptible to changes in the U.S. economy. The U.S. economy has been affected from time to time by economic downturns or recessions, supply chain constraints, rising and fluctuating inflation and interest rates, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies and overall uncertainty with respect to the economy. For example, on March 10 and March 12, 2023, the Federal Deposit Insurance Corporation (“FDIC”) took control and was appointed receiver of Silicon Valley Bank (“SVB”) and Signature Bank, respectively, after each bank was unable to continue their operations. These events exposed vulnerabilities in the banking sector, including legal uncertainties, significant volatility and contagion risk, and caused market prices of regional bank stocks to plummet. As of the date of this filing, we don’t have any exposure to SVB and Signature Bank, however, we are unable to predict the extent or nature of the impacts of these evolving circumstances at this time. If, for example, other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our existing cash, cash equivalents and investments may be threatened. While it is not possible at this time to predict the extent of the impact that the failure of SVB and Signature Bank or the high market volatility and instability of the banking sector could have on economic activity and our business in particular, the failure of other banks and financial institutions and the measures taken by governments, businesses and other organizations in response to these events could adversely impact our business, financial condition and results of operations.

In addition, any further deterioration in the U.S. economy would likely affect the operation of our business and ability to raise capital. In addition, U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the United States. Although U.S. lawmakers passed legislation to raise the federal debt ceiling on multiple occasions, ratings agencies have lowered or threatened to lower the long-term sovereign credit rating on the United States. The impact of this or any further downgrades to the U.S. government's sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. Similarly, these macroeconomic factors could affect the ability of our third-party suppliers and manufacturers to manufacture clinical trial materials for our product candidates.

Actions of activist stockholders against us have been and could be disruptive and costly and may cause uncertainty about the strategic direction of our business.

Stockholders have in the past and may, from time to time, engage in proxy solicitations or advance stockholder proposals, or otherwise attempt to effect changes and assert influence on our board of directors and management. For example, on February 9, 2021, Tang Capital Partners LP, Tang Capital Management, LLC and Kevin Tang (collectively, "Tang") submitted an advisory stockholder proposal for consideration at our 2021 annual meeting of stockholders to commence a process to sell Aptevo to the highest bidder. Activist campaigns that contest or conflict with our strategic direction or seek changes in the composition of our board of directors or management could have an adverse effect on our operating results and financial condition. A proxy contest would require us to incur significant legal and advisory fees, proxy solicitation expenses and administrative and associated costs and require significant time and attention by our board of directors and management, diverting their attention from the pursuit of our business strategy. Any perceived uncertainties as to our future direction and control, our ability to execute on our strategy, or changes to the composition of our board of directors or senior management team arising from a proxy contest could lead to the perception of a change in the direction of our business or instability which may result in the loss of potential business opportunities, make it more difficult to pursue our strategic initiatives, or limit our ability to attract and retain qualified personnel and business partners, any of which could adversely affect our business and operating results. If individuals are ultimately elected to our board of directors with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create additional value for our stockholders. We may choose to initiate, or may become subject to, litigation as a result of a proxy contest or matters arising from the proxy contest, which would serve as a further distraction to our board of directors and management and would require us to incur significant additional costs. In addition, actions such as those described above could cause significant fluctuations in our stock price based upon temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

Our future income will depend, in part, on the ability of Medexus to successfully further develop, market and commercialize IXINITY, resulting in milestone payments to the Company by Medexus.

On February 28, 2020, we entered into a Purchase Agreement with Medexus, pursuant to which we sold all of the issued and outstanding limited liability company interests of Aptevo BioTherapeutics, a subsidiary of Aptevo that wholly owns the IXINITY and related Hemophilia B business. We are entitled to receive future potential payments to the extent of the achievement of certain regulatory and commercial milestones and through deferred payments based on net sales of IXINITY. Royalties were earned at the rate of 2% of net revenue through June 2022. As of June 30, 2022, the royalty rate on net revenue of IXINITY increased to 5%. On March 29, 2023, we entered into and closed a Purchase Agreement with XOMA pursuant to which we sold to XOMA our right, title, and interest to all future deferred payments from Medexus and a portion of potential milestones. As a consideration, we received $9.6 million at closing from XOMA and we were eligible to receive an additional $0.05 million post-closing payment if Medexus' first quarter 2023 net sales of IXINITY exceeds $0.5 million. We accounted for the $9.6 million Closing Payment and the $0.05 million post-closing payment from XOMA as other income in accordance with ASC 610-20 *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets* in the first quarter of 2023.

We no longer control the development, marketing, and commercialization of IXINITY and are dependent on Medexus to successfully do so. Although Medexus has agreed to use commercially reasonable efforts to commercialize IXINITY in the ordinary course of business in good faith, Medexus may not commit adequate resources to the further development, marketing, and commercialization of IXINITY, may experience financial difficulties, may face competition, or may prioritize other products or initiatives. Medexus' ability to continue to successfully commercialize the IXINITY business may be affected, and we may experience potential impacts on our future milestone payments from Medexus due to the macroeconomic and geopolitical environment. The failure of Medexus to successfully market and commercialize IXINITY, including because of factors outside of Medexus' control, could result in lower than expected milestone payments to us and negatively impact our future financial and operating results.

Our operating results are unpredictable and may fluctuate.

Our operating results are difficult to predict and will likely fluctuate from quarter to quarter and year to year, as a result of a variety of factors, including:

- the level and timing of any milestone payments with respect to sales of IXINITY by Medexus;

- whether and to what extent future milestone payments are received under our Amendment to Royalty Purchase Agreement with HCR;
- the extent of any payments received from collaboration arrangements and development funding as well as the achievement of development and clinical milestones under collaboration and license agreements that we may enter into from time to time and that may vary significantly from quarter to quarter; and,
- the timing, cost, and level of investment in our research and development and clinical activities as well as expenditures we will or may incur to acquire or develop additional technologies, products and product candidates.

Due to the macroeconomic and geopolitical environment, we may experience delays in opportunities to partner our product candidates, due to financial and other impacts on potential partners. Additionally, we may experience potential impacts on our future milestone payments from Medexus, which may impact Medexus' ability to continue to successfully commercialize the IXINITY businesses. These and other factors may have a material adverse effect on our business, results of operations and financial condition.

Our future cash flow will depend, in part, on the ability of Pfizer to successfully sell RUXIENCE and our receipt of milestone payments from HCR in connection therewith. If Pfizer is unable, or does not devote sufficient resources, to maintain or continue increasing sales of RUXIENCE, or if HCR does not comply with the Royalty Purchase Agreement, our results of operations will be adversely affected.

On June 25, 2020, we announced that we were entitled to royalty payments from Pfizer related to sales of a rituximab biosimilar product, RUXIENCE (Rituximab-pvvr), which was approved by the U.S. Food and Drug Administration in July 2019 and launched by Pfizer in the United States and Japan in early 2020, and the European Union in the third quarter of 2020. The payments from Pfizer relate to a Collaboration and License Agreement acquired by us as part of our spin-off from Emergent in 2016, which applies a fixed royalty rate of 2.5% on global net sales of RUXIENCE. The agreement was originally executed by Trubion Pharmaceuticals (which was subsequently acquired by Emergent) and Wyeth (a wholly-owned subsidiary of Pfizer).

On March 30, 2021, we entered into and closed a Royalty Purchase Agreement with HCR pursuant to which we sold to HCR the right to receive royalty payments made by Pfizer in respect of global net sales of RUXIENCE. Under the terms of the Royalty Purchase Agreement, we have received $47.5 million through March 31, 2023 ($35 million at closing and $12.5 million in milestone payments) and we are eligible to receive an additional $10 million based on the achievement of sales milestone 2023.

We have no control over the sales of RUXIENCE and are therefore dependent on the efforts and ability of Pfizer to generate net sales of RUXIENCE sufficient for us to receive Milestone Payments under the Royalty Purchase Agreement. The failure of Pfizer to successfully generate such net sales could negatively impact our future financial and operating results and our results of operations could therefore be adversely affected. Additionally, even if Pfizer is able to generate net sales of RUXIENCE sufficient for us to receive such milestone payments, if HCR breaches the Royalty Purchase Agreement (for example, by not making required payments when due, or at all), disputes or litigation may arise. Such disputes or litigation could be time-consuming and expensive and could adversely affect our business.

We face product liability exposure, which could cause us to incur substantial liabilities and negatively affect our business, financial condition, and results of operations.

The nature of our business exposes us to potential liability inherent in pharmaceutical products, including with respect to the testing of our product candidates in clinical trials and any product candidates that we successfully develop. Product liability claims might be made by patients in clinical trials, consumers, health care providers or pharmaceutical companies or others that sell any products that we successfully develop. These claims may be made even with respect to those products that are manufactured in licensed and regulated facilities or otherwise receive regulatory approval for study or commercial sale. We cannot predict the frequency, outcome or cost to defend any such claims.

If we cannot successfully defend ourselves against future claims that our product candidates caused injuries, we may incur substantial liabilities. Regardless of merit or eventual outcome, product liability claims may result in:

- adverse publicity and/or injury to our reputation;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- decreased demand or withdrawal of an approved product;
- loss of revenue; and
- an inability to commercialize products that we may develop.

The amount of insurance that we currently hold may not be adequate to cover all liabilities that may occur. Further product liability insurance may be difficult and expensive to obtain. We may not be able to maintain insurance coverage at a reasonable cost and we may not be able to obtain insurance coverage that will be adequate to satisfy all potential liabilities. Claims or losses in excess of our product liability insurance coverage could have a material adverse effect on our business, financial condition, and results of operations. The cost of defending any product liability litigation or other proceeding, even if resolved in our favor, could be substantial. Uncertainties resulting from the initiation and continuation of product liability litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Product liability claims, regardless of merit or eventual outcome, may absorb significant management time and result in reputational harm, potential loss of revenue from decreased demand for any product candidates we successfully develop, withdrawal of clinical trial participants and potential termination of clinical trial sites or entire clinical programs, and could cause our stock price to fall.

Our success is dependent on our continued ability to attract, motivate and retain key personnel, and any failure to attract or retain key personnel may negatively affect our business.

Because of the specialized scientific nature of our business, our ability to develop products and to compete with our current and future competitors largely depends upon our ability to attract, retain and motivate highly qualified managerial and key scientific and technical personnel. If we are unable to retain the services of one or more of the principal members of senior management, including our Chief Executive Officer, Marvin L. White, our Chief Operating Officer, Jeffrey G. Lamothe, our Chief Financial Officer, Daphne Taylor, our General Counsel, SoYoung Kwon, or other key employees, our ability to implement our business strategy could be materially harmed. We face intense competition for qualified employees from biotechnology and pharmaceutical companies, research organizations and academic institutions. Attracting, retaining or replacing these personnel on acceptable terms may be difficult and time-consuming given the high demand in our industry for similar personnel. We believe part of being able to attract, motivate and retain personnel is our ability to offer a competitive compensation package, including equity incentive awards. If we cannot offer a competitive compensation package or otherwise attract and retain the qualified personnel necessary for the continued development of our business, we may not be able to maintain our operations or grow our business.

We completed a Section 382 study and have concluded that we experienced an "ownership change" as defined in Section 382 of the U.S. Internal Revenue Code of 1986, as amended (the Code), and thus the tax benefits of our pre-"ownership change" net operating loss carryforwards and certain other tax attributes will be subject to an annual limitation under Sections 382 and 383 of the Code.

In general, a corporation undergoes an "ownership change" under Section 382 of the Code if, among other things, the stockholders who own, directly or indirectly, 5% or more of the corporation's stock (by value), or are otherwise treated as "5% stockholders" under Section 382 of the Code and the Treasury regulations promulgated thereunder, increase their aggregate percentage ownership (by value) of the corporation's stock by more than 50 percentage points over the lowest percentage of stock owned by the 5% stockholders at any time during the applicable testing period, which is generally the rolling three-year period preceding the date of the potential ownership change testing event. Such potential ownership change testing events include changes involving a stockholder becoming a 5% stockholder or arising from a new issuance of capital stock or share repurchases by the corporation, subject to certain exceptions.

In the event of an "ownership change," Sections 382 and 383 of the Code impose an annual limitation on the amount of taxable income a corporation may offset with pre-change net operating loss carryforwards and certain other tax attributes. The annual limitation is generally equal to the value of the outstanding stock of the corporation immediately before the ownership change (excluding certain capital contributions), multiplied by the long-term tax-exempt rate as published by the IRS for the month in which the ownership change occurs (the long-term tax-exempt rate for November 2020 is 0.89%). Any unused annual limitation may generally be carried over to subsequent years until the pre-ownership change net operating loss carryforwards and certain other tax attributes expire or are fully utilized by the corporation. Similar provisions of state tax law may also apply to limit the use of state net operating loss carryforwards and certain other tax attributes.

Additionally, Section 382 of the Code includes special rules that apply to a corporation with a significant amount of net unrealized built-in gains or net unrealized built-in losses in its assets immediately prior to ownership change under Section 382 of the Code. In general, certain built-in gains recognized during the five-year period beginning on the date of the ownership change increases the corporation's annual limitation under Sections 382 and 383 of the Code in the taxable year that such built-in gains are recognized or deemed recognized (but only up to the amount of the net unrealized built-in gain), while certain built-in losses recognized during such five-year period are subject to the annual limitation under Section 382 of the Code (but only up to the amount of the net unrealized built-in loss).

As of December 31, 2022, we had approximately $156.2 million and $71.1 million of federal and state net operating loss carryforwards, respectively, available to reduce future taxable income that will begin to expire in 2037 for federal income tax purposes. We completed an IRC Section 382 study through December 31, 2021. The study concluded that we have experienced an ownership change in November of 2020 and December of 2020 and $162.6 of our NOL carry forwards are subject to an annual limitation. It is not expected that the annual limitations will result in the expiration of NOL carryforwards prior to utilization assuming sufficient income.

We cannot predict or control the occurrence or timing of another ownership change under Section 382 of the Code in the future. In addition, it is possible that any offering of securities by us could result in an ownership change. If another ownership change were to occur, future limitations could apply to our net operating losses and certain other tax attributes, which could result in a material amount of our net operating loss carryforwards and certain other tax attributes becoming unavailable to offset future income tax liabilities.

The realization of all or a portion of our deferred income tax assets (including net operating loss carryforwards) is dependent upon the generation of future income during the statutory carryforward periods. Our inability to utilize our limited pre-ownership change net operating loss carryforwards and certain other tax attributes, or the occurrence of a future ownership change and resulting additional limitations to these tax attributes, could have a material adverse effect on our financial condition, results of operations and cash flows.

The change to the deductibility of our research and development expenditures enacted under the Tax Cuts and Jobs Act (TCJA) could increase the amount of taxes to which we are subject and our effective tax rate.

Beginning in 2022, the TCJA eliminates the option to deduct research and development expenditures currently and requires taxpayers to capitalize and amortize these expenditures over five or fifteen years depending on the type of research and development expenditure pursuant to Section 174 of the Code. Such change to the deductibility of our research and development expenditures could increase the amount of taxes to which we are subject and our effective tax rate.

Our investments are subject to market and credit risks that could diminish their value and these risks could be greater during periods of extreme volatility or disruption in the financial and credit markets, which could adversely impact our business, financial condition, results of operations, liquidity and cash flows.

Our investments are subject to risks of credit defaults and changes in market values. Periods of macroeconomic weakness or recession, heightened volatility or disruption in the financial and credit markets, such as the current macroeconomic environment, increase these risks, potentially resulting in other-than-temporary impairment of assets in our investment portfolio. The impact of geopolitical tension, such as a deterioration in the bilateral relationship between the US and China or Russia's invasion of Ukraine, including any additional sanctions, export controls or other restrictive actions that may be imposed by the United States and/or other countries against governmental or other entities in, for example, Russia, also could lead to disruption, instability and volatility in the global markets, which may have an impact on our investments across negatively impacted sectors or geographies.

The COVID-19 pandemic, reoccurrences of COVID-19 or other pandemics, or other future widespread public health epidemics could adversely impact our business, including our clinical trials.

The COVID-19 pandemic caused severe global economic and societal disruptions and uncertainties. Although the COVID-19 pandemic has ended, reoccurrences of COVID-19 or other pandemics, or other future widespread public health epidemics may cause disruptions that could severely impact our business, such as delays or difficulties to the financing environment and raising capital due to economic uncertainty or volatility; supply constraints; delays in opportunities to partner our product candidates, due to financial and other impacts on potential partners; diversion of healthcare resources away from the conduct of clinical trials; potential impacts on our future milestone payments from Medexus due to the environment which may impact Medexus' ability to continue to successfully commercialize the IXINITY business or Pfizer to successfully commercialize RUXIENCE; and negative impacts on suppliers and licensees. The ultimate impact of COVID-19 reoccurrences or other pandemics on our business, results of operations, financial condition and cash flows is dependent on future developments, including the duration of any pandemic and the related length of its impact on the United States and global economies, which are uncertain and cannot be predicted at this time. The impact of the COVID-19 pandemic, recurrences, or future other pandemics may also exacerbate many of the other risks described in this "Risk Factors" section. Despite our efforts to manage these impacts, their ultimate impact depends on factors beyond our knowledge or control, including the duration and severity of any outbreak and actions taken to contain its spread and mitigate its public health effects. The foregoing and other continued disruptions in our business as a result of COVID-19 could result in a material adverse effect on our business, results of operations, financial condition, prospects and the trading prices of our securities in the near-term and beyond 2023.

Product Development Risks

The results of our current and planned preclinical studies and clinical trials may not satisfy the requirements of the FDA or non-U.S. regulatory authorities. Results from early preclinical studies and clinical trials may not be predictive of results from later-stage or other trials and interim or top line data may be subject to change or qualification based on the complete analysis of data.

We concluded enrollment in our Phase 1b clinical trial with APVO436 and are in the process of initiating a Phase 2 study in the second half of 2023. Additionally, we initiated a first-in-human Phase 1 clinical study of ALG.APV-527 in the first quarter of 2023. None of our other product candidates have entered clinical development. Clinical failure can occur at any stage of preclinical or clinical development. Preclinical studies and clinical trials may produce inconsistent, negative or inconclusive results. The FDA or a non-US regulatory authority may require us to conduct additional clinical or preclinical testing. Success in early preliminary data, preclinical studies and clinical trials does not mean that future larger registration clinical trials will be successful and interim results of a clinical trial do not necessarily predict final results. Product candidates in later-stage clinical trials may fail to demonstrate sufficient safety and efficacy to the satisfaction of the FDA and non-U.S. regulatory authorities despite having progressed through initial clinical trials. In

some instances, there can be significant variability in safety or efficacy results between different clinical trials of the same product candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, changes in adherence to the dosing regimen and other clinical trial protocols and the rate of dropout among clinical trial participants. In addition, preclinical and clinical data are often susceptible to various interpretations and analyses, and many companies whose product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy profile despite having progressed through preclinical studies and initial clinical trials. A number of companies in the pharmaceutical and biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier studies, and we cannot be certain that we will not face similar setbacks. Even if early-stage clinical trials are promising, we may need to conduct additional clinical trials of our product candidates in additional patient populations or under different treatment conditions before we are able to seek approvals from the FDA and regulatory authorities outside the United States to market and sell these product candidates. Any of these events could limit the commercial potential of our product candidates and have a material adverse effect on our business, prospects, financial condition and results of operations. A number of companies in the pharmaceutical industry, including those with greater resources and experience than us, have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier clinical trials.

In addition, our APVO436 clinical trial is an open-label study and is conducted at a limited number of clinical sites on a limited number of patients. An “open-label” clinical trial is one where both the patient and investigator know whether the patient is receiving the investigational product candidate or an existing approved drug. Most typically, open-label clinical trials test only the investigational product candidate and sometimes may do so at different dose levels or in combination with other drugs. Open-label clinical trials are subject to various limitations that may exaggerate any therapeutic effect as patients in open-label clinical trials are aware when they are receiving treatment. Open-label clinical trials may be subject to a “patient bias” where patients perceive their symptoms to have improved merely due to their awareness of receiving an experimental treatment. In addition, open-label clinical trials may be subject to an “investigator bias” where those assessing and reviewing the physiological outcomes of the clinical trials are aware of which patients have received treatment and may interpret the information of the treated group more favorably given this knowledge. The results from these clinical trials may not be predictive of future clinical trial results with APVO436 or other product candidates. In addition, although the FDA issued a “may proceed” notification which allowed us and Alligator to initiate our Phase 1 clinical trial of ALG.APV-527, we cannot guarantee that this trial or future trials of ALG.APV-527 will show the desired safety and efficacy.

We may publicly disclose top line or interim data from time to time, which is based on a preliminary analysis of then-available data, and the results and related findings and conclusions are subject to change following a more comprehensive review of the data related to the particular study or trial. The top line or interim results that we report may differ from future results of the same studies, or different conclusions or considerations may qualify such results once additional data have been received and fully evaluated. For example, we released preliminary data regarding our APVO436 Phase 1b clinical trial study which may change or be inconsistent with future results. Even in situations where a clinical stage candidate appears to be benefiting a patient, that benefit may not be of a permanent nature. Top line and interim data also remain subject to audit and verification procedures, that may result in the final data being materially different from the preliminary data we previously published. In addition, the achievement of one primary endpoint for a trial does not guarantee that additional co-primary endpoints or secondary endpoints will be achieved. Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is based on what is typically extensive information, and you or others may not agree with what we determine is material or otherwise appropriate information to include in our disclosure.

Our future clinical trials may not be successful. Moreover, should there be a flaw in a clinical trial, it may not become apparent until the clinical trial is well advanced. We may also experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our ability to receive marketing approval or commercialize our product candidates, including:

- regulators or Institutional Review Boards (IRBs) may not authorize us or our investigators to commence or continue a clinical trial, conduct a clinical trial at a prospective trial site, or amend trial protocols, or regulators or IRBs may require that we modify or amend our clinical trial protocols;
- we may experience delays in reaching, or fail to reach, agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites and our contract research organizations (CROs);
- regulators may require us to perform additional or unanticipated clinical trials to obtain approval or we may be subject to additional post-marketing testing, surveillance, or Risk Evaluation and Mitigation Strategy (REMS) requirements to maintain regulatory approval;
- clinical trials of our product candidates may produce negative or inconclusive results, or our studies may fail to reach the necessary level of statistical significance;
- changes in marketing approval policies, laws, regulations, or the regulatory review process during the development period rendering our data insufficient to obtain marketing approval;

- the cost of clinical trials of our product candidates may be greater than we anticipate or we may have insufficient funds for a clinical trial or to pay the substantial user fees required by the FDA upon the filing of a marketing application;
- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate;
- we may fail to reach an agreement with regulators or IRBs regarding the scope, design, or implementation of our clinical trials;
- we may have delays in adding new investigators or clinical trial sites, or we may experience a withdrawal of clinical trial sites;
- there may be regulatory questions or disagreements regarding interpretations of data and results, or new information may emerge regarding our product candidates;
- the FDA or comparable foreign regulatory authorities may disagree with our study design, including endpoints, or our interpretation of data from non-clinical studies and clinical trials or find that a product candidate's benefits do not outweigh its safety risks;
- the FDA or comparable foreign regulatory authorities may not accept data from studies with clinical trial sites in foreign countries;
- the FDA or comparable regulatory authorities may disagree with our intended indications;
- the FDA or comparable foreign regulatory authorities may fail to approve or subsequently find fault with the manufacturing processes or our contract manufacturer's manufacturing facility for clinical and future commercial supplies; and
- we may not be able to demonstrate that a product candidate provides an advantage over current standards of care or current or future competitive therapies in development.

Further, our product candidates may not be approved even if they achieve their primary endpoints in Phase 3 clinical trials or registration trials. Regardless of any advisory committee recommendation, the FDA may decline to approve the BLA for a number of reasons including, if the clinical benefit, safety profile or effectiveness of the drug is not deemed by the FDA to warrant approval. The FDA or other non-U.S. regulatory authorities may disagree with our trial design, and our interpretation of data from non-clinical studies and clinical trials. In particular, the FDA may not view our data as being clinically meaningful or statistically persuasive. The regulatory authorities and policies governing the development of our product candidates may also change at any time. In addition, any of these regulatory authorities may change requirements for the approval of a product candidate even after reviewing and providing comments or advice on a protocol for a pivotal Phase 3 clinical trial. Any of these regulatory authorities may also approve a product candidate for fewer or more limited indications than we request or may grant approval contingent on the performance of costly post-marketing clinical trials. The FDA or other non-U.S. regulatory authorities may not approve the labeling claims that we believe would be necessary or desirable for the successful commercialization of our product candidates.

We may not be able to file INDs, or IND amendments to commence additional clinical trials on the timelines we expect, and even if we are able to, the FDA may not permit us to proceed.

We submitted an IND for ALG.APV-527 to the FDA in the second half of 2022 for which we received a "may proceed" notification from the FDA. However, we may not be able to file future INDs for our product candidates on the timelines we expect. For example, we may experience manufacturing delays or other delays with IND-enabling studies. Moreover, we cannot be sure that submission of future INDs will result in the FDA allowing clinical trials to begin, or that, once begun, issues will not arise that suspend or terminate clinical trials. Additionally, even if such regulatory authorities agree with the design and implementation of the clinical trials set forth in an IND, we cannot guarantee that such regulatory authorities will not change their requirements in the future. These considerations also apply to new clinical trials we may submit as amendments to existing INDs or to a new IND. Any failure to file INDs on the timelines we expect or to obtain regulatory approvals for our trials may prevent us from completing our clinical trials or commercializing our products on a timely basis, if at all.

If we experience delays or difficulties in the commencement, site initiation, enrollment of patients or completion of our clinical trials, the time to reach critical trial data and receipt of any necessary regulatory approvals could be delayed.

We may not be able to initiate or continue clinical trials for our product candidates if we are unable to locate, enroll and maintain a sufficient number of eligible patients to participate in these trials as required by the FDA or similar regulatory authorities outside the United States. In addition, some of our competitors have ongoing clinical trials for product candidates that treat the same indications as our product candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' product candidates. Furthermore, APVO436 has received orphan drug designation for acute myelogenous leukemia and thus has a relatively small patient population. Also, the eligibility criteria of our clinical trials may further limit the pool of available

study participants as we require that patients have specific characteristics that we can measure to assure their disease is either severe enough or not too advanced to include them in a study.

Patient enrollment is affected by other factors including:

- the severity of the disease under investigation;
- the design of the clinical trial, including the patient eligibility criteria for the study in question;
- the perceived risks and benefits of the product candidate under study;
- our payments for conducting clinical trials;
- the patient referral practices of physicians;
- our ability to recruit clinical trial investigators with the appropriate competencies and experiences;
- our ability to obtain and maintain patient consents;
- the ability to monitor patients adequately during and after treatment;
- reporting of preliminary results of any of our clinical trial sites;
- the proximity and availability of clinical trial sites for prospective patients; and

Our inability to enroll a sufficient number of patients for clinical trials could result in significant delays and could require us to abandon one or more clinical trials altogether. Site initiation and enrollment delays in our clinical trials may result in increased development costs for our product candidates, delays in the availability of preliminary or final results, and delays to commercially launching our product candidates, if approved, which may cause the value of our company to decline and limit our ability to obtain additional financing.

Serious adverse events, undesirable side effects or other unexpected properties of our product candidates may be identified that could delay, prevent, or cause the withdrawal of regulatory approval, limit the commercial potential, or result in significant negative consequences following marketing approval.

Serious adverse events or undesirable side effects caused by, or other unexpected properties of any of our product candidates, either when used alone or in combination with other approved or investigational therapies, could cause us or regulatory authorities to interrupt, delay or halt our development activities and manufacturing and distribution operations and could result in a more restrictive label, the imposition of a clinical hold, suspension, distribution or use restrictions or the delay or denial of regulatory approval by the FDA or comparable foreign regulatory authorities. If any of our product candidates are associated with serious adverse events or undesirable side effects or have properties that are unexpected, we may need to abandon their development or limit development to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Many compounds that initially showed promise in clinical or earlier stage testing have later been found to cause undesirable or unexpected side effects that prevented further development of the compound.

As we continue developing our product candidates and conduct clinical trials of our product candidates, serious adverse events, or SAEs, undesirable side effects, relapse of disease or unexpected characteristics may emerge causing us to abandon these product candidates or limit their development to more narrow uses or subpopulations in which the SAEs or undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective or in which efficacy is more pronounced or durable. Undesirable side effects, or other unexpected adverse events or properties of any of our product candidates, could arise or become known either during clinical development or, if approved, after the approved product has been marketed. If such an event occurs during development, the FDA or comparable foreign regulatory authorities could suspend or terminate a clinical trial or deny approval of our product candidates. Furthermore, we are currently and may in the future evaluate our product candidates in combination with approved and/or experimental therapies. These combinations may have additional or more severe side effects than caused by our product candidate as monotherapies. The uncertainty resulting from the use of our product candidate in combination with other therapies may make it difficult to accurately predict side effects or efficacy in potential future clinical trials. If our product candidates receive marketing approval and we or others later identify undesirable side effects caused by such products, a number of potentially significant negative consequences may result, including:

- regulatory authorities may require us to conduct additional clinical trials or abandon our research efforts for our other product candidates;
- regulatory authorities may require additional warnings on the label or impose distribution or use restrictions;
- regulatory authorities may require one or more post-market studies;
- we may be required to create a medication guide outlining the risks of such side effects for distribution to patients;

- regulatory authorities may require implementation of a REMS, Field Safety Corrective Actions or equivalent, which may include safety surveillance, restricted distribution and use, patient education, enhanced labeling, special packaging or labeling, expedited reporting of certain adverse events, preapproval of promotional materials and restrictions on direct-to-consumer advertising;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market approval and acceptance of the affected product candidate, or could substantially increase commercialization costs and expenses, which could delay or prevent us from generating revenue from the sale of our products and materially harm our business and results of operations.

We depend on third parties to conduct our clinical and non-clinical trials. If these third parties do not effectively carry out their contractual duties, comply with regulatory requirements or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed.

We do not have the ability to independently conduct the clinical and preclinical trials required to obtain regulatory approval for our product candidates. We depend on third parties, such as independent clinical investigators, research sites, contract research organizations, or CROs, and other third-party service providers to conduct the clinical and preclinical trials of our product candidates, and we expect to continue to do so. For example, Dr. Dirk Huebner, Chief Medical Officer, is providing clinical trial and medical affairs oversight duties as an independent consultant. We rely heavily on Dr. Huebner and these other third parties for successful execution and oversight of our clinical and non-clinical trials, but we do not exercise day to day control over their activities.

While we have agreements governing the activities of third parties, we have limited influence and control over their actual performance and activities. For instance, our third-party service providers are not our employees, and except for remedies available to us under our agreements with such third parties we cannot control whether or not they devote sufficient time and resources to our ongoing clinical, and non-clinical programs. Our third-party service providers may also have relationships with other entities, some of which may be our competitors, for whom they may also be conducting trials or other therapeutic development activities that could harm our competitive position. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our non-clinical studies or clinical trials in accordance with regulatory requirements or our stated protocols, if they need to be replaced or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to our protocols, regulatory requirements or for other reasons, our trials may be repeated, extended, delayed, or terminated, we may not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates, we may not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates, or we or they may be subject to regulatory enforcement actions.

Our reliance on third-party service providers does not relieve us of our regulatory responsibilities, including ensuring that our trials are conducted in accordance with the FDA-approved good clinical practices, or GCPs, and the plans and protocols contained in the relevant regulatory application. In addition, these organizations and individuals may not complete these activities on our anticipated or desired timeframe. We also may experience unexpected cost increases that are beyond our control. Problems with the timeliness or quality of the work of a contract research organization may lead us to seek to terminate the relationship and use an alternative service provider, which may prove difficult and/or costly and result in a delay of our trials. In addition, business disruptions arising from circumstances out of our control, could negatively affect the ability of some of the independent clinical investigators, contract research organizations and other third-party service providers that conduct our clinical and preclinical trials of our product candidates. Any delay in or inability to complete our trials could delay or prevent the development, approval, and commercialization of our product candidates.

If CROs or other third parties assisting us or our study sites fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or its non-U.S. counterparts may require us to perform additional clinical trials before approving our marketing applications. We or they may also face regulatory enforcement action. We cannot assure you that, upon inspection, the FDA or non-U.S. regulatory agencies will determine that any of our clinical trials comply with GCP. In addition, our clinical trials must be conducted with product produced under GMP and similar regulations outside of the United States. Our failure, or the failure of our product candidate manufacturers, to comply with these regulations may require us to repeat or redesign clinical trials, or conduct additional trials, which would increase our development costs and delay or impact the conduct of our preclinical studies, clinical trials, and the likelihood of regulatory approval.

If third parties do not carry out their duties under their agreements with us, if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to our clinical protocols, including dosing requirements, or regulatory requirements, or if they otherwise fail to comply with clinical trial protocols or meet expected deadlines, our clinical trials may not meet regulatory requirements. If our clinical trials do not meet regulatory requirements or if these third parties need to be replaced, our clinical trials may be extended, delayed, suspended or terminated.

Agreements with third parties conducting or otherwise assisting with our clinical or non-clinical studies might terminate for a variety of reasons, including a failure to perform by the third parties. If any of our relationships with these third parties terminate, we may not be able to enter into arrangements with alternative providers or to do so on commercially reasonable terms. Switching or adding

additional third parties involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new third party commences work. As a result, if we need to enter into alternative arrangements, it could delay our product development activities and adversely affect our business. Though we carefully manage our relationships with our third parties, there can be no assurance that we will not encounter challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects, and results of operations.

If any of these events occur, we may not be able to obtain regulatory approval of our product candidates or succeed in our efforts to create approved line extensions for certain of our existing products or generate additional useful clinical data in support of these products. Moreover, if we are unable to obtain any necessary third-party services on acceptable terms or if these service providers do not successfully carry out their contractual duties or meet expected deadlines, our efforts to obtain regulatory approvals for our product candidates may be delayed or prevented.

Manufacture of our product candidates, especially in large quantities, is complex and time consuming. The loss of any of our third-party manufacturers, or delays or problems in the manufacture of our product candidates, could result in product shortages and/or delays in clinical development.

We do not have manufacturing capabilities and do not plan to develop such capacity in the foreseeable future. We depend on a limited number of third-party suppliers for the production of our product candidates. Accordingly, our ability to develop and deliver product candidates in a timely and competitive manner and to enable us to conduct our development programs depends on our third-party manufacturers being able to continue to meet our ongoing clinical trial needs and perform their contractual obligations. In order to successfully develop and commercialize our product candidates in a timely manner, we and our third-party manufacturers must be able to develop and execute on manufacturing processes and reach agreement on contract terms.

Our current and anticipated future dependence upon others for the manufacture of our product candidates or any product that we develop may adversely affect our future profit margins and our ability to commercialize any products that receive marketing approval on a timely and competitive basis. In addition, any performance failure on the part of our existing or future manufacturers could delay clinical development or marketing approval.

If these third-party manufacturers do not successfully carry out their contractual duties, meet expected deadlines or manufacture our product candidates in accordance with regulatory requirements, if there are disagreements between us and such parties, or if such parties are unable to expand capacities to support commercialization of any of our product candidates for which we obtain marketing approval, we may not be able to produce, or may be delayed in producing sufficient product candidates to meet our supply requirements. Any delays in obtaining adequate supplies with respect to our product candidates and components may delay the development or commercialization of our product candidates.

We may not succeed in our efforts to establish manufacturing relationships or other alternative arrangements for any of our product candidates, components, and programs. Our product candidates may compete with other products and product candidates for access to manufacturing facilities. There are a limited number of manufacturers that operate under cGMP regulations and that are both capable of manufacturing for us and willing to do so.

If our existing third-party manufacturers, or the third parties that we engage in the future to manufacture a product or component for commercial sale or for our clinical trials should cease to continue to do so for any reason, we likely would experience delays in obtaining sufficient quantities of our product candidates for us to meet commercial demand or to advance our clinical trials while we identify and qualify replacement suppliers. These third-party facilities may also be affected by natural disasters, such as floods or fire, or such facilities could face manufacturing issues, such as contamination or regulatory findings following a regulatory inspection of such facility. In such instances, we may need to locate an appropriate replacement third-party relationship, which may not be readily available or on acceptable terms, which would cause additional delay and increased expense. In some cases, the technical skills required to manufacture our products or product candidates may be unique or proprietary to the original manufacturer and we may have difficulty, or there may be contractual restrictions prohibiting us from, transferring such skills to an alternate supplier in a timely fashion if at all. The addition of a new or alternative manufacturer may also require FDA approvals and may have a material adverse effect on our business.

If for any reason we are unable to obtain adequate supplies of our product candidates or the components used to manufacture them, it will be more difficult for us to develop our product candidates and compete effectively. Further, even if we do establish such collaborations or arrangements, our third-party manufacturers may breach, terminate, or not renew these agreements.

We or our third-party manufacturers may also encounter shortages in the raw materials or therapeutic substances necessary to produce our product candidates in the quantities needed for our clinical trials or, if our product candidates are approved, in sufficient quantities for commercialization or to meet an increase in demand. Such shortages may occur for a variety of reasons, including capacity constraints, delays or disruptions in the market, and shortages caused by the purchase of such materials by our competitors or others. We may also not be able to obtain such materials on favorable terms as a result of global trade policies. Our third-party manufacturers' failure to obtain the raw materials, therapeutic substances, or active pharmaceutical ingredients necessary to manufacture sufficient quantities of our product candidates may have a material adverse effect on our business.

All of our current product candidates are biologics. Our product candidates must be made consistently and in compliance with a clearly defined manufacturing process. Problems may arise during manufacturing for a variety of reasons, including problems with raw materials, equipment malfunction or replacement and failure to follow specific protocols and procedures. Slight deviations anywhere in the manufacturing process, including obtaining materials, maintaining master seed or cell banks and preventing genetic drift, seed or cell growth, fermentation and contamination including from, among other things, particulates, filtration, filling, labeling, packaging, storage and shipping, and quality control testing, may result in lot failures or manufacturing shut-down, delays in the release of lots, product recalls, spoilage or regulatory action.

Additionally, our development and commercialization strategy involves entering into arrangements with corporate and academic collaborators, contract research organizations, distributors, third-party manufacturers, licensors, licensees and others to conduct development work, manage or conduct our clinical trials, manufacture our product candidates and market and sell our products outside of the United States and maintain our existing arrangements with respect to the commercialization or manufacture of our products. We may not have the expertise or the resources to conduct all of these activities for all products and product candidates on our own and, as a result, are particularly dependent on third parties in many areas. Any current or future arrangements for development and commercialization may not be successful, as the amount and timing of resources that third parties devote to developing, manufacturing, and commercializing our products candidates are not within our control. If we are not able to establish or maintain agreements relating to our product candidates in development, our results of operations and prospects would be materially and adversely affected.

Any loss of a third-party manufacturer, any delays, or problems in the manufacture of our products, or termination of any arrangements for development and commercialization of our products could have a material adverse effect on our business, operations, results of operations and financial condition. We may be required to replace our manufacturer and if this were to occur, we may incur added costs and delays in identifying and qualifying any such replacements. We may also not be able to enter into such arrangements on favorable commercial terms.

Changes in product candidate manufacturing or formulation may result in additional costs or delay.

As product candidates are developed through preclinical studies to late-stage clinical trials toward approval and commercialization, it is common that various aspects of the development program, such as manufacturing methods, manufacturing sites, and formulation, are altered along the way in an effort to optimize processes and results. Any of these changes could cause our product candidates to perform differently and affect the results of planned clinical trials or other future clinical trials conducted with the altered materials. Such changes may also require additional testing, clinical trials, FDA notification, or FDA approval. Any of the foregoing could limit our future revenues and growth.

Failure of our third-party manufacturers to successfully manufacture material that conforms to our specifications and the FDA's or foreign regulatory authorities' strict regulatory requirements, may prevent regulatory approval of those manufacturing facilities.

We rely on third parties to manufacture all clinical trial materials for our product candidates, and we will rely on third parties to manufacture commercial supplies, if any such product candidates are ultimately approved for commercial sale. Manufacturers of our product candidates and therapeutic substances must comply with GMP requirements enforced by the FDA that are applicable to both finished products and their active components used both for clinical and commercial supply. The FDA enforces these requirements through its facilities inspection program. Our product candidates, including APVO436 and ALG.APV-527, will not be approved for marketing by the FDA or other foreign regulatory authorities unless the FDA or their foreign equivalents also approve the facilities used by our third-party manufacturers to produce them for commercialization. If our third-party manufacturers cannot successfully manufacture material that conforms to our specifications and the FDA's or foreign regulatory authorities' strict regulatory requirements, the FDA or their foreign counterparts will not approve their manufacturing facilities, which would result in significant delays in obtaining FDA or foreign marketing approvals for our product candidates. If this were to occur, we may also never receive marketing approval, we may need to repeat clinical trials, we may need to undertake costly corrective actions, including product recalls, we may risk harm to subjects or patients, and we may face enforcement actions.

While we are ultimately responsible for the manufacture of our product candidates, other than through our contractual arrangements, we have little control over our manufacturers' compliance with these regulations and standards. If the FDA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of our product candidates or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain and maintain regulatory approval for or market our product candidates, if approved. Additionally, we may be unable to contract with alternative manufacturers on favorable or reasonable terms. Any new manufacturers would need to either obtain or develop the necessary manufacturing know-how, and obtain the necessary equipment and materials, which may take substantial time and investment. In some cases, the technical skills required to manufacture our products or product candidates may be unique or proprietary to the original manufacturer and we may have difficulty, or there may be contractual restrictions prohibiting us from, transferring such skills to a back-up or alternate supplier, or we may be unable to transfer such skills at all. In addition, if we are required to change manufacturers for any reason, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations. We will also need to verify, such as through a manufacturing comparability study, that any new manufacturing process will produce our product candidate according to the specifications previously

submitted to the FDA or any other regulatory authority. The delays associated with the verification of a new manufacturer could negatively affect our ability to develop product candidates or commercialize our products in a timely manner or within budget. Furthermore, a manufacturer may possess technology related to the manufacture of our product candidate that such manufacturer owns independently. This would increase our reliance on such manufacturer or require us to obtain a license from such manufacturer in order to have another manufacturer produce our product candidates. In addition, changes in manufacturers often involve changes in manufacturing procedures and processes, which could require that we conduct bridging studies between our prior clinical supply used in our clinical trials and that of any new manufacturer. We may be unsuccessful in demonstrating the comparability of clinical supplies which could require the conduct of additional clinical trials. We must also receive FDA approval for the use of any new manufacturers for commercial supply.

We and our third-party manufacturers may not be able to meet these manufacturing process requirements for any of our current product candidates, all of which have complex manufacturing processes, which make meeting these requirements even more challenging. If we are unable to develop manufacturing processes for our clinical product candidates that satisfy these requirements, we will not be able to supply sufficient quantities of test material to conduct our clinical trials in a timely or cost-effective manner, and as a result, our development programs will be delayed, our financial performance will be adversely impacted and we will be unable to meet our long-term goals.

Certain of our product candidates have received orphan drug designation from the FDA. However, there is no guarantee that we will be able to maintain this designation, receive this designation for any of our other product candidates, or receive or maintain any corresponding benefits, including periods of exclusivity.

Certain of our product candidates have received orphan drug designation. We may also seek orphan drug designation for our other product candidates, as appropriate. While orphan drug designation does provide us with certain advantages, it neither shortens the development time or regulatory review time of a product candidate nor gives the product candidate any advantage in the regulatory review or approval process.

Generally, if a product candidate with orphan drug designation subsequently receives marketing approval before another product considered by the FDA to be the same for the same orphan indication, the product is entitled to a period of marketing exclusivity, which precludes the FDA from approving another marketing application for the same drug or biologic for the same indication for a period of seven years in the United States.

We may not be able to obtain any future orphan drug designations that we apply for. Orphan drug designations do not guarantee that we will be able to successfully develop our product candidates, and there is no guarantee that we will be able to maintain any orphan drug designations that we receive. For instance, orphan drug designations may be revoked if the FDA finds that the request for designation contained an untrue statement of material fact or omitted material information, or if the FDA finds that the product candidate was not eligible for designation at the time of the submission of the request.

Moreover, even if we are able to receive and maintain orphan drug designations, we may ultimately not receive any period of regulatory exclusivity if our product candidates are approved. For instance, we may not receive orphan product regulatory exclusivity if the indication for which we receive FDA approval is broader than the orphan drug designation. Orphan exclusivity may also be lost for the same reasons that orphan drug designation may be lost. Orphan exclusivity may further be lost if we are unable to assure a sufficient quantity of the product to meet the needs of patients with the rare disease or condition.

Even if we obtain orphan exclusivity for any of our current or future product candidates, that exclusivity may not effectively protect the product from competition as different products can be approved for the same condition or products that are the same as ours can be approved for different conditions. Even after an orphan product is approved, the FDA can also subsequently approve a product containing the same principal molecular features for the same condition if the FDA concludes that the later product is clinically superior. The FDA may further grant orphan drug designation to multiple sponsors for the same compound or active molecule and for the same indication. If another sponsor receives FDA approval for such product before we do, we would be prevented from launching our product in the United States for the orphan indication for a period of at least seven years, unless we can demonstrate clinical superiority. Moreover, third-party payors may reimburse for products off-label even if not indicated for the orphan condition.

We may seek Breakthrough Therapy designation by the FDA for a product candidate that we develop, and we may be unsuccessful. If we are successful, the designation may not lead to a faster development or regulatory review or approval process, and it does not increase the likelihood that our product candidates will receive marketing approval.

We may seek Breakthrough Therapy designation for any product candidate that we develop. A breakthrough therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over currently approved therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. For drugs that have been designated as breakthrough therapies, interaction and communication between the FDA and the sponsor of the trial can help to identify the most efficient path for clinical development while minimizing the number of patients placed in ineffective control

regimens. Drugs designated as breakthrough therapies by the FDA are also eligible for accelerated approval and priority review.

Even if we believe a product candidate we develop meets the criteria for designation as a breakthrough therapy, the FDA may disagree and instead determine not to make such designation. In any event, the receipt of Breakthrough Therapy designation for a product candidate may not result in a faster development process, review or approval compared to drugs considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. In addition, even if the product candidates we develop qualify as breakthrough therapies, the FDA may later decide that the drugs no longer meet the conditions for qualification and rescind the designation.

We may seek designation for our ADAPTIR and ADAPTIR-FLEX platform technologies as a designated platform technology, but we might not receive such designation, and even if we do, such designation may not lead to a faster development, regulatory review or approval process.

We may seek designation for our ADAPTIR and ADAPTIR-FLEX platform technologies as a designated platform technology. Under the FDORA, a platform technology incorporated within or utilized by a biologic is eligible for designation as a designated platform technology if (1) the platform technology is incorporated in, or utilized by, a product approved under a BLA; (2) preliminary evidence submitted by the sponsor of the approved or licensed product, or a sponsor that has been granted a right of reference to data submitted in the application for such product, demonstrates that the platform technology has the potential to be incorporated in, or utilized by, more than one product without an adverse effect on quality, manufacturing, or safety; and (3) data or information submitted by the applicable person indicates that incorporation or utilization of the platform technology has a reasonable likelihood to bring significant efficiencies to the drug development or manufacturing process and to the review process. A sponsor may request the FDA to designate a platform technology as a designated platform technology concurrently with, or at any time after, submission of an IND application for a product that incorporates or utilizes the platform technology that is the subject of the request. If so designated, the FDA may expedite the development and review of any subsequent original BLA for a product that uses or incorporates the platform technology. Even if we believe our platform technology meets the criteria for such designation, the FDA may disagree and instead determine not to grant such designation. In addition, the receipt of such designation for a platform technology does not ensure that a product will be developed more quickly or receive a faster FDA review process or ultimate FDA approval. Moreover, the FDA may revoke a designation if the FDA determines that a designated platform technology no longer meets the criteria for such designation.

We have in the past and may in the future conduct clinical trials for our product candidates outside the United States, and the FDA or non-U.S. regulatory authorities may not accept data from such trials in the development or approval of our product candidates in those jurisdictions.

We have in the past and may in the future conduct clinical trials outside the U.S. and the FDA and foreign regulatory authorities may not accept those data in support of the further development or approval of our product candidates. The acceptance of trial data from clinical trials conducted outside the United States by the FDA or applicable foreign regulatory authority may be subject to certain conditions. In cases where data from foreign clinical trials are intended to serve as the basis for marketing approval in the United States, the FDA will generally not approve the application on the basis of foreign data alone unless (i) the data are applicable to the United States population and United States medical practice; (ii) the trials were performed by clinical investigators of recognized competence; and (iii) the data may be considered valid without the need for an on-site inspection by the FDA, or if the FDA considers such an inspection to be necessary, the FDA is able to validate the data through an on-site inspection or other appropriate means. Additionally, the FDA's clinical trial requirements, including sufficient size of patient populations and statistical powering, must be met. Many foreign regulatory bodies have similar approval requirements.

In addition, such foreign trials will be subject to the applicable local laws of the foreign jurisdictions where the trials are conducted. There can be no assurance that the FDA or any applicable foreign regulatory authority will accept data from trials conducted outside of the United States. If the FDA or any applicable foreign regulatory authority does not accept such data, it would result in the need to conduct additional trials beyond those we have planned, which would be costly and time-consuming and delay aspects of our business plan, and which may result in our product candidates not receiving marketing approval for commercialization in the applicable jurisdiction.

Commercialization Risks

Our ability to grow revenues and execute on our long-term strategy depends heavily on our ability to discover, develop, and obtain marketing approval for our product candidates.

We currently have no products approved for commercial distribution. We have invested a significant portion of our efforts and financial resources in the development of our product candidates. Our business depends on the successful development and commercialization of our product candidates, which will require additional clinical and preclinical development, regulatory approval, commercial manufacturing arrangements, establishment of a commercial organization, significant marketing efforts, and further

investment, which may never occur. Our ability to generate revenues is substantially dependent on our ability to develop, obtain regulatory approval for, and then successfully commercialize our product candidates. Except for the revenues from previously sold products, we currently generate no revenues from sales of any products, and we may never be able to develop or commercialize a marketable product.

In order for us to achieve our long-term business objectives, we will need to successfully discover and/or develop and commercialize our product candidates. Although we have made, and expect to continue to make, significant investments in research and development, we have had only a limited number of our internally-discovered product candidates reach the clinical development stage. We currently have two clinical-stage candidates, APVO436 and ALG.APV-527, which were built on the ADAPTIR platform. Drug discovery and development is a complex, time-consuming and expensive process that is fraught with risk and a high rate of failure. Our product candidates are susceptible to the risks of failure inherent at any stage of product development, including the appearance of unexpected or unacceptable adverse events or failure to demonstrate efficacy in clinical trials. Failure to successfully discover and/or develop, obtain marketing approval for and commercialize additional products and product candidates would likely have a material adverse effect on our ability to grow revenues and improve our financial condition. If we are required to conduct additional clinical trials or other testing of our product candidates that we develop beyond those that we currently expect, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive, or if there are safety concerns, we may be delayed in obtaining marketing approval for our product candidates, not obtain marketing approval at all, obtain approval for limited indications or patient populations, with a label without claims necessary for us to successfully market our products, or with significant labeled warnings. We may also be subject to additional post-marketing testing requirements, surveillance requirements, or REMS. To the extent any of the foregoing should occur, our business may be materially harmed.

We may not be successful in our efforts to use and further develop our ADAPTIR or ADAPTIR-FLEX platforms.

A key element of our strategy is to expand our product pipeline of immunotherapy candidates based on our ADAPTIR and ADAPTIR-FLEX platform technologies. We plan to select and create product candidates for early development, potentially with other collaborative partners. We expect to continue to develop the platform to address unmet medical needs through directed cytokine delivery via monospecifics and bispecifics in areas including oncology, and multi-specific molecules in oncology and other therapeutic areas. Our goal is to leverage this technology to make targeted investment in monospecific, bispecific, and multi-specific ADAPTIR and ADAPTIR-FLEX therapeutics. Even if we are successful in continuing to build our pipeline, the potential product candidates that we identify may not be suitable for clinical development, including as a result of being shown to have harmful side effects or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance. If we do not successfully develop and commercialize product candidates based on our ADAPTIR and ADAPTIR-FLEX platform technologies, our ability to obtain product revenues in future periods may be adversely affected, which likely would result in harm to our financial position and our financial prospects, and adversely affect our stock price.

We face and will continue to face substantial competition and our failure to effectively compete may prevent us from achieving significant market penetration for our product candidates, if approved.

The development and commercialization of new biotechnology products is highly competitive and subject to rapid technological advances. We may face future competition with respect to our current product candidates and any product candidates we may seek to develop or commercialize in the future obtained from other companies and governments, universities, and other non-profit research organizations. Our competitors may develop products that are safer, more effective, more convenient, or less costly than any products that we may develop or market, or may obtain marketing approval for their products from the FDA, or equivalent foreign regulatory bodies more rapidly than we may obtain approval for our product candidates. Our competitors may have greater resources and may devote greater resources to research and develop their products, research and development capabilities, adapt more quickly to new technologies, scientific advances or patient preferences and needs, initiate or withstand substantial price competition or macroeconomic impacts more successfully, or more effectively negotiate third-party licensing and collaborative arrangements.

We believe that our most significant competitors in the oncology market include: AbbVie Inc., Affimed, ALX Oncology Holdings Inc., Amgen Inc., AnaptysBio, Inc., Arcellx, Astellas Pharma Inc., AvenCell Therapeutics, Inc., Bayer AG, Biogen Idec Inc., Boehringer Ingelheim GmbH, Bristol Myers Squibb, Cellectis, Chinook Therapeutics, City of Hope, Genentech Inc. (a subsidiary of F. Hoffmann-La Roche Ltd.), Genmab A/S, Gilead Sciences, Inc., GlaxoSmithKline plc, Grifols USA LLC, Harpoon Therapeutics, ImmunoGen, Inc., Immunomedics, Inc., Inhibrx Inc., Innate Pharma, invoX Pharma, Janssen BioTech Inc., Johnson & Johnson, Kyowa Hakko Kirin Pharma, Macrogenics, Inc., Molecular Partners, Mustang Bio, Pieris Pharmaceuticals, Inc., ProMab Biotechnologies, Sanofi-Aventis US LLC, Shattuck Labs, Strike Pharma, Syros Pharmaceuticals, Inc., Pfizer Inc., Takeda Pharmaceuticals U.S.A., Inc., University of Pennsylvania, VenCell Therapeutics, Xencor, Inc., Y-mAbs Therapeutics, Inc., and Zymeworks Biopharmaceuticals, Inc. We expect to compete on the basis of product efficacy, safety, ease of administration, price and economic value compared to drugs used in current practice or currently being developed. If we are not successful in demonstrating these attributes, physicians and other key healthcare decision makers may choose other products over any products we successfully develop, switch from our products to new products or choose to use our products only in limited circumstances, which could adversely affect our business, financial condition and results of operations.

Any of our product candidates, if approved, may become subject to unfavorable pricing regulations or third-party coverage and reimbursement policies, which would harm our business.

The success of our product candidates, if approved, will depend upon, among other things, their acceptance by physicians, patients, third-party payors, and other members of the medical community as a therapeutic and cost-effective alternative to competing products and treatments. If any of our product candidates do not achieve and maintain an adequate level of acceptance, we may not generate material revenues from sales of these products. The degree of market acceptance of our products will depend on a number of factors, including: our ability to provide acceptable evidence of safety and efficacy; the prevalence and severity of any side effects; availability, relative cost and relative efficacy of alternative and competing treatments; the ability to offer our products for sale at competitive prices; our ability to continuously supply the market without interruption; the relative convenience and ease of administration; the willingness of the target patient population to try new products and of physicians to prescribe these products; the strength of marketing and distribution support; publicity concerning our products or competing products and treatments; and the sufficiency of coverage or reimbursement by third parties.

Legislative or healthcare reform measures may have a material adverse effect on our business and results of operations.

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs. For example, in March 2010, the ACA was enacted, which substantially changed the way health care is financed by both governmental and private insurers, and significantly impacted the U.S. pharmaceutical industry. However, some provisions of the ACA have yet to be fully implemented and certain provisions have been subject to legal and political challenges, as well as efforts to repeal, replace delay, circumvent, or loosen certain aspects of the ACA or mandates required thereby. Additionally, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, it has enacted laws that modify certain provisions of the ACA, such as removing penalties as of January 1, 2019 for not complying with the ACA's individual mandate to carry health insurance, delaying the implementation of certain ACA-mandated fees, and increasing the point-of-sale discount that is owed by pharmaceutical manufacturers who participate in Medicare Part D. On June 17, 2021, the U.S. Supreme Court dismissed the most recent judicial challenge to the ACA brought by several states without specifically ruling on the constitutionality of the ACA. It is unclear how other healthcare reform measures of the Biden administration or other efforts, if any, to challenge, repeal or replace the ACA will impact our business. In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted:

- On August 2, 2011, the Budget Control Act of 2011 among other things, included aggregate reductions of Medicare payments to providers of 2% per fiscal year. These reductions went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2030, with the exception of a temporary suspension from May 1, 2020 through March 31, 2022 due to the COVID-19 pandemic. Following the temporary suspension, a 1% payment reduction occurred beginning April 1, 2022 through June 30, 2022, and the 2% payment reduction will resume on July 1, 2022.
- On May 30, 2018, the Right to Try Act, was signed into law. The law, among other things, provides a federal framework for certain patients to access certain investigational new drug products that have completed a Phase 1 clinical trial and that are undergoing investigation for FDA approval. Under certain circumstances, eligible patients can seek treatment without enrolling in clinical trials and without obtaining FDA permission under the FDA expanded access program. There is no obligation for a pharmaceutical manufacturer to make its drug products available to eligible patients as a result of the Right to Try Act.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. On August 2, 2011, the Budget Control Act of 2011 among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers of 2 percent per fiscal year. These reductions went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2030 unless additional Congressional action is taken.

Additionally, there has been heightened governmental scrutiny recently over the manner in which manufacturers set prices for their marketed products. For example, there have been several recent Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products, including by tying reimbursement to the price of products in other developed countries. For example, proposals have been made to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out-of-pocket costs of drug products paid by consumers. Individual states in the United States have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. Legislative and regulatory agendas, as they relate to the healthcare and pharmaceutical industries and the economy as a whole, of the

Biden administration and the U.S. Congress currently remain uncertain. One example of President Biden's priorities came via an executive order that he issued on July 9, 2021 directing the FDA to, among other things, continue to clarify and improve the approval framework for biosimilars, including the standards for interchangeability of biological products, facilitate the development and approval of biosimilar and interchangeable products, clarify existing requirements and procedures related to the review and submission of BLAs, and identify and address any efforts to impede biosimilar competition. Any new laws and initiatives may result in additional reductions in Medicare and other healthcare funding or impose additional regulatory requirements on drug development or approval, which could have a material adverse effect on our future customers and accordingly, our financial operations.

We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for any product candidates we successfully develop or additional pricing pressures.

Regulatory and Compliance Risks

Our long-term success depends, in part, upon our ability to develop, receive regulatory approval for and commercialize our product candidates.

Our product candidates and the activities associated with their development, including testing, manufacture, recordkeeping, storage, and approval, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries. Failure to obtain regulatory approval for a product candidate will prevent us from commercializing the product candidate. We have limited resources for use in preparing, filing, and supporting the applications necessary to gain regulatory approvals and expect to rely on third-party contract research organizations and consultants to assist us in this process.

The FDA and other comparable regulatory agencies in foreign countries impose substantial and rigorous requirements for the development, production, marketing authorization and commercial introduction of drug products. These requirements include non-clinical, laboratory and clinical testing procedures, sampling activities, clinical trials, and other costly and time-consuming procedures. In addition, regulation is not static, and regulatory authorities, including the FDA evolve in their staff interpretations and practices and may impose more stringent or different requirements than currently in effect, which may adversely affect our planned and ongoing drug development and/or our sales and marketing efforts.

In the United States, to obtain approval from the FDA to market any of our future biologic products, we will be required to submit a BLA to the FDA. Ordinarily, the FDA requires a sponsor to support a BLA with substantial evidence of the product's safety, purity, and potency in treating the targeted indication based on data derived from adequate and well-controlled clinical trials, including Phase 3 safety and efficacy trials conducted in patients with the disease or condition being targeted.

Developing and obtaining regulatory approval for product candidates is a lengthy process, often taking a number of years, is uncertain and expensive. All of the product candidates that we are developing, or may develop in the future, require research and development, non-clinical studies, non-clinical testing, and clinical trials prior to seeking regulatory approval, and commencing commercial sales. In addition, we may need to address a number of technological challenges in order to complete development of our product candidates. As a result, the development of product candidates may take longer than anticipated or not be successful at all.

Our product candidate development costs will also increase if we experience delays in testing or approvals, and we may not have sufficient funding to complete the testing and approval process for any of our product candidates. We may be required to obtain additional funds to complete clinical trials and prepare for possible commercialization of our product candidates. We do not know whether any non-clinical tests or clinical trials above what we currently have planned will be required, will begin as planned, will need to be restructured, or will be completed on schedule, or at all. Significant delays relating to any preclinical or clinical trials also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do. This may prevent us from receiving marketing approvals and impair our ability to successfully commercialize our product candidates and may harm our business and results of operations. In addition, many of the factors that cause, or lead to, delays in clinical trials may ultimately lead to the denial of marketing approval of any of our product candidates. If any of this occurs, our business, financial condition, results of operations, and prospects will be materially harmed.

Generally, no product can receive FDA approval, marketing authorization from the European Commission or the competent authorities of the EU Member States, or approval from comparable regulatory agencies in foreign countries unless data generated in human clinical trials demonstrates both safety and efficacy for each target indication in accordance with such authority's standards.

The large majority of product candidates that begin human clinical trials fail to demonstrate the required safety and efficacy characteristics necessary for marketing approval. Failure to demonstrate the safety and efficacy of any of our product candidates for each target indication in clinical trials would prevent us from obtaining required approvals from regulatory authorities, which would prevent us from commercializing those product candidates. Negative or inconclusive results from the clinical trials or adverse medical events during the trials could lead to requirements that trials be repeated or extended, or that additional trials be conducted, any of which may not be clinically feasible or financially practicable, that the conduct of trials be suspended, or that a program be terminated.

Any regulatory approval we ultimately obtain may limit the indicated uses for the product or subject the product to restrictions or post-approval commitments that render the product commercially non-viable. Securing regulatory approval requires the submission of extensive non-clinical and clinical data, information about product manufacturing processes and inspection of facilities and supporting information to the regulatory authorities for each therapeutic indication to establish the product's safety and efficacy. If we are unable to submit the necessary data and information, for example, because the results of clinical trials are not favorable, or if the applicable regulatory authority delays reviewing or does not approve our applications, we will be unable to obtain regulatory approval.

Delays in obtaining or failure to obtain regulatory approvals may delay or prevent the successful commercialization of any of the products or product candidates in the jurisdiction for which approval is sought; diminish our competitive advantage; and defer or decrease our receipt of revenue.

Some of our product candidates previously in development experienced regulatory and/or clinical setbacks. Clinical development has been discontinued for product candidates otlertuzumab, APVO414, and APVO210. Both APVO414 and APVO210 were discontinued after patients developed ADA. Most recently, in 2019, we elected to discontinue the APVO210 development program following the review of data from the Phase 1 multiple ascending dose (MAD) clinical study of APVO210 in healthy volunteers that suggests that APVO210 would not meet the desired target product profile for future commercialization. Specifically, the clinical data showed evidence of increasing titers of ADA with repeated doses of APVO210, which had varying impact on APVO210 drug levels in subjects' blood. The cause of the ADA is uncertain; however, we believe that appearance of ADA is related to the mechanism of action of APVO210, and not due to the structure, or sequences characteristic of the ADAPTIR platform. Although we have re-designed certain components of the ADAPTIR platform based on what we have learned in prior clinical trials, there is no guarantee that the occurrence of ADA or other clinical setbacks will not occur in the development of our existing and future ADAPTIR product candidates.

The procedures to obtain marketing approvals vary among countries and can involve additional clinical trials or other pre-filing requirements. The time required to obtain foreign regulatory approval may differ from that required to obtain FDA approval. The foreign regulatory approval process may include all the risks associated with obtaining FDA approval, or different or additional risks. Regulatory agencies may have varying interpretations of the same data, and approval by one regulatory authority does not ensure approval by regulatory authorities in other jurisdictions. Accordingly, approval by the FDA does not ensure approval by the regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by the FDA or regulatory authorities in other foreign countries. Failure to obtain regulatory approval in one jurisdiction, however, may impact the decision of other jurisdictions. We may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize our products and products in development in any market on a timely basis, if at all.

Inadequate funding for the FDA, the SEC and other government agencies, including from government shutdowns, or other disruptions to these agencies' operations, could hinder their ability to hire and retain key leadership and other personnel, prevent new products and services from being developed or commercialized in a timely manner or otherwise prevent those agencies from performing normal business functions on which the operation of our business may rely, which could negatively impact our business.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, the ability to hire and retain key personnel and accept the payment of user fees, and statutory, regulatory and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of the SEC and other government agencies on which our operations may rely, including those that fund research and development activities, is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new product candidates to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Further, future government shutdowns could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.

Our product candidates are and will continue to be subject to ongoing obligations and continued regulatory review, which may result in significant additional expense. We may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products.

We and our product candidates are subject to extensive and ongoing requirements of and review by the FDA and other regulatory authorities, including requirements related to the conduct of clinical and non-clinical studies, manufacturing processes, post-approval clinical data, labeling, packaging, distribution, adverse event reporting, storage, recordkeeping, export, import, advertising, marketing, and promotional activities for such products. These requirements further include submissions of safety and other post-marketing information, including manufacturing deviations and reports, registration and listing requirements, the payment of annual fees, continued compliance with GMP-requirements relating to manufacturing, quality control, quality assurance, and corresponding maintenance of records and documents, and requirements regarding the distribution of samples to physicians. Manufacturers and manufacturers'

facilities are required to comply with extensive FDA, and comparable foreign regulatory authority requirements, including ensuring that quality control and manufacturing procedures conform to GMP requirements and applicable product tracking and tracing requirements.

FDA and comparable foreign regulatory authorities will continue to closely monitor the safety profile of any product even after approval. If the FDA or comparable foreign regulatory authorities become aware of new safety information after approval of any of our product candidates, they may, among other actions, withdraw approval, require labeling changes or establishment of a REMS or similar strategy, impose significant restrictions on a product's indicated uses or marketing, or impose ongoing requirements for potentially costly post-approval studies or post-market surveillance. Any such restrictions could limit sales of the product.

We and any of our collaborators could be subject to periodic unannounced inspections by the FDA to monitor and ensure compliance with GMPs and other FDA regulatory requirements. Application holders must further notify the FDA, and depending on the nature of the change, obtain FDA pre-approval for product and manufacturing changes. In addition, later discovery of previously unknown adverse events or that the product is less effective than previously thought or other problems with our products, manufacturers or manufacturing processes, or failure to comply with regulatory requirements both before and after approval, may yield various results, including:

- restrictions on manufacturing or distribution, or marketing of such products;
- modifications to promotional pieces and product labels;
- issuance of corrective information;
- requirements to conduct post-marketing studies or other clinical trials;
- clinical holds or termination of clinical trials;
- requirements to establish or modify a REMS or a similar strategy;
- changes to the way the product is administered;
- liability for harm caused to patients or subjects;
- reputational harm;
- the product becoming less competitive;
- warning, untitled, or cyber letters;
- suspension of marketing or withdrawal of the products from the market;
- regulatory authority issuance of safety alerts, Dear Healthcare Provider letters, press releases, or other communications containing warnings or other safety information about the product;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recalls of products;
- fines, restitution or disgorgement of profits or revenues;
- suspension or withdrawal of marketing approvals;
- refusal to permit the import or export of our products;
- product seizure or detention;
- FDA debarment, suspension and debarment from government contracts, and refusal of orders under existing government contracts, exclusion from federal healthcare programs, consent decrees, or corporate integrity agreements; or
- injunctions or the imposition of civil or criminal penalties, including imprisonment.

Any of these events could prevent us from achieving or maintaining product approval and market acceptance of the particular product candidate, if approved, or could substantially increase the costs and expenses of developing and commercializing such product, which in turn could delay or prevent us from generating significant revenues from its sale. Any of these events could further have other material and adverse effects on our operations and business and could adversely impact our stock price and could significantly harm our business, financial condition, results of operations, and prospects.

The FDA's policies may change and additional government laws and regulations may be enacted that could prevent, limit, or delay regulatory approval of our product candidates, that could limit the marketability of our product candidates, or that could impose additional regulatory obligations on us. For example, the current administration may implement new or revised laws, regulatory requirements, and associated compliance obligations, as well as postponed or frozen regulatory requirements. Changes in medical practice and standard of care may also impact the marketability of our product candidates. If we are slow or unable to adapt to changes

in existing requirements, standards of care, or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and be subject to regulatory enforcement action.

Should any of the above actions take place, they could adversely affect our ability to achieve or sustain profitability. Further, the cost of compliance with post-approval regulations may have a negative effect on our operating results and financial condition.

If we fail to comply with foreign, federal, state, and local healthcare laws, including fraud and abuse and health information privacy and security laws, we could face substantial penalties and our business, results of operations, financial condition and prospects could be adversely affected.

As a biotechnology company, even though we do not provide healthcare services or receive payments directly from or bill directly to Medicare, Medicaid, or other third-party payors for our products, certain federal, state, local and foreign healthcare laws and regulations pertaining to fraud and abuse and patients' rights are applicable to our business. We are subject to healthcare fraud and abuse and patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute makes it illegal for any person or entity, including a prescription drug manufacturer (or a party acting on its behalf) to knowingly and willfully solicit, receive, offer or pay remuneration, directly or indirectly, overtly or covertly, to induce, or in return for, either the referral of an individual, or the purchase, lease, prescribing or recommendation of an item, good, facility or service reimbursable by a federally funded healthcare program, such as the Medicare or Medicaid program. The term "remuneration" has been interpreted broadly and may constrain our marketing practices, educational programs, pricing policies and relationships with healthcare providers or other entities, among other activities;
- federal civil and criminal false claims, including the federal False Claims Act, and false statement laws and civil monetary penalty laws, which impose criminal and civil penalties, including through civil whistleblower or qui tam actions, on individuals or entities for, among other things, knowingly presenting, or causing to be presented, claims for payment or approval from Medicare, Medicaid or other federal health care programs that are false or fraudulent or knowingly making any materially false statement in connection with the delivery or payment for healthcare benefits, items or services;
- the U.S. federal Health Insurance Portability and Accountability Act of 1996, as amended, or HIPAA, which imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statement, in connection with the delivery of, or payment for, healthcare benefits, items or services. Similar to the U.S. federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health, or HITECH, and their respective implementing regulations mandates, among other things, the adoption of uniform standards for the electronic exchange of information in common healthcare transactions, as well as standards relating to the privacy, security and transmission of individually identifiable health information, which require the adoption of administrative, physical and technical safeguards to protect such information. Among other things, HITECH makes HIPAA's security standards directly applicable to "business associates", or independent contractors or agents of covered entities that create, receive or obtain protected health information in connection with providing a service for or on behalf of a covered entity;

- the Physician Payments Sunshine Act and its implementing regulations, which requires certain manufacturers of drugs, biologics, medical devices and medical supplies for which payment is available under Medicare, Medicaid or the CMS, certain payments and transfers of value made to physicians and teaching hospitals, and ownership or investment interests held by physicians and their immediate family members. Effective January 1, 2022, applicable manufacturers are required to report information regarding payments and transfers of value provided to physician assistants, nurse practitioners, clinical nurse specialists, certified nurse anesthetists, and certified nurse-midwives; and,
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers; state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts; state, local and foreign laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, obtain pharmaceutical agent licensure, and/or otherwise restrict payments that may be made to healthcare providers and entities; and state, local and foreign laws and industry codes that require drug manufacturers to report information related to payments and other transfers of value to healthcare providers or entities, or marketing expenditures.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available under the U.S. federal Anti-Kickback Statute, it is possible that some of our business activities could be subject to challenge under one or more of such laws. Moreover, recent health care reform legislation has strengthened these laws. For example, the ACA, among other things, amends the intent requirement of the federal Anti-Kickback Statute and criminal health care fraud statutes, so that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it. In addition, the ACA provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act.

Recently, several pharmaceutical and other healthcare companies have been prosecuted under the federal false claims laws for allegedly inflating drug prices they report to pricing services, which in turn are used by the government to set Medicare and Medicaid reimbursement rates, and for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. In addition, certain marketing practices, including off-label promotion, interactions with specialty pharmacies, and patient assistance programs may also violate fraud and abuse laws. To the extent that any product we make is sold in a foreign country, we may be subject to similar foreign laws and regulations.

In addition, certain state and local laws mandate that we comply with a state code of conduct, adopt a company code of conduct under state criteria, disclose marketing payments made to health care professionals and entities, disclose drug pricing information and/or report compliance information to the state authorities. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply in multiple jurisdictions with different compliance and reporting requirements increase the possibility that a pharmaceutical company may violate one or more of the requirements. Any failure to comply with these reporting requirements could result in significant fines and penalties.

The risks of complying with these laws cannot be entirely eliminated. The risk of violation of such laws is also increased because many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. Moreover, achieving and sustaining compliance with applicable federal, state, local and foreign privacy, security, fraud and transparency laws may prove costly. If our past or present operations, or those of our distributors are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to sanctions, including civil and administrative penalties, criminal fines, damages, disgorgement, exclusion from participation in U.S. federal or state health care programs, individual imprisonment, integrity obligations, and the curtailment or restructuring of our operations, any of which could materially adversely affect our ability to operate our business and our financial results. Similarly, if healthcare providers, distributors or other entities with whom we do business are found to be out of compliance with applicable laws and regulations, they may be subject to sanctions, which could also have a negative impact on us.

Our employees, independent contractors, consultants, commercial partners, principal investigators, or CROs may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could have a material adverse effect on our business.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees, independent contractors, consultants, commercial partners, manufacturers, investigators, or CROs could include intentional, reckless, negligent, or unintentional failures to comply with FDA regulations or applicable fraud and abuse laws, provide accurate information to the FDA, properly calculate pricing information required by federal programs, comply with federal procurement rules or contract terms, report financial information or data accurately or disclose unauthorized activities to us. This misconduct could also involve the improper use or misrepresentation of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter this type of misconduct, and the precautions we take to detect and prevent this activity may not

be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. Moreover, it is possible for a whistleblower to pursue a False Claims Act case against us even if the government considers the claim unmeritorious and declines to intervene, which could require us to incur costs defending against such a claim. Further, due to the risk that a judgment in a False Claims Act case could result in exclusion from federal health programs or debarment from government contracts, whistleblower cases often result in large settlements. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, financial condition, and results of operations, including the imposition of significant fines or other sanctions.

Our operations, including our use of hazardous materials, chemicals, bacteria, and viruses, require us to comply with regulatory requirements and expose us to significant potential liabilities.

Our operations involve the use of hazardous materials, including chemicals, and may produce dangerous waste products. Accordingly, we, along with the third parties that conduct clinical trials and manufacture our products and product candidates on our behalf, are subject to federal, state, local and foreign laws and regulations that govern the use, manufacture, distribution, storage, handling, exposure, disposal and recordkeeping with respect to these materials. We are also subject to a variety of environmental and occupational health and safety laws. Compliance with current or future laws and regulations can require significant costs and we could be subject to substantial fines and penalties in the event of noncompliance. In addition, the risk of contamination or injury from these materials cannot be completely eliminated. In such event, we could be held liable for substantial civil damages or costs associated with the cleanup of hazardous materials.

Our failure to comply with data protection laws and regulations could lead to government enforcement actions and significant penalties against us, and adversely impact our operating results.

EU Member States, Switzerland and other countries have adopted data protection laws and regulations, which impose significant compliance obligations. For example, European Union, or EU, member states and other foreign jurisdictions, including Switzerland, have adopted data protection laws and regulations which impose significant compliance obligations. Moreover, the collection and use of personal health data in the EU is now governed under the EU General Data Protection Regulation, or the GDPR, effective in May 2018. The GDPR, which is wide-ranging in scope, imposed several requirements relating to the consent of the individuals to whom the personal data relates, the information provided to the individuals, the security and confidentiality of the personal data, data breach notification and the use of third-party processors in connection with the processing of personal data. The GDPR also imposes strict rules on the transfer of personal data out of the EU to the U.S., provides an enforcement authority and imposes large penalties for noncompliance, including the potential for fines of up to €20 million or 4% of the annual global revenues of the noncompliant company, whichever is greater. The GDPR requirements apply not only to third-party transactions, but also to transfers of information between us and our subsidiaries, including employee information. The GDPR increases our responsibility and liability in relation to personal data that we process, including in clinical trials, and we may be required to put in place additional mechanisms to ensure compliance with the GDPR, which could divert management's attention and increase our cost of doing business. In addition, new regulation or legislative actions regarding data privacy and security (together with applicable industry standards) may increase our costs of doing business. However, despite our ongoing efforts, we may not be successful either due to various factors within our control, such as limited financial or human resources, or other factors outside our control. It is also possible that local data protection authorities may have different interpretations of the GDPR, leading to potential inconsistencies amongst various EU member states. Any failure or alleged failure (including as a result of deficiencies in our policies, procedures, or measures relating to privacy, data security, marketing, or communications) by us to comply with laws, regulations, policies, legal or contractual obligations, industry standards, or regulatory guidance relating to privacy or data security, may result in governmental investigations and enforcement actions, litigation, fines and penalties or adverse publicity. In addition, we expect that there will continue to be new proposed laws, regulations and industry standards relating to privacy and data protection in the United States, the EU and other jurisdictions, such as the California Consumer Privacy Act of 2018, which has been characterized as the first "GDPR-like" privacy statute to be enacted in the United States, and we cannot determine the impact such future laws, regulations and standards may have on our business.

If we experience a significant disruption in our information technology systems or breaches of data security, including due to a cyber-security incident, our business could be adversely affected.

We rely on information technology systems to keep financial records, capture laboratory data, maintain clinical trial data and corporate records, communicate with staff and external parties and operate other critical functions. Our information technology systems are potentially vulnerable to disruption due to breakdown, malicious intrusion and computer viruses or other disruptive events including but not limited to natural disaster.

We also face the challenge of promptly detecting and remediating any cyber-security breaches. Our information technology systems security measures are focused on the prevention, detection and remediation of damage from computer viruses, unauthorized access, cyber-attack and other similar disruptions. However, our information technology systems protection measures may not be successful in preventing unauthorized access, intrusion and damage. Threats to our systems can derive from human error, fraud or malice

on the part of employees or third parties, including computer hackers, encryption by ransomware, or may result from technological failure.

If we were to experience a prolonged system disruption in our information technology systems or those of certain of our vendors, it could delay or negatively impact our development and commercialization of our product candidates, which could adversely impact our business. If operations at our facilities were disrupted, it may cause a material disruption in our business if we are not capable of restoring function on an acceptable timeframe.

In addition, as discussed above, our information technology systems are potentially vulnerable to data security breaches—whether by employees or others, intentionally or unintentionally—which may expose sensitive or personal data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive personal information) of our employees, customers and others, any of which could have a material adverse effect on our business, financial condition and results of operations.

Moreover, a security breach or privacy violation that leads to destruction, loss, alteration, unauthorized use or access, disclosure or modification of, personally identifiable information or personal data, could harm our reputation, compel us to comply with federal, state and/or international breach notification laws, subject us to mandatory corrective or regulatory action, require us to verify the correctness of database contents and otherwise subject us to liability under laws and regulations that protect personal data, including the GDPR and the California Consumer Privacy Act of 2018, which could disrupt our business, result in increased costs or loss, and/or result in significant legal and financial exposure. In addition, a data security breach could result in loss of clinical trial data or damage to the integrity of that data.

If we are unable to implement and maintain adequate organizational and technical measures to prevent such security breaches or privacy violations, or to respond adequately in the event of a breach, our operations could be disrupted, and we may suffer loss of reputation, problems with regulatory authorities, financial loss and other negative consequences. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above.

If a breach of our information technology systems occurs, we may incur additional costs related to repairing or rebuilding our internal systems, complying with breach notification laws, defending legal claims or proceedings, responding to regulatory actions, incurring penalties, and paying damages. Moreover, it may be determined that as a result of such a breach there was a material weakness or significant deficiency in our internal controls or other failure of our control environment. If such a breach occurs, it may have a material adverse effect on our business, results of operations, and financial condition, and it may also negatively impact our reputation.

Intellectual Property Risks

If we are unable to protect our intellectual proprietary rights, our business could be harmed.

Our commercial success will depend, in large part, on our ability to obtain and maintain protection in the United States and other countries for the intellectual property covering or incorporated into our technology, products and product candidates. Obtaining and maintaining this protection is very costly. The patentability of technology in the biotechnology field generally is highly uncertain and involves complex legal and scientific questions. We cannot be certain that our patents and patent applications, including our own and those that we have rights through licenses from third parties, will adequately protect our intellectual property. Our success in protecting our intellectual property depends significantly on our ability to:

- obtain and maintain U.S. and foreign patents, that are meaningful to our products, including defending those patents against adverse claims;
- secure patent term extension for the patents covering our approved products;
- protect trade secrets;
- operate without infringing the proprietary rights of others; and,
- prevent others from infringing our proprietary rights.

We may not be able to obtain issued patents relating to our technology or product candidates. Even if issued, patents may inadvertently lapse or be challenged, narrowed, invalidated, or circumvented, which could limit our ability to stop competitors from marketing similar products or limit the duration of patent protection we may have for our product candidates. Further, patents may lapse prior to the regulatory approval of the underlying product in one or more territories. In the past, we have abandoned the prosecution and/or maintenance of patent applications related to patent families in the ordinary course of business. In the future, we may choose to abandon such prosecution and/or maintenance in a similar fashion. If these patent rights are later determined to be valuable or necessary to our business, our competitive position may be adversely affected. Changes in patent laws or administrative patent office rules or changes in interpretations of patent laws in the United States and in other countries may diminish the value of our intellectual property or narrow the scope of our patent protection, or result in costly defensive measures.

Patent and other intellectual property laws outside the United States are even more uncertain than in the United States and are continually undergoing review and revisions in many countries. Further, the laws of some foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. For example, certain countries do not grant patent claims that are directed to business methods and processes. In addition, we may have to participate in additional opposition proceedings, like the proceedings described above, to determine the validity of our foreign patents or our competitors' foreign patents, which could result in substantial costs and diversion of our efforts.

Our collaborative partners and licensors may not adequately protect our intellectual property rights. These third parties may have the first right to maintain or defend intellectual property rights in which we have an interest and, although we may have the right to assume the maintenance and defense of such intellectual property rights if these third parties do not do so, our ability to maintain and defend such intellectual property rights may be compromised by the acts or omissions of these third parties.

The cost of litigation to uphold the validity of patents, once obtained, to prevent infringement or to otherwise protect or enforce our proprietary rights could be substantial and, from time to time, our patents are subject to patent office proceedings. Some of our competitors may be better able to sustain the costs of complex patent litigation because they may have substantially greater financial resources. Intellectual property lawsuits are expensive and unpredictable and would consume management's time and attention and other resources, even if the outcome were successful. In addition, there is a risk that a court would decide that our patents are not valid and that we do not have the right to stop the other party from using the inventions covered by or incorporating them. There is also a risk that, even if the validity of a patent were upheld, a court would refuse to stop the other party from using the invention(s), including on the grounds that its activities do not infringe the patent. If any of these events were to occur, our business, financial condition and operating results could be materially and adversely affected.

In addition to patent litigation, we may be a party to adversarial proceedings before the Patent Trial and Appeal Board (PTAB) of the USPTO, or the Opposition Division of the European Patent Office (EPO). Potential proceedings before the PTAB include inter partes review proceedings, post-grant review proceedings and interference proceedings. Depending on our level of success at the PTAB and Opposition Division of the EPO, these proceedings could adversely impact our intellectual property rights with respect to our products and technology.

In addition, the U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. This combination of events has created uncertainty with respect to the value of patents, once obtained, and with regard to our ability to obtain patents in the future. Depending on decisions by the U.S. Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. Patent and intellectual property laws outside of the United States may also change and be uncertain.

Our patents, once obtained, also may not afford us protection against competitors with similar technology. Because patent applications in the United States and many foreign jurisdictions are typically not published until eighteen months after filing, or in some cases not at all, and because publications of discoveries in the scientific literature often lag behind actual discoveries, neither we nor our licensors can be certain that others have not filed or maintained patent applications for technology used by us or covered by our pending patent applications without our being aware of these applications.

We also will rely on current and future trademarks to establish and maintain recognized brands, including APTEVO THERAPEUTICS, APTEVO BIOTHERAPEUTICS, APTEVO RESEARCH AND DEVELOPMENT, the Aptevo logo, ADAPTIR, and ADAPTIR-FLEX in relevant jurisdictions. If we fail to acquire and protect such trademarks, our ability to market and sell our products, if approved for marketing, will be harmed. In addition, our current and future trademarks may be challenged, infringed, circumvented, declared generic, lapsed or determined to be infringing on or dilutive of other marks and we may not be able to protect our rights in these trademarks, which we need in order to build name recognition. Any of the foregoing could have a material and adverse effect on our business, financial condition and operating results.

If approved, our products regulated as biologics may face competition from biosimilars approved through an abbreviated regulatory pathway.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, includes a subtitle called the Biologics Price Competition and Innovation Act of 2009, or BPCIA, which created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an FDA-licensed reference biological product. Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA. In addition, the approval of a biosimilar product may not be made effective by the FDA until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a BLA for the competing product containing the sponsor's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity, and potency of the other company's product. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. We believe that any of our product candidates approved as a biological product under a BLA should qualify for the 12-year period of exclusivity. However, there is a risk that this exclusivity could be shortened due to congressional action or otherwise, or that the FDA will not consider our investigational medicines to be reference products for competing products, potentially creating the opportunity for generic competition sooner than anticipated. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of recent litigation.

There is a similar abbreviated pathway for the approval of biosimilar products in the EU. Reference products in the EU benefit from an eight year data exclusivity period during which the data included in the dossier for the reference product may not be referenced for the purposes of an abbreviated biosimilar application. Following the expiration of the data exclusivity period, there is an additional two year period of market exclusivity during which a biosimilar marketing authorization application can be submitted, and the innovator's data may be referenced, but no product can be placed on the market until the expiration of such period. The overall 10-year period can be extended to a maximum of 11 years in certain circumstances. As in the U.S., there is no guarantee that a product will qualify for the prescribed period of exclusivity and, even if a product does qualify, another company may market a competing version of the reference product if such company obtained a marketing authorization with a complete independent data package of pharmaceutical tests, preclinical tests and clinical trials.

Moreover, the extent to which a biosimilar, once licensed, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products, and will depend on a number of marketplace and regulatory factors that are still developing. If competitors are able to obtain marketing approval for biosimilars referencing any of our products, if approved, our products may become subject to competition from such biosimilars, which would impair our ability to successfully commercialize and generate revenues from sales of such products.

Third parties may choose to file patent infringement claims against us.

Our development and commercialization activities, as well as any product candidates or products resulting from these activities, may infringe or be claimed to infringe patents and other intellectual property rights of third parties under which we do not hold sufficient licenses or other rights. Third parties may be successful in obtaining patent protection for technologies that cover development and commercialization activities in which we are already engaged. These third parties may have substantially greater financial resources than us and could bring claims against us that could cause us to incur substantial expenses to defend against these claims and, if successful against us, could cause us to pay substantial damages. If a patent infringement or other similar suit were brought against us, we could be forced to stop or delay development, manufacturing or sales of the product or product candidate that is the subject of the suit. Intellectual property litigation in the biotechnology industry is common, and we expect this trend to continue.

As a result of patent infringement or other similar claims, or to avoid potential claims, we may choose or be required to seek a license from the third party and be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be non-exclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a product, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on acceptable terms, if at all, or if an injunction is granted against us, which could harm our business significantly.

There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the pharmaceutical and biotechnology industries. In addition to infringement claims against us, we may become a party to other patent litigation and other adversarial proceedings such as proceedings before the Patent Trial Appeals Board and opposition proceedings in the European Patent Office, regarding intellectual property rights that could impact our products and technology.

Patent litigation and other proceedings may also absorb significant management time. The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Patent litigation and other proceedings may also absorb significant management time.

Our Aptevo trademarks may be opposed which could have a material and adverse effect on our business.

We have an application pending that covers the APTEVO THERAPEUTICS trademark and received a notice of allowance from the USPTO for the APTEVO BIOTHERAPEUTICS and APTEVO RESEARCH AND DEVELOPMENT trademarks in August 2022. We refer to these trademarks as our house marks. If a third party opposes any of these house marks and we are unable to reach settlement prior to the commencement of an opposition proceeding, we may incur significant expense in the course of participating in the opposition process, which can be expensive and lengthy. Any settlement with a third party may result in our agreeing to be subject to restrictions on our use of the relevant house mark. In addition, if we are unsuccessful in an opposition against a house mark, we would lose the ability to obtain trademark registration for one or more uses of the relevant mark both in the United States and in other territories which could have a material and adverse effect on our business.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

As is common in the biotechnology and pharmaceutical industry, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. We may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Failure to comply with our obligations in our intellectual property licenses with third parties, could result in loss of license rights or other damages.

We are a party to a number of license agreements and expect to enter into additional license agreements in the future. Our existing licenses impose, and we expect future licenses will impose, various diligence, milestone payment, royalty, insurance, and other obligations on us. If we fail to comply with these obligations, the licensor may have the right to terminate the license in whole or in part, terminate the exclusive nature of the license and/or sue us for breach, which could cause us to not be able to market any product that is covered by the licensed patents and may be subject to damages.

If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and product candidates could be adversely affected.

In addition to patented technology, we rely upon unpatented proprietary technology, information processes and know-how. These types of trade secrets can be difficult to protect. We seek to protect this confidential information, in part, through agreements with our employees, consultants and third parties as well as confidentiality policies and audits, although these may not be successful in protecting our trade secrets and confidential information. These agreements may be breached, and we may not have adequate remedies for any such breach. In addition, our trade secrets may otherwise become known, including through a potential cyber security breach, or may be independently developed by competitors. If we are unable to protect the confidentiality of our proprietary information and know-how, competitors may be able to use this information to develop products that compete with our products, which could adversely impact our business.

Risks Related to Collaborations and Other Transactions

We may not be successful in establishing and maintaining collaborations and entering into other transactions that leverage our capabilities in pursuit of developing and commercializing our product candidates and any such collaborations and transactions, if any, could result in financial results that differ from market expectations.

For each of our product candidates we plan to evaluate the merits of entering into collaboration arrangements with third parties, including leading biotechnology companies or non-governmental organizations. In July 2017, we entered into a collaboration agreement with Alligator pursuant to which Aptevo R&D and Alligator have been collaboratively developing ALG.APV-527, a lead bispecific antibody candidate simultaneously targeting 4-1BB (CD137), a member of the TNFR superfamily of a co-stimulatory receptor found on activated T-cells, and 5T4, a tumor antigen widely overexpressed in a number of different types of cancer. We intend to pursue collaboration arrangements with third parties that have particular technology, expertise or resources for the development or commercialization of our product candidates or for accessing particular markets. We face, and will continue to face, significant competition in seeking appropriate partners for our product candidates. If we are unable to identify partners whose capabilities complement and integrate well with ours and reach collaboration arrangements with such partners on a timely basis, on acceptable terms or at all, or if the arrangements we establish are unproductive for us, we may fail to meet our business objectives for the particular product candidate. Our ability to enter into such arrangements with respect to products in development that are subject to licenses may be limited by the terms of those licenses.

Our collaboration agreement with Alligator, or any collaboration agreement we may consider entering into, may not be successful and the success of our collaboration arrangements will depend heavily on the efforts and activities of our collaborative partners. It is likely that our collaborative partners will have significant discretion in determining the efforts and resources that they will apply to these collaborations.

The risks that we are subject to in any of our collaborations include, among others:

- our collaborative partners may not commit adequate resources to the development, marketing and distribution of any collaboration products, limiting our potential revenues from these products;
- our collaborative partners may experience financial difficulties and may therefore be unable to meet their commitments to us;
- our collaborative partners may pursue a competing product candidate developed either independently or in collaboration with others, including our competitors; and,
- our collaborative partners may terminate our relationship.

The failure of any of our current or future collaboration partners to perform as expected could place us at a competitive disadvantage and adversely affect us financially, including delay and increased costs of development, loss of market opportunities, lower than expected revenues and impairment of the value of the related product candidate. A loss of our collaboration agreement with Alligator would result in a burden of locating a replacement partner under potentially less favorable terms at an additional cost. Collaborations are a critical part of our business strategy, and any inability on our part to establish and successfully maintain such arrangements on terms favorable to us or to work successfully with our collaborative partners could have an adverse effect on our operations and financial performance. Due to the macroeconomic factors, we may experience delays in opportunities to develop our product candidates, due to financial and other impacts on potential partners.

In addition, in the normal course of business, the Company engages in discussions with third parties regarding possible strategic alliances, joint ventures, acquisitions, divestitures and business combinations to further develop or commercialize our product candidates. As a result of such transactions, our financial results may differ from our own or the investment community's expectations in a given fiscal quarter or over the long term. Furthermore, efforts to engage in such transactions require varying levels of management resources, which may divert the Company’s attention from other business operations. Any transactions we engage in could result in our financial results differing materially from market expectations.

In connection with our separation from Emergent, we and Emergent agreed to indemnify the other party for certain liabilities. The Emergent indemnity may not be sufficient to hold us harmless from the full amount of liabilities for which Emergent will be allocated responsibility, and Emergent may not be able to satisfy its indemnification obligations in the future.

Pursuant to the separation agreement and certain other agreements with Emergent, Emergent has agreed to indemnify us for certain liabilities, and we agreed to indemnify Emergent for certain liabilities. Indemnities that we may be required to provide Emergent are not subject to any cap, may be significant and could negatively impact our business, particularly indemnities relating to our actions that could impact the tax-free nature of the distribution. Third parties could also seek to hold us responsible for any of the liabilities that Emergent has agreed to retain. Any amounts we are required to pay pursuant to these indemnification obligations and other liabilities could require us to divert cash that would otherwise have been used in furtherance of our operating business. Further, the indemnity from Emergent may not be sufficient to protect us against the full amount of such liabilities, and Emergent may not be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from Emergent any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, results of operations and financial condition.

Risks Related to Our Common Stock and General Risks

Our stock price may be volatile.

Our stock price has fluctuated in the past and is likely to be volatile in the future. Between August 1, 2016 and up to March 31, 2023, the reported closing price of our common stock has fluctuated between $1.74 and $83.16 per share (as adjusted to reflect our 1-for-14 reverse stock split of our outstanding common stock that was effective on March 26, 2020). The stock market in general, and the market for biotechnology companies in particular, have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. In particular, the stock market has experienced extreme volatility in recent months as a result of the geopolitical climate, including the war in Ukraine, and macroeconomic conditions, including rising and fluctuating inflation and interest rates and reduced consumer confidence. The market price of our common stock may fluctuate significantly due to a number of factors, some of which may be beyond our control or unrelated to our operations, including, among others:

- changes in earnings estimated by securities analysts or management, or our ability to meet those estimates;
- investor perceptions or negative announcements by our competitors, suppliers, or partners regarding their own performance;
- the success of competitive products or technologies;
- the timing, expenses, and results of clinical and preclinical trials of our product candidates;
- announcements regarding clinical trial results and product introductions by us or our competitors;

- announcements of acquisitions, collaborations, financings or other transactions by us or our competitors;
- public concern as to the safety of our product candidates;
- termination or delay of a development program;
- the recruitment or departure of key personnel;
- estimated or actual sales of IXINITY by Medexus;
- whether and to what extent future milestone payments are received under our Amendment to Royalty Purchase Agreement with HCR;
- actual or anticipated variations in our cash flows or results of operations;
- the operating and stock price performance of comparable companies;
- general industry and macroeconomic conditions, including domestic and global financial, economic, and geopolitical instability; and,
- the other factors described in this “Risk Factors” section.

Biotechnology company stock prices have declined significantly in certain instances where companies have failed to obtain FDA or foreign regulatory authority approval of a product candidate or if the timing of FDA or foreign regulatory authority approval is delayed. If the FDA’s or any foreign regulatory authority’s response to any application for approval is delayed or not favorable for any of our product candidates, our stock price could decline significantly.

In addition, when the market price of a company’s common stock drops significantly, stockholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

In the event that coverage under our directors’ and officers’ liability insurance is reduced or terminated as a result of an ownership change or otherwise, our indemnification obligations and limitations of our directors’ and officers’ liability insurance may have a material adverse effect on our financial condition, results of operations and cash flows.

Under Delaware law, our certificate of incorporation, and our by-laws and certain indemnification agreements to which we are a party, we have an obligation to indemnify, or we have otherwise agreed to indemnify, certain of our current and former directors and officers with respect to past, current, and future investigations and litigation. In order to reduce the risk of expense of these obligations, we maintain directors’ and officers’ liability insurance. A significant change in the Company’s risk profile, such as the Tang Ownership Change, could increase the cost to us of our directors’ and officers’ liability insurance coverage or the coverage thereunder may be reduced or terminated in full. In the event that the coverage under our directors’ and officers’ liability insurance is reduced or terminated, we will be required to pay the expenses of indemnifying our current and former directors and officers in their defense of current and future investigations and litigation, which expenses may be significant. The increased costs to us of our directors’ and officers’ liability insurance coverage, or our indemnification obligations if our directors’ and officers’ liability insurance coverage is reduced or terminated, could result in the diversion of our financial resources, and may have a material adverse effect on our financial condition, results of operations and cash flows.

If we do not maintain effective internal controls, we may not be able to accurately report our financial results and our business could be harmed.

The Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and the effectiveness of our disclosure controls and procedures quarterly. In particular, Section 404 of the Sarbanes-Oxley Act, or Section 404, requires us to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on, and our independent registered public accounting firm potentially to attest to, the effectiveness of our internal control over financial reporting. In the past, we were an emerging growth company and we currently are a non-accelerated filer and have availed ourselves of the exemption from the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting under Section 404. If we cease to be a non-accelerated filer and our independent registered public accounting firm is required to undertake an assessment of our internal control over financial reporting, the cost of our compliance with Section 404 will correspondingly increase. Our compliance with applicable provisions of Section 404 will require that we incur substantial accounting expense and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting requirements. Moreover, if we are not able to comply with the requirements of Section 404 applicable to us in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Investor perceptions of our company may suffer if material weaknesses are found, and this could cause a decline in the market price of our common stock. Irrespective of compliance with Section 404, any failure of our internal control over financial reporting could harm our operating results and reputation. If we are unable to implement these requirements effectively or efficiently, it could harm our operations, financial reporting, or financial results and could result in an adverse opinion on our internal controls from our independent registered public accounting firm.

The public announcement of data from clinical trials or news of any developments related to our product pipeline may cause significant volatility in our stock price.

The announcement of data from clinical trials by us or our collaborative partners or news of any developments related to our key pipeline product candidates has in the past caused and may in the future cause significant volatility in our stock price. Furthermore, the announcement of any negative or unexpected data or the discontinuation of development of any of our key pipeline product candidates, or any delay in our anticipated timelines for filing for regulatory approval, could cause our stock price to decline significantly. There can be no assurance that data from clinical trials will support a filing for regulatory approval or even if approved, that any of our key pipeline products will become commercially successful.

Our common stock may be at risk for delisting from the Nasdaq Capital Market in the future if we do not maintain compliance with Nasdaq's continued listing requirements. Delisting could adversely affect the liquidity of our common stock and the market price of our common stock could decrease.

Our common stock is currently listed on the Nasdaq Capital Market LLC (Nasdaq). Nasdaq has minimum requirements that a company must meet in order to remain listed on Nasdaq, including corporate governance standards and a requirement that we maintain a minimum closing bid price of $1.00 per share.

On April 1, 2022, the Company received a letter from Nasdaq indicating that it was not in compliance with Nasdaq Listing Rule 5550(b)(1), which requires companies listed on Nasdaq to maintain a minimum of $2,500,000 in stockholders' equity for continued listing. On its annual report for the year ended December 31, 2021, the Company reported stockholders' equity of $1,216,000, and, as a result, did not satisfy Listing Rule 5550(b)(1). In the second quarter of 2022, the Company regained compliance with the Nasdaq Listing Rule.

In the future, if we fail to maintain such minimum requirements and a final determination is made by Nasdaq that our common stock must be delisted, the liquidity of our common stock would be adversely affected and the market price of our common stock could decrease. In addition, if delisted, we would no longer be subject to Nasdaq rules, including rules requiring us to have a certain number of independent directors and to meet other corporate governance standards. Our failure to be listed on Nasdaq or another established securities market would have a material adverse effect on the value of your investment in us.

If our common stock is not listed on Nasdaq or another national exchange, the trading price of our common stock is below $5.00 per share and we have net tangible assets of $6,000,000 or less, the open-market trading of our common stock will be subject to the "penny stock" rules promulgated under the Securities Exchange Act of 1934, as amended. If our shares become subject to the "penny stock" rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected.

Your percentage of ownership in Aptevo may be diluted in the future.

In the future, your percentage ownership in Aptevo may be diluted because of equity issuances or securities convertible into equity for acquisitions, capital market transactions or otherwise, including, but not limited to, equity issuances under our existing Purchase Agreement with Lincoln Park, under our Equity Distribution Agreement with Piper Sandler, under our Rights Plan with Broadridge Corporate Issuer Solutions, Inc., upon the exercise of warrants issued in connection with our March 2019 public offering, and equity awards to our directors, officers and employees. Our employees have options to purchase shares of our common stock and from time to time, we expect to issue additional options, restricted stock units, or other stock-based awards to our employees under our employee benefits plans.

In addition, our restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock respecting dividends and distributions, as our board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant the holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred stock could affect the residual value of the common stock.

Provisions under Delaware law and in our restated certificate of incorporation, amended and restated by-laws and rights agreement may discourage acquisition proposals, delay a change in control or prevent transactions that stockholders may consider favorable.

Certain provisions in our restated certificate of incorporation and amended and restated by-laws, and under Delaware law, may discourage, delay, or prevent a merger, acquisition or other changes in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our incumbent directors and management.

These provisions include:

- the classification of our directors;
- limitations on the removal of directors;
- limitations on filling vacancies on the board;
- advance notice requirements for stockholder nominations of candidates for election to the Board of Directors and other proposals;
- the inability of stockholders to act by written consent;
- the inability of stockholders to call special meetings; and,
- the ability of our Board of Directors to designate the terms of and issue a new series of preferred stock without stockholder approval.

The affirmative vote of holders of our capital stock representing at least 75% of the voting power of all outstanding stock entitled to vote is required to amend or repeal the above provisions of our certificate of incorporation. The affirmative vote of either a majority of the directors present at a meeting of our Board of Directors or holders of our capital stock representing at least 75% of the voting power of all outstanding stock entitled to vote is required to amend or repeal our by-laws.

In addition, Section 203 of the General Corporation Law of Delaware prohibits a corporation from engaging in a business combination with an interested stockholder, generally a person which, together with its affiliates, owns or within the last three years has owned 15% or more of the corporation's voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Accordingly, Section 203 may discourage, delay or prevent a change in control of us. Tang is an interested stockholder for purposes of Section 203.

Moreover, we currently have a short-term stockholder rights agreement in effect. This rights agreement was amended on November 4, 2021 to extend the expiration date of such agreement from November 8, 2021 to November 5, 2022 and further amended on November 4, 2022 to extend the expiration of such agreement to November 4, 2023. This rights agreement could render more difficult, or discourage a merger, tender offer, or assumption of control of the Company that is not approved by our Board that some stockholders may consider favorable. The rights agreement, however, should not interfere with any merger, tender or exchange offer or other business combination approved by our Board. Nor does the rights agreement prevent our Board from considering any offer that it considers to be in the best interest of our stockholders.

Our by-laws include a forum selection clause, which may impact your ability to bring actions against us.

Subject to certain limitations, our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware will be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring: (a) any derivative action or proceeding brought on our behalf; (b) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees or our stockholders; (c) any action asserting a claim arising pursuant to any provision of the DGCL or our certificate of incorporation or by-laws; or (d) any action asserting a claim governed by the internal affairs doctrine. In addition, our bylaws provide that unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the federal securities laws of the United States against us, our officers, directors, employees or underwriters. These limitations on the forum in which stockholders may initiate action against us could create costs, inconvenience or otherwise adversely affect your ability to seek legal redress.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. As a result, a court may decline to enforce these exclusive forum provisions with respect to suits brought to enforce any duty or liability created by the Securities Act or any other claim for which the federal and state courts have concurrent jurisdiction, and our stockholders may not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. If a court were to find the exclusive forum provisions to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions.

We may be subject to periodic litigation, which could result in losses or unexpected expenditure of time and resources.

From time to time, we may be called upon to defend ourselves against lawsuits relating to our business. Any litigation, regardless of its merits, could result in substantial costs and a diversion of management's attention and resources that are needed to successfully run our business. Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome in any such proceedings could have an adverse impact on our business, financial condition and results of operations. If our stock price is volatile, we may become involved in securities class action lawsuits in the future.

A significant portion of our shares may be sold into the market at any time which could depress our stock price.

If our stockholders sell a substantial number of shares of our common stock in the public market, our market price could decline. In connection with the transaction with Lincoln Park, we registered under the Securities Act of 1933, as amended, the resale of shares of common stock that have been and may be issued under the Purchase Agreement with Lincoln Park. Any such sales or perception that such sales may occur, whether under the Lincoln Park Purchase Agreement or otherwise, could decrease the market price of our common stock.

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

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not Applicable

Item 6. Exhibits

Exhibit Index

Exhibit Number	Description
10.1*+	Payment Interest Purchase Agreement by and between Aptevo Therapeutics Inc. and XOMA (US) LLC, dated March 29, 2023.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

+ Schedules and other similar attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K. Aptevo will furnish copies of any such schedules and attachments to the Securities and Exchange Commission upon request.

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.

APTEVO THERAPEUTICS INC.

Date: May 11, 2023

By: /s/ Marvin L. White

Marvin L. White

President and Chief Executive Officer

Date: May 11, 2023

By: /s/ Daphne Taylor

Daphne Taylor

Senior Vice President and Chief Financial Officer

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED (INDICATED BY: [***]) FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) THE TYPE OF INFORMATION THAT THE REGISTRANT CUSTOMARILY AND ACTUALLY TREATS AS PRIVATE OR CONFIDENTIAL.

PAYMENT INTEREST PURCHASE AGREEMENT
BY AND BETWEEN
APTEVO THERAPEUTICS INC.
AND
XOMA (US) LLC
DATED AS OF MARCH 29, 2023

List of Exhibits

PAYMENT INTEREST PURCHASE AGREEMENT

This Payment Interest Purchase Agreement is dated as of March 29, 2023 (this "Agreement"), by and between **APTEVO THERAPEUTICS INC**, a Delaware corporation ("Seller"), and **XOMA (US) LLC**, a Delaware limited liability company, as Buyer ("Buyer").

RECITALS

WHEREAS, Seller is a party to that certain LLC Purchase Agreement, dated as of February 28, 2020 (the "Sale Agreement"), between Seller and Medexus Pharma, Inc. ("Medexus"), pursuant to which, among other things, (i) Seller sold to Medexus all of the issued and outstanding limited liability company interests of Aptevo BioTherapeutics LLC, a Delaware limited liability company, and (ii) Seller is entitled to receive from Medexus, among other things, the Deferred Payments and the Milestone Payments, as more fully set forth in the Sale Agreement; and

WHEREAS, Seller desires to sell, transfer, assign and convey to Buyer, and Buyer desires to purchase, acquire and accept from Seller, all of Seller's right, title and interest in and to the Purchased Receivables (as defined below), for the consideration and on the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements set forth herein and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, intending to be legally bound, Seller and Buyer hereby agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" means, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such Person.

"Applicable Law" means, with respect to any Person, all laws, rules, regulations, codes and orders of Governmental Authorities applicable to such Person or any of its properties or assets.

"Applicable Withholding Certificate" means a valid and properly executed IRS Form W-9 (or any applicable successor form) certifying that the applicable party hereto is a "United States person" as defined in Section 7701(a)(30) of the Code and is exempt from United States federal withholding tax and backup withholding tax with respect to all payments under this Agreement to such party.

"Bill of Sale and Assignment" means that certain bill of sale and assignment, substantially in the form of Exhibit A attached hereto, entered into by Seller and Buyer as of the Closing.

"Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions located in New York, New York, are permitted or required by Applicable Law to remain closed.

"Buyer" is defined in the preamble.

"Buyer Indemnified Party" is defined in Section 8.2(a).

"Buyer Material Adverse Effect" means any one or more of: (a) a material adverse effect on the ability of Buyer to consummate the transactions contemplated by the Transaction Documents and perform its obligations under the Transaction Documents and (b) a material adverse effect on the validity or enforceability of the Transaction Documents against Buyer or the rights of Seller thereunder.

"Buyer Participated Audit" is defined in Section 7.4(b)(ii).

"Buyer Transaction Expenses" is defined in Section 9.4.

"Closing" is defined in Section 3.1.

"Closing Date" is defined in Section 3.1.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commercially Reasonable Efforts" means the efforts Seller would reasonably be expected to expend if Seller had the sole right, title and interest in and to the Purchased Receivables to which such efforts relate.

"Confidential Information" is defined in Section 6.1(b).

"Confidentiality Agreement" is defined in Section 6.1(d).

"Consent" means any consent, approval, license, permit, order, authorization, registration, filing or notice.

"Contract" means any contract, license, indenture, instrument, arrangement, understanding or agreement.

"Control" and its derivatives mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or other voting interests, by contract or otherwise.

"Deferred Payment" has the meaning set forth in Section 1.5(a) of the Sale Agreement.

"Deferred Payment Calculation Certificate" has the meaning set forth in Section 1.5(c) of the Sale Agreement.

"Deferred Payment Calculation Notice" has the meaning set forth in Section 1.5(c) of the Sale Agreement.

"Deferred Payment Termination Date" has the meaning set forth in Section 1.5(a) of the Sale Agreement.

"Disclosing Party" is defined in Section 6.1(b).

"Disclosure Schedules" means the disclosure schedules attached hereto as Exhibit B

"Escrow Account" means the escrow account created pursuant to the Escrow Agreement.

"Escrow Agreement" means an Escrow Agreement to be entered into by and among Seller, Buyer, and The Bank of New York Mellon, in form and content acceptable to Seller and Buyer.

"Excluded Assets" is defined in Section 2.3.

"Excluded Liabilities and Obligations" is defined in Section 2.4.

"Final Determination" means any final determination as defined in Section 1313(a) of the Code or any corresponding provision of state, local or foreign Applicable Law.

"Financing Statements" is defined in Section 2.5.

"Fundamental Representations" is defined in Section 8.5.

"Governmental Authority" means the government of the United States, any other nation or any political subdivision thereof, whether state or local, and any agency, authority (including supranational authority), branch, commission, instrumentality, regulatory body, court, tribunal or arbitral or judicial body or other Person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Indemnified Tax" means any withholding tax imposed by any Governmental Authority in any jurisdiction that would not have been required to be withheld but for any action or inaction of Seller, including (a) a redomiciling of Seller to another jurisdiction and (b) any failure of Seller to provide any applicable documentation permitting payments to be made without (or at a reduced rate of) withholding that is reasonably requested by Buyer and that Seller is legally eligible to provide.

"Indemnifying Party" is defined in Section 8.2(a).

"Judgment" means any judgment, order, writ, stipulation, consent order, injunction, or decree or decree.

"Knowledge of Seller" means the actual knowledge of each of the following officers of Seller: the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and General Counsel, and such knowledge as would be imputed to such individuals upon due inquiry; provided, however, that due inquiry shall not require Seller to contact Medexus.

"Medexus" is defined in the recitals.

"Medexus Consent" is defined in Section 3.6.

"Medexus Instruction Letter" is defined in Section 6.7.

"Medexus Reports" means, collectively, (a) the Deferred Payment Calculation Notices and Deferred Payment Calculation Certificates required to be delivered by Medexus to Seller pursuant to Section 1.5(c) of the Sale Agreement in respect of Net Sales of the Product, (b) the Milestone Sales Calculation Notice required to be delivered by Medexus to Seller pursuant to Section 1.6(a)(iii)(1) of the Sale Agreement, and (c) any notices and supporting documentation delivered by Medexus to Seller in respect of the events specified in Section 1.6(a)(i)-(ii) of the Sale Agreement.

"MidCap" means MidCap Financial Trust, a Delaware statutory trust.

"MidCap Collateral Assignment" means that certain Collateral Assignment, dated as of August 5, 2020, by Seller and Aptevo Research & Development LLC in favor of MidCap, as agent for the lenders from time to time party to the MidCap Credit Agreement.

"MidCap Credit Agreement" means that certain Credit and Security Agreement, dated as of August 5, 2020, by and among Seller and Aptevo Research & Development LLC, as borrowers, the financial institutions from time to time a party thereto, as lenders, and MidCap, as agent.

"MidCap Release" is defined in Section 3.8.

"Milestone Payments" has the meaning set forth in Section 1.6(a) of the Sale Agreement.

"Milestone Sales Calculation Notice" has the meaning set forth in Section 1.6(a)(iii)(1) of the Sale Agreement.

"Modification" is defined in Section 7.5.

"Net Sales" has the meaning set forth in Exhibit A of the Sale Agreement.

"Non-Warranting Parties" is defined in Section 9.3(a).

"Person" means any individual, firm, corporation, partnership, limited liability company, trust, joint venture, association, unincorporated organization, Governmental Authority or other entity or organization.

"Post-Closing Trigger" means receipt by Buyer of Deferred Payments in the aggregate attributable to Net Sales that occur within the first calendar quarter of 2023 in an amount greater than $500,000.

"Product" has the meaning set forth in Exhibit A of the Sale Agreement.

"Purchase Price" is defined in Section 2.1(b).

"Purchased Receivables" means (a) each Deferred Payment payable to Seller following January 1, 2023 and each Purchased Milestone Payment; (b) any and all payments or amounts payable to Seller under the Sale Agreement in lieu of such payments of the foregoing clause (a); (c) any and all payments or amounts payable to Seller under Section 1.5(d) or Section 1.6(iii) of the Sale Agreement (solely to the extent related to payments or amounts payable under the foregoing clause (a)); and (d) any interest payments to Seller under the Sale Agreement assessed on any payments described in the foregoing clauses (a), (b) or (c).

"Purchased Milestone Payments" means (i) 25% of the Milestone Payment payable to Seller under Section 1.6(a)(i) of the Sale Agreement and (ii) 50% of each Milestone Payment payable to Seller under Section 1.6(a)(ii) and Section 1.6(a)(iii) of the Sale Agreement.

"Receivables" means 100% of all payments due to Aptevo under the Sale Agreement.

"Receiving Party" is defined in Section 6.1(a).

"Relevant Obligations" means confidentiality obligations of Disclosing Party or any of its Affiliates under any agreement with a third party (including, without limitation, the Sale Agreement) to which any Confidential Information is subject.

"Representatives" means, collectively, with respect to any Person, (a) any direct or indirect stockholder, member or partner of such Person and (b) any directors, officers, employees, agents, advisors or other representatives (including attorneys, accountants, consultants, scientists and financial advisors, lenders and investors) of such Person.

"Sale Agreement" is defined in the recitals.

"Seller" is defined in the preamble.

"Seller Indemnified Party" is defined in Section 8.1(b)

"Seller Material Adverse Effect" means any one or more of: (a) a material adverse effect on (i) the ability of Seller to consummate the transactions contemplated by the Transaction Documents and perform its obligations under any of the Transaction Documents or the Sale Agreement, (ii) the legality, validity or enforceability of any of the Transaction Documents or the

Sale Agreement, (iii) the rights or remedies of Buyer under any of the Transaction Documents (v), the rights or remedies of Seller under the Sale Agreement, or (v) the legal obligations of Medexus to pay the Deferred Payments or the Milestone Payments under the Sale Agreement; or (b) an adverse effect in any respect on the value of the Purchased Receivables (including the timing, amount or duration thereof), or the timing, amount or duration of the payments to be made to Buyer in respect of any portion of the Purchased Receivables or the right of Buyer to receive such payments.

"Seller Participated Audit" is defined in Section 7.4(b)(i).

"Solvent" means, with respect to any Person on any date of determination, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature, (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital and (e) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. For purposes of the definition of "Solvent," (i) "debt" means liability on a "claim," (ii) "claim" means any right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured and (iii) the amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Third Party Claim" is defined in Section 8.2(a).

"Transaction Documents" means this Agreement, the Bill of Sale and Assignment, the Medexus Instruction Letter, and the Medexus Consent.

"UCC" means the Uniform Commercial Code as in effect in the State of New York; provided, that, if, with respect to any financing statement or by reason of any provisions of Applicable Law, the perfection or the effect of perfection or non-perfection of the back-up security interest or any portion thereof granted pursuant to Section 2.5 is governed by the Uniform Commercial Code as in effect in a jurisdiction of the United States other than the State of New York, then "UCC" means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions of this Agreement and any financing statement relating to such perfection or effect of perfection or non-perfection.

In the event a capitalized term used herein is defined in both this Agreement and the Sale Agreement, the meaning given to such term in this Agreement shall control.

Section 1.2 Certain Interpretations. Except where expressly stated otherwise in this Agreement, the following rules of interpretation apply to this Agreement:

(a) "include," "includes" and "including" shall be deemed to be followed by the words "without limitation";

(b) "hereof," "hereto," "herein" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement;

(c) references to a Person are also to its permitted successors and assigns;

(d) references to an "Article," "Section" "Exhibit" or "Schedule" refer to an Article or Section of, or an Exhibit or Schedule to, this Agreement, unless otherwise specified;

(e) references to "$" or otherwise to dollar amounts refer to the lawful currency of the United States;

(f) references to an Applicable Law include any amendment or modification to such Applicable Law and any rules and regulations issued thereunder, whether such amendment or modification is made, or issuance of such rules and regulations occurs, before, on or after the date of this Agreement; and

(g) references to this "Agreement" shall include a reference to all Schedules and Exhibits attached to this Agreement (including the Disclosure Schedules), all of which constitute a part of this Agreement and are incorporated herein for all purposes.

ARTICLE II

PURCHASE AND SALE OF PURCHASED RECEIVABLES

Section 2.1 Purchase and Sale of Purchased Receivables.

(a) *Purchase and Sale.* Upon the terms and subject to the conditions of this Agreement, at the Closing, Seller shall sell, transfer, assign and convey to Buyer, and Buyer shall purchase, acquire and accept from Seller, free and clear of all liens and encumbrances, all of Seller's right, title and interest in and to the Purchased Receivables.

(b) *Purchase Price*. In full consideration for the sale, transfer, assignment and conveyance of the Purchased Receivables, and subject to the terms and conditions set forth herein, Buyer shall make a one-time payment to Seller on the Closing Date of either (i) [***] or (ii) $9,600,000 [***] (the "Purchase Price"), by wire transfer of immediately available funds as directed by Seller.

Section 2.2 Post-Closing Trigger Payment. Following the Closing, upon the occurrence of the Post-Closing Trigger, Buyer shall make a one-time payment to Seller of $50,000 by wire transfer of immediately available funds as directed by Seller within 10 Business Days after Buyer's receipt of the Deferred Payments attributable to Net Sales that occur within the first calendar quarter of 2023. Seller hereby agrees and acknowledges that: (i) such payment is a contingent payment obligation of Buyer and there can be no assurance regarding the occurrence of the

Post-Closing Trigger; and (ii) Buyer shall have no obligation or liability with respect to such payment unless and until the Post-Closing Trigger has occurred.

Section 2.3 Excluded Assets. Buyer does not, by purchase, acquisition or acceptance of the rights, title or interest granted hereunder or otherwise pursuant to any of the Transaction Documents, purchase, acquire or accept any assets or contract rights of Seller other than the Purchased Receivables (the "Excluded Assets").

Section 2.4 No Obligations Transferred. Notwithstanding anything to the contrary contained in this Agreement, (a) the sale, transfer, assignment and conveyance to Buyer of the Purchased Receivables pursuant to this Agreement shall not in any way subject Buyer to, or transfer, affect or modify, any obligation or liability of Seller or Seller's Affiliates of whatever nature, whether presently in existence or arising or asserted hereafter, whether known or unknown (the "Excluded Liabilities and Obligations") and (b) Buyer expressly does not assume or agree to become responsible for any of the Excluded Liabilities and Obligations. All Excluded Liabilities and Obligations shall be retained by and remain liabilities and obligations of Seller or Seller's Affiliates, as the case may be.

Section 2.5 True Sale. It is the intention of the parties hereto that the sale, transfer, assignment and conveyance contemplated by this Agreement be, and is, a true, complete absolute and irrevocable sale, transfer, assignment and conveyance by Seller to Buyer of all of Seller's right, title and interest in and to the Purchased Receivables. Neither Seller nor Buyer intends the transactions contemplated by this Agreement to be, or for any purpose characterized as, a loan from Buyer to Seller or a pledge, a security interest, a financing transaction or a borrowing. Seller hereby waives, to the maximum extent permitted by Applicable Law, any right to contest or otherwise assert that this Agreement does not constitute a true, complete, absolute and irrevocable sale, transfer, assignment and conveyance by Seller to Buyer of all of Seller's right, title and interest in and to the Purchased Receivables under Applicable Law, which waiver shall, to the maximum extent permitted by Applicable Law, be enforceable against Seller in any bankruptcy or insolvency proceeding relating to Seller. Accordingly, Seller will treat the sale, transfer, assignment and conveyance of the Purchased Receivables as sales of "accounts" or "payment intangibles" (as appropriate) in accordance with the UCC and Seller hereby authorizes Buyer, from and after the Closing, to file financing statements (and continuation statements with respect to such financing statements when applicable) (the "Financing Statements") naming Seller as the seller and/or debtor and Buyer as the buyer and/or secured party in respect of the Purchased Receivables. Not in derogation of the foregoing statement of the intent of the parties hereto in this regard, and for the purposes of providing additional assurance to Buyer, if notwithstanding the intent of the parties hereto, the sale, transfer, assignment and conveyance contemplated hereby is hereafter held not to be a sale, this Agreement shall constitute a security agreement and Seller does hereby grant to Buyer, as security for all of Seller's obligations hereunder, including the payment to Buyer of amounts equal to the Purchased Receivables as they become due and payable, a first priority security interest in and to all right, title and interest of Seller in, to and under the Purchased Receivables and any "proceeds" (as such term is defined in the UCC) thereof, and Seller does hereby authorize Buyer to file such financing statements (and continuation statements with respect to such financing statements when applicable) in such manner and such jurisdiction as may be necessary or appropriate to perfect such security interests.

Section 2.6 Payments. Any payments to be made by a party hereto shall be made by wire transfer of immediately available funds to the other party in accordance with written instructions provided from time to time by such other party. A late fee of 4% over the prime rate published by the Wall Street Journal, from time to time, as the prime rate shall accrue on all unpaid undisputed amounts on an annualized basis with respect to any late payment under this Agreement beginning 10 Business Days after such payment is due.

ARTICLE III

CLOSING; DELIVERABLES

Section 3.1 Closing. The closing of the purchase and sale of the Purchased Receivables (the "Closing") shall take place on the date hereof at such place and time as the parties hereto may mutually agree, or on another date as the parties hereto may mutually agree. The date on which the Closing occurs is referred to in this Agreement as the "Closing Date."

Section 3.2 Payment of Purchase Price. At the Closing, Buyer shall deliver to Seller payment of the Purchase Price by wire transfer of immediately available funds as directed by Seller.

Section 3.3 Closing Certificates.

(a) *Seller's Closing Certificate*. At the Closing, Seller shall deliver to Buyer a certificate of the Secretary or another officer of Seller, dated the Closing Date, certifying as to (i) the incumbency of the officers of Seller executing the Transaction Documents and (ii) the attached copies of Seller's organizational documents and resolutions adopted by Seller's Board of Directors authorizing the execution and delivery by Seller of the Transaction Documents and the consummation by Seller of the transactions contemplated thereby.

(b) *Buyer's Closing Certificate*. At the Closing, Buyer shall deliver to Seller a certificate of the Secretary or another officer of Buyer, dated the Closing Date, certifying as to the incumbency of the officer of Buyer executing the Transaction Documents.

Section 3.4 Bill of Sale and Assignment. At the Closing, Seller and Buyer shall each deliver to the other party hereto a duly executed counterpart to the Bill of Sale and Assignment, evidencing the sale and assignment to Buyer of the Purchased Receivables.

Section 3.5 Tax Forms. Prior to the Closing, each party hereto shall have delivered to the other party hereto an Applicable Withholding Certificate.

Section 3.6 Medexus Consent. At the Closing, Seller shall deliver to Buyer a consent letter, in form and substance satisfactory to Buyer (the "Medexus Consent"), duly executed by Medexus, pursuant to which Medexus (a) consents to the sale of the Purchased Receivables pursuant to this Agreement, and (b) agrees (i) that Seller may provide to Buyer following the Closing copies of all Medexus Reports and all other notices, correspondence and confidential information relating to the Purchased Receivables that are delivered by Medexus to Seller pursuant to the terms of, or in respect of, the Sale Agreement, and (ii) to pay the Receivables directly to the

Escrow Account in accordance with the Medexus Instruction Letter to be delivered to Medexus on the date of the Escrow Agreement.

Section 3.7 Legal Opinion. At the Closing, Morgan, Lewis & Bockius, LLP, as counsel to Seller, shall deliver to Buyer a duly executed legal opinion in substantially the form of Exhibit D attached hereto.

Section 3.8 MidCap Release. At the Closing, Seller shall deliver to Buyer a release by MidCap of the security interest granted to MidCap in the Sale Agreement and the Purchased Receivables pursuant to the MidCap Credit Agreement and the MidCap Collateral Assignment, which release shall be in a form reasonably acceptable to Buyer (the "MidCap Release").

Section 3.9 Lien Searches. Prior to the Closing, Buyer shall have received (a) the results of a recent search in the state of Delaware of all effective financing statements made against Seller, together with copies of all such filings disclosed by such search and (b) termination statements and amendment statements, as applicable, in each case in form and substance reasonably acceptable to Buyer to be filed with the Secretary of State of the State of Delaware as may be necessary to terminate or amend, as applicable, any effective financing statements that involve or relate to the Purchased Receivables that are disclosed by the search referred to in the immediately preceding clause (a) or as otherwise in existence (including, without limitation, any effective financing statements in favor of Midcap that involve or relate to the Purchased Receivables or the Sale Agreement), which termination statements and amendment statements, as applicable, shall be filed concurrently with the consummation of the Closing.

Section 3.10 Data Room. At the Closing, Seller shall deliver to Buyer an electronic copy of all of the information and documents posted to the virtual data room established by Seller as of the date hereof and made available to Buyer (the "Data Room") for archival purposes only.

ARTICLE IV

SELLER'S REPRESENTATIONS AND WARRANTIES

Except as set forth in the Disclosure Schedules, Seller hereby represents and warrants to Buyer as of the date hereof as set forth below. The Disclosure Schedules have been arranged and numbered in sections and subsections corresponding to each Section or subsection of this ARTICLE IV as to which Seller is limiting or otherwise qualifying its representations and warranties (without any need for reference of any kind in ARTICLE IV hereof to such Section or subsection of the Disclosure Schedules); provided, however, that any information disclosed in the Disclosure Schedules under any such Section or subsection shall be deemed to be disclosed and incorporated in only the specifically identified Section or subsection of the Disclosure Schedules.

Section 4.1 Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller is duly licensed or qualified to do business and is in corporate good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned, leased or operated by it makes such licensing or qualification necessary, except where the failure to be so licensed or

qualified and in corporate good standing has not and would not reasonably be expected to have, either individually or in the aggregate, a Seller Material Adverse Effect.

Section 4.2 Authorization. Seller has the requisite corporate power and authority to execute, deliver and perform its obligations under the Transaction Documents and to consummate the transactions contemplated thereby. The execution, delivery and performance of the Transaction Documents, and the consummation of the transactions contemplated thereby, have been duly authorized by Seller.

Section 4.3 Enforceability. Each of the Transaction Documents has been duly executed and delivered by Seller, and constitutes a valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as may be limited by general principles of equity (regardless of whether considered in a proceeding at law or in equity) and by applicable bankruptcy, insolvency, moratorium and other similar laws of general application relating to or affecting creditors' rights generally.

Section 4.4 Absence of Conflicts. The execution, delivery and performance by Seller of the Transaction Documents and the consummation of the transactions contemplated thereby do not and shall not (a) conflict with, or constitute a breach of or default under, any provision of (i) the articles of organization or bylaws of Seller or (ii) the Sale Agreement, the MidCap Credit Agreement, the MidCap Collateral Assignment. or the MidCap Release, or (b) conflict with, or constitute a material breach of or material default under, any provision of (i) any Applicable Law or Judgment applicable to Seller or (ii) any Contract (other than the Sale Agreement, the MidCap Credit Agreement, or the MidCap Release) to which Seller is a party or by which Seller is bound.

Section 4.5 Consents. No Consent of any Governmental Authority or any other Person is required, or will be required, by or with respect to Seller in connection with the execution and delivery by Seller of the Transaction Documents, the performance by Seller of its obligations under the Transaction Documents or the consummation by Seller of the transactions contemplated by the Transaction Documents, except for such Consents as shall have been obtained on or prior to the date hereof.

Section 4.6 Litigation. No (a) action, suit, proceeding, claim, demand, citation, summons, subpoena, investigation, or other proceeding (whether civil, criminal, administrative, regulatory, investigative or informal) is pending, or, to the Knowledge of Seller, threatened, by or against Seller, at law or in equity, or (b) inquiry, or investigation (whether civil, criminal, administrative, regulatory, investigative or informal) by or before any Governmental Authority is pending, or, to the Knowledge of Seller, threatened, against Seller that, individually or in the aggregate, would reasonably be expected to result in a Seller Material Adverse Effect.

Section 4.7 Compliance with Laws. Seller has (a) not violated, is not in violation of, has not been given written notice that it has violated, and, to the Knowledge of Seller, Seller is not under investigation with respect to its violation of, and has not been threatened to be charged with any violation of, any Applicable Law or any Judgment of any Governmental Authority, and (b) is not subject to any Judgment of any Governmental Authority; in each case that would reasonably be expected to result in a Seller Material Adverse Effect.

Section 4.8 Brokers' Fees. There is no investment banker, broker, finder, financial advisor or other intermediary who has been retained by or is authorized to act on behalf of Seller who is entitled to any fee or commission in connection with the transactions contemplated by this Agreement, other than Piper Sandler, whose fees and expenses shall be paid by Seller.

Section 4.9 Sale Agreement.

(a) *Sale Agreement; Medexus Reports; Material Notices*. Attached hereto as Exhibit E is a true, correct and complete copy of the Sale Agreement. Seller has made available to Buyer true, correct and complete copies of: (i) all Medexus Reports that have been received by Seller prior to the date hereof; and (ii) all material written notices delivered to Medexus by Seller, or by Medexus to Seller, relating to, or involving, the Purchased Receivables pursuant to the Sale Agreement.

(b) *Validity and Enforceability of Sale Agreement.* The Sale Agreement is a valid and binding obligation of Seller and of Medexus, enforceable against each of Seller and Medexus in accordance with its terms, except as may be limited by general principles of equity (regardless of whether considered in a proceeding at law or in equity) and by applicable bankruptcy, insolvency, moratorium and other similar laws of general application relating to or affecting creditors' rights generally. The Sale Agreement will continue to be valid, binding and enforceable on identical terms following the consummation of the transactions contemplated by the Transaction Documents. Seller has not received any written notice from Medexus challenging the validity, enforceability, or interpretation of any provision of the Sale Agreement or any obligation of Medexus to pay the Deferred Payments or Milestone Payments thereunder.

(c) *Other Agreements*. The Sale Agreement is the only agreement, instrument, arrangement, waiver or understanding between Seller (or any Affiliate thereof) and Medexus (or any Affiliate thereof) relating to the subject matter thereof, and there are no other agreements, instruments, arrangements, waivers or understandings between Seller (or any Affiliate thereof) and Medexus (or any Affiliate thereof) that relate to the Sale Agreement, the Purchased Receivables, the Deferred Payments or the Milestone Payments, or that would reasonably be expected to result in a Seller Material Adverse Effect. Other than the MidCap Credit Agreement and the MidCap Collateral Assignment, there is no contract, agreement or other arrangement (whether written or oral) to which Seller is a party or by which any of their respective assets or properties is bound or committed (i) that creates a lien on the Purchased Receivables; (ii) that materially affects the Purchased Receivables or (iii) for which breach thereof, nonperformance thereof, cancellation thereof or failure to renew would reasonably be expected to have a Seller Material Adverse Effect.

(d) *No Termination, Force Majeure, etc*. Seller has not (i) given Medexus any notice of termination pursuant to Section 8.1 of the Sale Agreement or (ii) received from Medexus any written notice of termination pursuant to Section 8.1 of the Sale Agreement. No event has occurred, and there is no event that upon notice or the passage of time, or both, would reasonably be expected to give Seller or Medexus the right to terminate, or delay any of its obligations under, the Sale Agreement, or cease or delay paying the Deferred Payments or Milestone Payments.

(e) *No Breaches*. There is and has been no material breach of the Sale Agreement by Seller, and there is no event that upon notice or the passage of time, or both, would reasonably

be expected to give rise to any material breach by Seller of the Sale Agreement. There is and has been no material breach of the Sale Agreement by Medexus, and there is no event that upon notice or the passage of time, or both, would reasonably be expected to give rise to any such material breach by Medexus. Seller has not received any notice that Seller or Medexus is in default of, or of an intention by Medexus to breach, the Sale Agreement.

(f) *No Payments*. As of the date of this Agreement, except as set forth on Schedule 4.9(f), Medexus has not made, and Seller has not received, any Deferred Payments or Milestone Payments.

(g) *No Waivers, Releases or Amendments*. Seller has not granted any material waiver under the Sale Agreement or released Medexus, in whole or in part, from any of its material obligations under the Sale Agreement. There are no oral waivers or modifications (or pending requests therefor) in respect of the Sale Agreement. Seller has not received from Medexus any proposal, and has not made any proposal to Medexus, to amend or waive any provision of the Sale Agreement.

(h) *No Sublicenses*. To the Knowledge of Seller, there are no licenses or sublicenses entered into by Medexus or any other Person (or any predecessor or Affiliate thereof) in respect of the Product or the Sale Agreement. Seller has not received any notice from Medexus relating to any prospective licenses or sublicenses in respect of the Product or the Sale Agreement.

(i) *Audits*. Seller has not requested access to or conducted and audit of, pursuant to Section 1.5(d) or Section 1.6(iii) of the Sale Agreement, the books of account or records of Medexus or disputed the amount of any Deferred Payment or Milestone Payment.

(j) *Set-Offs*. Medexus is not owed any amount by Seller, under the Sale Agreement or otherwise, that Medexus would have the right to set-off against the Deferred Payments, Milestone Payments, or any other amounts payable to Seller under the Sale Agreement. Medexus has not in the past exercised any set-off against the Deferred Payments, Milestone Payments, or any other amounts payable to Seller under the Sale Agreement.

(k) *Sale Agreement Representations*. To the Knowledge of Seller, all representations and warranties of Seller in the Sale Agreement were true and correct in all material respects when made.

(l) *No Indemnity Claims*. As of the date of this Agreement, neither Seller nor Medexus has made or provided any notice of an indemnity claim under the Sale Agreement.

(m) *No Assignments*. Seller has not consented to, and Seller has not been notified of, any assignment or other transfer by Medexus of the Sale Agreement or any of Medexus' rights or obligations under the Sale Agreement. Medexus has not assigned or otherwise transferred the Sale Agreement or any of its rights or obligations under the Sale Agreement to any Person. Seller has not assigned or otherwise transferred, in whole or in part, the Sale Agreement or any of Seller's right, title or interest in and to the Purchased Receivables.

(n) *Freedom-to-operate*. No legal opinion concerning or with respect to any third party intellectual property rights relating to the Product, including any freedom-to-operate, product

clearance, patentability or right-to-use opinion, has been delivered to Seller or, to the Knowledge of Seller, to Medexus. To the Knowledge of Seller, there is no patent owned or exclusively controlled by a third party which Medexus does not have the right to use and that would be infringed by Medexus's sale of the Product.

Section 4.10 Title to Purchased Receivables. Seller has good and valid title to the Purchased Receivables, free and clear of all liens and encumbrances other than liens in favor of MidCap pursuant to the MidCap Credit Agreement and MidCap Collateral Assignment. Upon payment of the Purchase Price by Buyer and delivery of the MidCap Release, Buyer will have acquired, subject to the terms and conditions set forth in this Agreement, good and valid title to the Purchased Receivables, free and clear of all liens and encumbrances. Upon the filing by Buyer of the Financing Statements with the Secretary of State of the State of Delaware and to the extent the Purchased Receivables constitute an asset of Seller that has not been sold as contemplated by the foregoing provisions of this Section 4.10, the security interest in the Purchased Receivables granted by Seller to Buyer pursuant to Section 2.5 shall be perfected and prior to all other liens thereon to the extent that such security interest in the Purchased Receivables can be perfected under the UCC by the filing of the Financing Statements in such filing office.

Section 4.11 UCC Matters. Seller's exact legal name is, and since its organization has been, "Aptevo Therapeutics Inc." Seller's jurisdiction of organization is, and since its organization has been, the State of Delaware. Seller's principal place of business is, and since its organization has been, located in Seattle, Washington.

Section 4.12 Taxes. No deduction or withholding for or on account of any tax has been or, to the Knowledge of Seller, was required to be made from any payment by Medexus to Seller under the Sale Agreement. Seller has not received written notice from Medexus of any intention to withhold or deduct any tax from future payments under the Sale Agreement.Seller has filed (or caused to be filed) all material tax returns and material tax reports required to be filed under Applicable Law and has paid all material taxes required to be paid by Seller (including, in each case, in its capacity as a withholding agent), except for any such taxes that are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with the generally accepted accounting principles applicable to Seller, as in effect from time to time. There are no existing liens for taxes on the Purchased Receivables (or any portion thereof) other than statutory liens for taxes not yet due.

Section 4.13 Solvency. Seller is, individually and together with its subsidiaries on a consolidated basis, Solvent, and will be Solvent after giving effect to the transactions contemplated by this Agreement.

Section 4.14 Disclosure. None of the representations or warranties of Seller contained in this Agreement or any Transaction Document and none of the information contained in any schedule, certificate, or other document delivered by or on behalf of Seller pursuant hereto or thereto or in connection with the transactions contemplated hereby or thereby contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading.

ARTICLE V

BUYER'S REPRESENTATIONS AND WARRANTIES

Buyer hereby represents and warrants to Seller that as of the date hereof:

Section 5.1 Organization. Buyer is a limited liability company, duly organized, validly existing and in good standing under the laws of Delaware.

Section 5.2 Authorization. Buyer has the requisite organizational power and authority to execute, deliver and perform the Transaction Documents and to consummate the transactions contemplated thereby. The execution, delivery and performance of the Transaction Documents, and the consummation of the transactions contemplated thereby, have been duly authorized by Buyer.

Section 5.3 Enforceability. Each of the Transaction Documents has been duly executed and delivered by Buyer, and constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as may be limited by general principles of equity (regardless of whether considered in a proceeding at law or in equity) and by applicable bankruptcy, insolvency, moratorium and other similar laws of general application relating to or affecting creditors' rights generally.

Section 5.4 Absence of Conflicts. The execution, delivery and performance by Buyer of the Transaction Documents and the consummation of the transactions contemplated thereby do not and shall not (a) conflict with or constitute a breach or default under any provision of the organizational documents of Buyer, (b) conflict with or constitute a material breach of or material default under any provision of (i) any Applicable Law or Judgment applicable to Buyer or (ii) any Contract to which Buyer is a party or by which Buyer is bound, except for such breaches or defaults that, individually or in the aggregate, would not reasonably be expected to result in a Buyer Material Adverse Effect.

Section 5.5 Consents. No Consent of any Governmental Authority or any other Person is required by or with respect to Buyer in connection with the execution and delivery by Buyer of the Transaction Documents, the performance by Buyer of its obligations under the Transaction Documents or the consummation of the transactions contemplated by the Transaction Documents, except for (a) such Consents, the failure of which to be obtained or made, would not reasonably be expected to result in a Buyer Material Adverse Effect, and (b) such Consents as shall have been obtained on or prior to the date hereof.

Section 5.6 Litigation. No action, suit, proceeding or investigation before any Governmental Authority is pending, or, to the knowledge of Buyer, threatened, against Buyer that, individually or in the aggregate, would reasonably be expected to result in a Buyer Material Adverse Effect.

Section 5.7 Brokers' Fees. There is no investment banker, broker, finder, financial advisor or other intermediary who has been retained by or is authorized to act on behalf of Buyer who is entitled to any fee or commission in connection with the transactions contemplated by this Agreement.

Section 5.8 Financing. Buyer has, and will have as of the Closing, sufficient cash on hand or binding and enforceable commitments to provide it with funds sufficient to satisfy its obligations to pay the Purchase Price. Buyer acknowledges that its obligations under this Agreement are not contingent on obtaining financing.

Section 5.9 Tax Status. Buyer is a "United States person", as defined in section 7701(a)(30) of the Code.

ARTICLE VI

GENERAL COVENANTS

Section 6.1 Confidentiality.

(a) *Confidentiality*. Except as set forth in Section 6.1(c) below, each party ("Receiving Party") shall keep confidential and not disclose to any Person (other than its Affiliates and its and its Affiliates' Representatives), and shall cause its Affiliates and its and its Affiliates' Representatives to keep confidential and not disclose to any Person, any Confidential Information. Receiving Party shall, and shall cause its Affiliates and its and its Affiliates' Representatives to, use the Confidential Information solely in connection with Receiving Party's administration of, and exercising of rights and performance of obligations under, the Transaction Documents (and not for any other purpose). The foregoing obligations shall continue until the later of (x) the date of termination of this Agreement pursuant to Section 9.14(a) and (y) the date of expiration of the last to expire of the Relevant Obligations.

(b) *Confidential Information*. "Confidential Information" means, collectively, all information (whether written or oral, or in electronic or other form, and whether furnished before, on or after the date of this Agreement) concerning, or relating in any way, directly or indirectly, to the other party ("Disclosing Party"), the Sale Agreement, or the Purchased Receivables, including any Medexus Reports, notices, requests, correspondence or other information furnished pursuant to this Agreement and any other reports, data, information, materials, notices, correspondence or documents of any kind relating in any way, directly or indirectly, to the Purchased Receivables. Notwithstanding the foregoing, "Confidential Information" shall not include the existence or terms of this Agreement, or any information that (A) was known by Receiving Party at the time such information was disclosed to Receiving Party, its Affiliates or its or its Affiliates' Representatives in accordance herewith or in accordance with the Confidentiality Agreement, as evidenced by its written records; (B) was or becomes generally available to the public or part of the public domain (other than as a result of a disclosure by Receiving Party, its Affiliates or its or its Affiliates' Representatives in violation of this Agreement or the Confidentiality Agreement) prior to any disclosure of such information by Receiving Party, its Affiliates or its or its Affiliates' Representatives; (C) becomes known to Receiving Party on a non-confidential basis from a source other than Disclosing Party and its Representatives (and without any breach of this Agreement or the Confidentiality Agreement by Receiving Party, its Affiliates or its or its Affiliates' Representatives); provided, that such source, to the knowledge of Receiving Party, had the right to disclose such information to Receiving Party (without breaching any legal, contractual or fiduciary obligation to Disclosing Party); or (D) is or has been independently developed by

Receiving Party, its Affiliates or its or its Affiliates' Representatives without use of or reference to the Confidential Information (as evidenced by contemporaneous written records).

(c) *Permitted Disclosures.*

(i) In the event that Receiving Party or its Affiliates or any of its or its Affiliates' Representatives are requested by a governmental or regulatory authority or required by Applicable Law (as reasonably determined by Disclosing Party after consulting with legal counsel), legal process, or the regulations of a stock exchange or governmental or regulatory authority or by the order or ruling of a court, administrative agency or other government body of competent jurisdiction to disclose any Confidential Information, Receiving Party shall promptly, and, in any event, use reasonable efforts to, promptly upon learning of such requirement, to the extent permitted by Applicable Law, notify Disclosing Party in writing of such requirement so that Disclosing Party may seek an appropriate protective order or other appropriate remedy (and if Disclosing Party seeks such an order or other remedy, Receiving Party will provide such cooperation, at Disclosing Party's expense, as Disclosing Party shall reasonably request). If no such protective order or other remedy is obtained and Receiving Party or its Affiliates or its or its Affiliates' Representatives are, in the view of their respective counsel (which may include their respective internal counsel), legally compelled to disclose Confidential Information, Receiving Party or its Affiliates or its or its Affiliates' Representatives, as the case may be, shall only disclose that portion of the Confidential Information that their respective counsel advises that Receiving Party or its Affiliates or its or its Affiliates' Representatives, as the case may be, are compelled to disclose and will exercise reasonable efforts, at Disclosing Party's expense, to obtain reliable assurance that confidential treatment will be accorded to that portion of the Confidential Information that is being disclosed. In any event, Receiving Party will not oppose action by Disclosing Party to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information.

(ii) Notwithstanding anything herein to the contrary, nothing in this Section 6.1 shall be construed to restrict Receiving Party from disclosing Confidential Information to Receiving Party's Affiliates, Representatives, existing or prospective lenders, acquirors, investors, partners, assignees and other sources of funding, including underwriters, debt financing or co-investors, or direct or indirect beneficial owners, or limited partners, and the Representatives of the foregoing, provided that the recipient of Confidential Information agrees to be bound by the provisions of this Section 6.1 or are otherwise subject to reasonable restrictions of confidentiality.

(d) *Termination of Confidentiality Agreement*. Effective upon the date hereof, the Confidential Disclosure Agreement, dated December 19, 2022 (the "Confidentiality Agreement"), between Buyer and Seller shall terminate and be of no further force or effect, and shall be superseded by the provisions of this Section 6.1.

(e) *Specific Enforcement*. Receiving Party acknowledges and agrees that remedies at law may not be adequate to protect Disclosing Party against any actual or threatened breach of this Section 6.1 by Receiving Party, its Affiliates or its or its Affiliates' Representatives, and that Disclosing Party shall be entitled to seek specific performance and temporary and permanent injunctive relief or other equitable relief as a remedy for any such actual or threatened breach.

Section 6.2 Taxes.

(a) For United States federal, state, local and non-United States tax purposes, Seller and Buyer shall treat (i) the transactions contemplated by the Transaction Documents as a sale of the Purchased Receivables, (ii) the payment of any amounts pursuant to Section 2.2 as an adjustment to the Purchase Price, and (iii) any and all amounts remitted by Seller to Buyer after the Closing Date pursuant to Section 7.2(a) or otherwise under this Agreement as having been received by Seller as agent for Buyer, in each case, unless otherwise required by a Final Determination.

(b) Each party hereto agrees (i) to notify the other party promptly in writing if (A) such party becomes ineligible to use or deliver any Applicable Withholding Certificate or other tax form previously delivered pursuant to this Agreement, or (B) any Applicable Withholding Certificate or other tax form previously delivered pursuant to this Agreement ceases to be accurate or complete, and (ii) to provide (to the extent it is legally eligible to do so) any additional tax forms that the other party may reasonably request. Buyer agrees to notify Seller promptly if the statements in Section 5.9 (if made as of any date after the Closing Date) cease, or because of any change of Applicable Law or any act or omission planned, suffered or performed by Buyer, would in the future cease, to be true.

(c) Buyer and Seller acknowledge and agree that, under Applicable Law as of the date of this Agreement, no taxes are expected to be deducted or withheld from payments under this Agreement. Buyer and Seller shall each be entitled to deduct and withhold (or cause to be deducted and withheld) from any amount payable under this Agreement (but for this sentence) any amounts that it is required to deduct or withhold under Applicable Law with respect thereto; provided that if Buyer or Seller shall be required to withhold or deduct any such tax, it shall remit (or cause to be remitted) any amount withheld or deducted pursuant to this Section 6.2 to the relevant taxing authority (and such amounts shall be treated for all purposes of this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid). Notwithstanding the foregoing, if amounts are deducted or withheld from amounts payable to Buyer in respect of an Indemnified Tax, Seller shall make a payment to Buyer so that, after all such required deductions and withholdings attributable to amounts payable to Buyer hereunder (including any deductions and withholdings required with respect to any additional payments under this Section 6.2), Buyer receives an amount equal to the amount that it would have received had no deductions or withholdings on account of Indemnified Taxes been made.

(d) Each of Buyer and Seller shall cooperate with and provide, or cause to be provided, to the other party such assistance as may reasonably be necessary to enable the applicable recipient party to claim any exemption or credit in respect of any amounts withheld pursuant to this Section 6.2. Each of Buyer and Seller shall furnish proper evidence of the taxes paid by it to the relevant taxing authority on behalf of the recipient party.

Section 6.3 Further Actions. From and after the Closing, each of Buyer and Seller shall, at the expense of the requesting party, execute and deliver such additional documents, certificates and instruments, and perform such additional acts, as may be reasonably requested and necessary or appropriate to carry out all of the provisions of this Agreement and to give full effect to and consummate the transactions contemplated by this Agreement, including to (a) perfect the sale,

assignment, transfer and conveyance of the Purchased Receivables to Buyer pursuant to this Agreement, (b) create, evidence and perfect Buyer's security interest granted pursuant to Section 2.5 and (c) enable Buyer to exercise or enforce any of Buyer's rights under any Transaction Document to which Buyer is party.

Section 6.4 Distribution of Purchased Receivables.

(a) Deposit of Purchased Receivables. In accordance with the Medexus Instruction Letter, from and after the date of the Escrow Agreement, Seller shall direct Medexus to deposit all Receivables to the Escrow Account.

(b) Release of Non-Purchased Receivables. If Buyer shall receive any payment under the Sale Agreement that does not consist entirely of Purchased Receivables, Buyer shall promptly, and in any event no later than five Business Days remit to Seller the portion, if any, of such payment that does not constitute Purchased Receivables by wire transfer of immediately available funds to such account as Seller may designate in writing (such designation to be made at least three Business Days prior to any such payment).

Section 6.5 Medexus Instructions. Prior to the termination of this Agreement pursuant to Section 9.14(a), Seller shall not, without Buyer's prior written consent, deliver any further directions to Medexus.

Section 6.6 Escrow Agreement. The Parties agree to negotiate and enter into the Escrow Agreement within ten days of the Closing Date.

Section 6.7 Medexus Instruction Letter. On the date of the Escrow Agreement, Seller shall deliver to Buyer and Medexus an instruction letter, in substantially the form of Exhibit C attached hereto (the "Medexus Instruction Letter"), duly executed by Seller, instructing Medexus to pay the Receivables to the Escrow Account.

ARTICLE VII

COVENANTS RELATING TO THE SALE AGREEMENT

Section 7.1 Performance of Sale Agreement.

(a) Seller agrees that it shall (i) comply in all material respects with its obligations under the License Agreement, (ii) not take any action or forego any action that would reasonably be expected to constitute a material breach or default under the Sale Agreement and (iii) use Commercially Reasonable Efforts to cure any such breach by Seller of the Sale Agreement, (iv) not forgive, release or compromise any amount owed to or becoming owed to Seller under the Sale Agreement in respect of the Receivables and (v) not, without the prior written consent of Buyer, (A) exercise any right to offset, modify or terminate the Sale Agreement, in whole or in part, (B) agree with Medexus to offset, modify or terminate the Sale Agreement, in whole or in part, or (C) take, or permit any Affiliate or sublicensee to take, any action that would reasonably be expected to give Medexus the right to offset, modify or terminate the Sale Agreement, in whole or in part. Subject to the foregoing, promptly, and in any event within five Business Days, following receipt

by Seller of any notice of breach of termination of the Sale Agreement, Seller shall furnish a true, correct and complete copy of the same to Buyer.

(b) Seller shall not, without the prior written consent of Buyer, grant or withhold any consent, exercise or waive any right, obligation or option or fail to exercise any right, obligation or option in respect of, affecting or relating to the Receivables, the Product, and the Sale Agreement in any manner that would reasonably be expected (with or without the giving of notice or the passage of time, or both) to have a Seller Material Adverse Effect or conflict with, or cause a termination, material breach or default under the Sale Agreement.

Section 7.2 Misdirected Payments; Setoffs.

(a) *Misdirected Payments*. If Seller shall, notwithstanding the provisions of the Medexus Instruction Letter, receive any Purchased Receivables, Seller shall promptly, and in any event no later than five Business Days, remit to Buyer such Purchased Receivables.

(b) *Setoffs by Medexus*. If Medexus sets off against the Purchased Receivables any amount owing from Seller, then Seller shall promptly, and in any event no later than five Business Days, pay to Buyer a sum equal to the amount of such set-off. After Seller makes the payment referred to in the first sentence of this Section 7.2(b), Seller shall be entitled to, and Buyer shall not be entitled to, any amounts recovered from Medexus in respect of such set-off.

(c) *Remittances*. All remittances pursuant to this Section 7.2 shall be made (i) without set-off or deduction of any kind (except as required by Applicable Law) and (ii) by wire transfer of immediately available funds to such account as Buyer may designate in writing (such designation to be made at least three Business Days prior to any such payment), as the case may be.

(d) *Payments Held In Trust*. Seller agrees that it shall hold any amounts received by it to which Buyer is entitled under this Agreement in trust and agrees that it shall have no right, title or interest whatsoever in such amounts.

(e) A late fee of 4% over the prime rate published by the Wall Street Journal, from time to time, as the prime rate shall accrue on all unpaid amounts on an annualized basis with respect to any sum payable under this Section 7.2 beginning five Business Days after receipt of such payment received in error.

Section 7.3 Medexus Reports; Notices; Correspondence.

(a) Promptly, and in any event no later than five Business Days, following the receipt by Seller of (a) Medexus Reports required to be delivered pursuant to the Sale Agreement or (b) any material written notice or material written correspondence relating to, or involving the Purchased Receivables, Seller shall furnish a true, correct and copy of the same to Buyer.

(b) Seller shall not send any material written notice or correspondence to Medexus relating to, or involving, the Purchased Receivables pursuant to the Sale Agreement without the prior written consent of Buyer (such consent not to be unreasonably withheld or delayed). Seller shall promptly, and in any event no later than five Business Days, provide to

Buyer a copy of any material notice or correspondence sent by Seller to Medexus relating to, or involving, the Purchased Receivables pursuant to the Sale Agreement. Seller shall use Commercially Reasonable Efforts to respond to any reasonable inquiries of Buyer related to or involving the Purchased Receivables.

Section 7.4 Audits of Medexus.

(a) *Consultation*. Seller and Buyer shall consult with each other regarding the timing, manner and conduct of (i) any audit of Medexus's books of accounts and other records with respect to the Deferred Payments and Milestone Payments pursuant to Section 1.5(d) or Section 1.6(a)(iii) of the Sale Agreement, (ii) any dispute with respect to a Deferred Payment Calculation Certificate pursuant to Section 1.5(d) of the Sale Agreement, and (iii) any dispute with respect to a Milestone Sales Calculation Notice pursuant to Section 1.6(a)(iii) of the Sale Agreement.

(b) *Audits*.

(i) If requested in writing by Buyer, Seller shall cause an independent, certified public accountant reasonably acceptable to Medexus to audit Medexus's books of accounts and other records with respect to the Deferred Payments and Milestone Payments pursuant to Section 1.5(d) or Section 1.6(a)(iii) of the Sale Agreement, as applicable; provided, however, that Buyer shall not be entitled to request such an audit more frequently than once in any calendar year. With respect to any such audit, Seller shall select such independent, certified public accountant as Buyer shall recommend for such purpose (as long as such independent, certified public accountant is reasonably acceptable to Seller and Medexus). Subject to the last sentence of this Section 7.4(b)(i), all of the expenses of any such audit requested by Buyer under this Section 7.4(b)(i) (including the fees and expenses of any independent, certified public accountant) that would otherwise be borne by Seller pursuant to the Sale Agreement shall instead be borne (as such expenses are incurred) by Buyer. If, following the completion of such an audit, Medexus reimburses Seller for the costs of such audit pursuant to Section 1.5(d) or Section 1.6(a)(iii) of the Sale Agreement, Seller shall promptly (and in any event within five Business Days of receipt by Seller of such reimbursement), remit 100% of the amount of such reimbursement to Buyer (or 50% in the case of a Seller Participated Audit). Notwithstanding the above, upon reasonable request of Seller, any examination initiated at the request of Buyer pursuant to this Section 7.4(b)(i) may include such additional matters as reasonably requested by Seller (such examination, a "Seller Participated Audit"); provided that half of the expenses of a Seller Participated Audit shall be borne by Seller (as such expenses are incurred).

(ii) Seller shall not request an examination under Section 1.5(d) or Section 1.6(a)(iii) of the Sale Agreement without the prior written consent of Buyer. Subject to the last sentence of this Section 7.4(b)(ii), all of the expenses of any examination requested by Seller under this Section 7.4(b)(ii) (including the fees and expenses of such independent public accounting firm designated for such purpose) shall be borne by Seller (if and as such expenses are incurred). Notwithstanding the above, upon reasonable request of Buyer, any examination initiated at the request of Seller pursuant to this Section 7.4(b)(ii) may include such additional matters as reasonably requested by Buyer (such examination, a "Buyer Participated Audit"); provided that (A) half of the expenses of a Buyer Participated Audit shall be borne by Buyer (as such expenses

are incurred) and (B) if, following the completion of such an examination, Medexus reimburses Seller for the costs of such examination pursuant to Section 1.5(d) or Section 1.6(a)(iii) of the Sale Agreement, Seller shall promptly (and in any event within five Business Days of receipt by Seller of such reimbursement), remit 50% of the amount of such reimbursement to Buyer.

Section 7.5 Amendment of Sale Agreement. Seller shall provide Buyer a copy of any proposed amendment, supplement, modification or waiver (a "Modification") of any provision of the Sale Agreement as soon as practicable and in any event not less than five Business Days prior to the date Seller proposes to execute such Modification. Seller shall not, without the prior written consent of Buyer (such consent not to be unreasonably withheld or delayed), execute or agree to execute any proposed Modification. Promptly, and in any event within five Business Days, following receipt by Seller of a fully executed Modification of the Sale Agreement, Seller shall furnish a true, correct, and complete copy of such Modification to Buyer.

Section 7.6 Enforcement of Sale Agreement.

(a) *Notice of Medexus Breaches*. Promptly, and in any event within five Business Days after Seller becoming aware of a material breach of, or a material alleged breach of, the Sale Agreement by Medexus that relates to the Purchased Receivables, Seller shall promptly (but in any event within five Business Days) provide notice of such breach to Buyer describing in reasonable detail the relevant breach. In addition, Seller shall provide Buyer a copy of any written notice of such breach or such alleged breach of the Sale Agreement that relates to the Purchased Receivables as soon as practicable and in any event not less than five Business Days following such delivery.

(b) *Enforcement of Sale Agreement*. Seller shall consult with Buyer regarding the breach event referred to in Section 7.6(a) and as to the timing, manner and conduct of any enforcement of Medexus's obligations under the Sale Agreement relating thereto. Following such consultation, Seller shall, as reasonably instructed by Buyer, exercise such rights and remedies relating to such breach as shall be available to Seller, whether under the Sale Agreement or by operation of Applicable Law, and use Commercially Reasonable Efforts to enforce compliance by Medexus with the relevant provisions of the Sale Agreement. In connection with any enforcement of Medexus's obligations under the Sale Agreement pursuant to this Section 7.6, Seller shall employ such counsel as Buyer shall recommend for such purpose (as long as such counsel is reasonably acceptable to Seller), and shall provide Buyer with access to such counsel for such purpose. Seller agrees to keep Buyer reasonably informed of any such enforcement and to provide copies as soon as practicable, but in any event within five Business Days following Seller's receipt or delivery of any and all filings, notices and written communications relating thereto.

(c) *Allocation of Proceeds and Costs of Enforcement*. The proceeds from any enforcement of Medexus's obligations under the Sale Agreement pursuant to this Section 7.6, after deduction of all costs and expenses (including reasonable and documented attorneys' fees and expenses) incurred by Seller in connection with such enforcement, shall be, promptly (and in any event within five Business Days) following the receipt of such proceeds, allocated to Buyer and Seller in proportion to their respective interests in the Receivables. All costs and expenses (including reasonable and documented attorneys' fees and expenses) of any enforcement of Medexus's obligations under the Sale Agreement pursuant to this Section 7.6 (other than any costs

and expenses of Seller that are satisfied out of the proceeds of such enforcement) shall be borne by [***]. Buyer shall fund any retainers or advances required by the counsel employed for such enforcement (such amounts to be credited or deducted from the actual amounts owed by Buyer under the immediately preceding sentence) and Buyer shall promptly reimburse Seller for any of Seller's costs or expenses that are not satisfied out of the proceeds of such enforcement; provided, however, that such out-of-pocket costs and expenses (including the fees and expenses of Seller's counsel) shall be borne solely by Seller if such breach or termination event results from a breach of the Sale Agreement by Seller. Nothing contained herein shall limit Buyer from retaining, at its sole cost, separate outside counsel who shall be permitted, where reasonably practical, to consult with the lead counsel selected pursuant to Section 7.6(b) for such enforcement.

Section 7.7 Preservation of Rights; Assignments. Seller shall not hereafter sell, transfer, hypothecate, delegate, assign or in any manner convey or mortgage, pledge or grant a security interest or other encumbrance of any kind in any of its rights, title or interest in and to, or duties under, the Purchased Receivables. Promptly, and in any event within five Business Days following receipt by Seller of a written request from Medexus for consent to assign or prior written notice of an assignment of the Sale Agreement (in whole or in part), Seller shall provide notice thereof to Buyer. Promptly (and in any event no later than five Business Days) following Seller's receipt of any fully executed assignment of the Sale Agreement by Medexus, Seller shall furnish a copy of such assignment to Buyer.

ARTICLE VIII

INDEMNIFICATION

Section 8.1 Obligation of Parties to Indemnify.

(a) *Indemnification by Seller*. Subject to the limitations set forth in this ARTICLE VIII, from and after the Closing, Seller shall indemnify Buyer, its Affiliates, and their Representatives (each, a "Buyer Indemnified Party)" against any and all losses, liabilities, expenses (including reasonable attorneys' fees and expenses in connection with any third party action, suit or proceeding) and damages (collectively, "Losses") incurred by such Buyer Indemnified Party, to the extent arising or resulting from any of the following:

(i) any breach of any representation or warranty made by Seller in the Transaction Documents;

(ii) any breach of any covenant or agreement of Seller contained in the Transaction Documents; and

(iii) the Excluded Assets and the Excluded Liabilities and Obligations.

(b) *Indemnification by Buyer*. Subject to the limitations set forth in this ARTICLE VIII, from and after the Closing, Buyer shall indemnify Seller, its Affiliates, and their Representatives (each, a "Seller Indemnified Party") against any and all Losses incurred by such Seller Indemnified Party, to the extent arising or resulting from any of the following:

(i) any breach of any representation or warranty made by Buyer in the Transaction Documents; and

(ii) any breach of any covenant or agreement of Buyer contained in the Transaction Documents.

Section 8.2 Procedures Relating to Indemnification for Third Party Claims.

(a) *Notice of Third Party Claim*. In order for a party (an "Indemnified Party") to be entitled to any indemnification under this ARTICLE VIII in respect of Losses arising out of or involving a claim or demand made by any Person other than Buyer or Seller against a Buyer Indemnified Party or a Seller Indemnified Party, as applicable (a "Third Party Claim"), the Indemnified Party must notify the party from whom indemnification is sought under this ARTICLE VIII (the "Indemnifying Party") promptly in writing (including in such notice a brief description of the Third Party Claim, including damages sought or estimated, to the extent actually known or reasonably capable of estimation by the Indemnified Party); provided, however, that the failure to promptly provide such notice shall not affect the indemnification provided under this ARTICLE VIII except to the extent that the Indemnifying Party has been actually prejudiced as a result of such failure. Thereafter, the Indemnified Party shall deliver to the Indemnifying Party, promptly after the Indemnified Party's receipt thereof, copies of all documents (including court papers) received by the Indemnified Party relating to the Third Party Claim.

(b) *Defense of Third Party Claims*. The Indemnifying Party shall be entitled to participate in the defense of the Third Party Claim and, if it so chooses, to assume the defense thereof, at its own expense, with counsel selected by the Indemnifying Party; provided, that such counsel is not reasonably objected to by the Indemnified Party. If the Indemnifying Party elects to assume the defense of any Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party for legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof, except that, if the Indemnifying Party and the Indemnified Party have conflicting interests or different defenses available with respect to such Third Party Claim, the Indemnified Party may hire its own separate counsel (provided that such counsel is not reasonably objected to by the Indemnifying Party) with respect to such Third Party Claim and the related action or suit, and the reasonable fees and expenses of such counsel shall be considered Losses for purposes of this Agreement. The Indemnifying Party shall permit the Indemnified Party to participate in, but not control, the defense of any such action or suit through counsel chosen by the Indemnified Party, provided that such counsel is not reasonably objected to by the Indemnifying Party and, except in the circumstances described in the immediately preceding sentence, the fees and expenses of such counsel shall be borne by the Indemnified Party. The Indemnifying Party shall be liable for the reasonable fees and expenses of counsel employed by the Indemnified Party in the defense of a Third Party Claim (which shall all be considered Losses for purposes of this Agreement) for any period during which the Indemnifying Party has not assumed the defense thereof (other than during the period prior to the time the Indemnified Party shall have notified the Indemnifying Party of such Third Party Claim).

(c) *Cooperation*. The parties hereto shall cooperate in the defense or prosecution of any Third Party Claim, with such cooperation to include (i) the retention of and the provision to the Indemnifying Party of records and information that are reasonably relevant to such Third

Party Claim and (ii) the making available of employees on a mutually convenient basis for providing additional information and explanation of any material provided hereunder. Neither the Indemnified Party nor the Indemnifying Party shall consent (such consent not to be unreasonably withheld or delayed) to the entry of any judgment, settlement, compromise or discharge of such Third Party Claim without the prior written consent of the other; provided that the consent of the Indemnified Party shall not be required if such judgment, settlement, compromise or discharge (A) does not involve any non-monetary penalties (other than customary and reasonable confidentiality obligations relating to such claim, judgment, settlement, compromise or discharge), (B) results in the complete and unconditional release of the Indemnified Party from all liabilities arising out of, relating to or in connection with such Third Party Claim and (C) does not involve a finding or admission of any fault, culpability, failure to act, violation of any law, rule, regulation or judgment, or the rights of any Person, and has no effect on any other claims that may be made against the Indemnified Party.

Section 8.3 Procedures Relating to Indemnification for Other Claims. In order for an Indemnified Party to be entitled to any indemnification under this ARTICLE VIII in respect of Losses that do not arise out of or involve a Third Party Claim, the Indemnified Party must notify the Indemnifying Party promptly in writing (including in such notice a brief description of the claim for indemnification and the Loss, including damages sought or estimated, to the extent actually known or reasonably capable of estimation by the Indemnified Party); provided, however, that the failure to promptly provide such notice shall not affect the indemnification provided under this ARTICLE VIII except to the extent that the Indemnifying Party has been actually prejudiced as a result of such failure.

Section 8.4 Limitations on Indemnification. Notwithstanding anything in this Agreement to the contrary, the aggregate amount of all Losses for which Seller or Buyer shall be liable hereunder pursuant to Section 8.1(a)(i) or Section 8.1(b)(i), respectively, shall not exceed an amount equal to the sum of: (a) [***]; provided that the limitations set forth in this Section 8.4 shall not apply to breaches of any Fundamental Representations or Losses arising out of any fraud, intentional misrepresentation or willful misconduct.

Section 8.5 Survival of Representations and Warranties. The representations and warranties contained in this Agreement shall survive the Closing solely for purposes of Section 8.1 and shall terminate on the date that is the third anniversary of the Closing Date; provided, however, that (i) the representations and warranties in Section 4.1 (Organization), Section 4.2 (Authorization), Section 4.3 (Enforceability), Section 4.4 (Absence of Conflicts), Section 4.8 (Brokers' Fees), Section 4.11 (UCC Matters), Section 4.12 (Taxes), Section 5.1 (Organization), Section 5.2 (Authorization), Section 5.3 (Enforceability), Section 5.4 (Absence of Conflicts), Section 5.7 (Brokers' Fees) and Section 5.9 (Tax Status) (the "Fundamental Representations") shall survive until 90 days following the expiration of all applicable statutes of limitations (giving effect to any waiver, mitigation or extension thereof). No party hereto shall have any liability or obligation of any nature with respect to any representation or warranty after the termination thereof, unless the other party hereto shall have delivered a notice to such party, pursuant to Section 8.2(a) or Section 8.3, claiming such a liability or obligation under Section 8.1, prior to such third anniversary or prior to the expiration of such ninety (90)-day period, as applicable.

Section 8.6 No Implied Representations and Warranties. Buyer acknowledges and agrees that, other than the representations and warranties of Seller specifically contained in ARTICLE IV, there are no representations or warranties of Seller or any other Person either expressed or implied with respect to the Purchased Receivables or the Sale Agreement or the transactions contemplated by the Transaction Documents and that it shall have no remedies in respect of, any representation or warranty not specifically set forth in ARTICLE IV, except in the case of fraud, intentional misrepresentation or willful misconduct. Except in the case of fraud, intentional misrepresentation or willful misconduct, Buyer acknowledges and agrees that (a) Buyer, together with its Affiliates and Representatives, have made their own investigation of the Purchased Receivables, the Sale Agreement and the transactions contemplated by the Transaction Documents and shall have no remedies in respect of, any implied warranties or upon any representation or warranty whatsoever as to the future amount or potential amount of the Purchased Receivables, or as to the creditworthiness of Medexus (or any of its Affiliates) and (b) except as expressly set forth in any representation or warranty in ARTICLE IV, Buyer shall have no claim or right regarding losses or damages pursuant to this ARTICLE VIII (or otherwise) with respect to any information, documents or materials furnished or made available to Buyer or any of its Affiliates or its or its Affiliates' Representatives in any data room, presentation, interview or in any other form or manner relating to the transactions contemplated by the Transaction Documents or the Sale Agreement.

Section 8.7 Exclusive Remedy. Other than for breaches of any covenants or agreements set forth in Section 6.1, the parties hereto acknowledge and agree that, from and after the Closing, this ARTICLE VIII shall provide such parties' sole and exclusive remedy with respect to any breached representation or warranty set forth in the Transaction Documents, except that any such claim or matter based upon bad faith, gross negligence or willful misconduct shall not be subject to or limited by this ARTICLE VIII.

Section 8.8 Limitations on Damages. Notwithstanding anything to the contrary in this Agreement or any other Transaction Document, in no event shall either party hereto be liable (including, without limitation, under Section 8.1) for any (a) special, indirect, incidental, exemplary, punitive, multiple or consequential damages or (b) loss of use, business interruption, loss of any contract or other business opportunity or good will, in each case, of the other party hereto (other than any such damages or losses for the net present value of all expected payments to Buyer hereunder or occasioned by any breach of the covenants or agreements set forth in Section 6.1), whether or not caused by or resulting from the actions of such party or the breach of its covenants, agreements, representations or warranties under any of the Transaction Documents (except as aforesaid) and whether in contract, tort or breach of statutory duty or otherwise, even if such party has been advised of the possibility of such damages. In connection with the foregoing, the parties hereto acknowledge and agree that (i) Buyer's damages, if any, for any such action or claim will include Losses for Purchased Receivables that Buyer was entitled to receive or would have received absent such breach, in each case in respect of its ownership of the Purchased Receivables, as well as expenses incurred in connection with enforcement of this Agreement, and (ii) Buyer shall be entitled to make claims for all such missing, delayed or diminished Purchased Receivables as Losses hereunder, and such missing, delayed or diminished payments shall not be deemed (A) special, indirect, incidental, exemplary, punitive, multiple or consequential damages or (B) loss of use, business interruption, loss of any contract or other business opportunity or good will.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Headings. The captions to the Articles, Sections and subsections hereof are not a part of this Agreement but are for convenience only and shall not be deemed to limit or otherwise affect the construction thereof.

Section 9.2 Notices. All notices and other communications under this Agreement shall be in writing and shall be sent by email with PDF attachment, courier or personal delivery to the following addresses, or to such other addresses as shall be designated from time to time by a party hereto in accordance with this Section 9.2.

If to:	Address:
Seller	Aptevo Therapeutics Inc. 2401 4th Avenue Suite 1050 Seattle, WA 98121 *Attention*: General Counsel Email: kwons@apvo.com
with a copy to:	Morgan, Lewis & Bockius, LLP 1701 Market Street Philadelphia, PA 19103 *Attention*: Conor Larkin Email: conor.larkin@morganlewis.com
Buyer	XOMA (US) LLC 2200 Powell Street Suite 310 Emeryville, CA 94608 *Attention*: Legal Department; Bradley Sitko Email: legalgroup@xoma.com; brad.sitko@xoma.com
with a copy to:	Gibson, Dunn & Crutcher LLP 555 Mission Street San Francisco, CA 94105 *Attention*: Ryan Murr; Todd Trattner Email: rmurr@gibsondunn.com; ttrattner@gibsondunn.com

All notices and communications under this Agreement shall be effective upon receipt by the addressee. Notwithstanding anything to the contrary in this Section 9.2, all notices and communications under Section 8.2(a) and Section 8.3 and all service of legal process shall be sent by courier or personal delivery.

Section 9.3 No Personal Liability. It is expressly understood and agreed by Seller and Buyer that:

(a) each of the representations, warranties, covenants and agreements in the Transaction Documents made on the part of Seller is made by Seller and is not intended to be nor is a personal representation, warranty, covenant or agreement of any other Person, including those Persons named in the definition of "Knowledge of Seller" and any other Representative of Seller or Seller's Affiliates (the "Non-Warranting Parties");

(b) other than Seller, no Person, including the Non-Warranting Parties, shall have any liability whatsoever for breach of any representation, warranty, covenant or agreement made in the Transaction Documents on the part of Seller or in respect of any claim or matter arising out of, relating to or in connection with the Transaction Documents or the transactions contemplated thereby; and

(c) the provisions of this Section 9.3 are intended to benefit each and every one of the Non-Warranting Parties and shall be enforceable by each and every one of them to the fullest extent permitted by Applicable Law.

Section 9.4 Expenses. Except as otherwise expressly provided in this Agreement or any Transaction Document, each of Seller and Buyer shall bear its own fees and expenses with respect to this Agreement and the Transaction Documents and the transactions contemplated by this Agreement and the Transaction documents; provided, however, that on the date hereof, [***].

Section 9.5 Assignment. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Seller shall not be entitled to assign any of its obligations and rights under this Agreement to any non-Affiliate of Seller without: (a) the prior written consent of Buyer, such consent not to be unreasonably withheld, and (b) requiring any such non-Affiliate to agree in writing to be bound by the terms of this Agreement; provided, however, the consent of Buyer shall not be required for Seller to assign its rights and delegate its obligations under this Agreement to any Person into which Seller may merge, with which it may consolidate or to which it may sell all or substantially all of its assets. Buyer may assign this Agreement and all of Buyer's rights, interests and obligations hereunder, in whole or in part, provided that Buyer promptly thereafter notifies Seller and any such assignee agrees in writing to be bound by the terms of this Agreement. Any purported assignment in violation of this Section 9.5 shall be null and void. For the avoidance of doubt, no assignment by Buyer will operate to expand the obligations of Seller under this Agreement, including with respect to Indemnified Taxes.

Section 9.6 Amendment and Waiver.

(a) This Agreement may be amended, modified or supplemented only in a writing signed by all of the parties hereto. Any provision of this Agreement may be waived only in a writing, which writing may be signed only by the party granting such waiver.

(b) No failure or delay on the part of any party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No course of dealing between the parties hereto shall be effective to amend, modify, supplement or waive any provision of this Agreement.

Section 9.7 Entire Agreement. This Agreement, including the Exhibits and Schedules attached to this Agreement, sets forth the entire agreement and understanding between the parties hereto as to the subject matter hereof. All express or implied agreements, promises, assurances, arrangements, representations, warranties and understandings as to the subject matter hereof, whether oral or written, heretofore made are superseded by this Agreement.

Section 9.8 Independent Contractors. The parties hereto recognize and agree that each is operating as an independent contractor and not as an agent, partner or fiduciary of any other.

Section 9.9 No Third Party Beneficiaries. Except to the extent otherwise contemplated by Section 9.3, this Agreement is for the sole benefit of Seller and Buyer and their respective permitted successors and assigns, and nothing herein expressed or implied shall give or be construed to give to any Person, other than the parties hereto and such successors and assigns, any legal or equitable rights hereunder. For the avoidance of doubt, indemnification under ARTICLE VIII in respect of Losses incurred by a Buyer Indemnified Party or a Seller Indemnified Party may only be enforced by Buyer or Seller, respectively, and not by any other Person.

Section 9.10 Governing Law. This Agreement shall be governed exclusively by the laws of the State of New York, United States of America, without regard to any conflict of law provisions that would dictate the application of the law of another jurisdiction.

Section 9.11 Jurisdiction; Venue; Service Of Process. Each party hereto irrevocably submits to the exclusive jurisdiction of (a) the Civil Branch of the Supreme Court of the State of New York, New York County and (b) the United States District Court for the Southern District of New York for the purposes of any action, suit or other proceeding arising out of, relating to or in connection with this Agreement or any transaction contemplated hereby. Each party hereto agrees to commence any action, suit or other proceeding arising out of, relating to or in connection with this Agreement or any transaction contemplated hereby in the Civil Branch of the Supreme Court of the State of New York, New York County, or, if such action, suit or other proceeding may not be brought in such court for jurisdictional reasons, in the United States District Court for the Southern District of New York. Each party hereto further agrees that service of any process, summons, notice or document by courier or personal delivery in accordance with Section 9.2 shall be effective service of process for any action, suit or other proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this Section 9.10. Each party hereto irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or other proceeding arising out of, relating to or in connection with this Agreement or any transaction contemplated hereby in (i) the Civil Branch of the Supreme Court of the State of New York, New

York County or (ii) the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waives, and shall not assert by way of motion, defense, or otherwise, in any such action, suit or other proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that such action, suit or other proceeding is brought in an inconvenient forum, that the venue of such action, suit or other proceeding is improper, or that this Agreement or the transactions contemplated hereby may not be enforced in or by any of the above-named courts.

Section 9.12 Severability. If any term or provision of this Agreement is held to be invalid, illegal or unenforceable by a court or other Governmental Authority of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement, which shall remain in full force and effect, and the parties hereto shall replace such term or provision with a new term or provision permitted by Applicable Law and having an economic effect as close as possible to the invalid, illegal or unenforceable term or provision. The holding of a term or provision to be invalid, illegal or unenforceable in a jurisdiction shall not have any effect on the application of the term or provision in any other jurisdiction.

Section 9.13 Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by email with PDF attachment shall be considered original executed counterparts.

Section 9.14 Termination of Agreement.

(a) Subject to Section 9.14(b), this Agreement shall continue in full force and effect until the date that is 120 days after the Deferred Payment Termination Date, at which point this Agreement shall terminate, save for any rights, obligations or claims of any party hereto which have accrued prior to such termination (along with any corresponding limitations of liability in respect thereof).

(b) The following provisions shall survive any termination of this Agreement pursuant to this Section 9.14: Section 6.1 (Confidentiality); Use of Names) Section 7.2 (Misdirected Payments; Setoffs), Section 7.3 (Medexus Reports; Notices; Correspondence), ARTICLE VIII (Indemnification) and ARTICLE IX (Miscellaneous).

(c) If, upon the termination of this Agreement, any Deferred Payments or other amounts are payable to Buyer hereunder, this Agreement shall remain in full force and effect until any and all such payments have been made in full, and (except as provided in this Section 9.14) solely for that purpose.

(d) Nothing contained in this Section 9.14 shall relieve either party from liability for any breach of this Agreement that occurs prior to termination.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective representatives thereunto duly authorized as of the date first above written.

SELLER:

APTEVO THERAPEUTICS INC.

By: /s/ Marvin L. White
Name: Marvin L. White
Title: President & Chief Executive Offcer

BUYER:

XOMA (US) LLC

By: /s/ Bradley Sitko
Name: Bradley Sitko
Title: Chief Investment Officer

Exhibit A
[***]

Exhibit B
[***]

Exhibit C
[***]

Exhibit D
[***]

Exhibit E
[***]

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marvin White, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aptevo 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.

Date: May 11, 2023

By: /s/ Marvin L. White

Marvin L. White
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daphne Taylor, certify that:

1. I have reviewed this Quarterly Report on form 10-Q of Aptevo 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.

Date: May 11, 2023

By: /s/ Daphne Taylor

Daphne Taylor
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED AND
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 of Aptevo Therapeutics Inc. on Form 10-Q for the period ending March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(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 result of operations of the Company.

Date: May 11, 2023

By: /s/ Marvin L. White

Marvin L. White
President and Chief Executive Officer

"This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Aptevo Therapeutics Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form-K), irrespective of any general incorporation language contained in such filing."

Exhibit 32.2

CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED AND
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 of Aptevo Inc. on Form 10-Q for the period ending March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 11, 2023

By: /s/ Daphne Taylor

Daphne Taylor
Senior Vice President and Chief Financial Officer

"This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Aptevo Therapeutics Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form-K), irrespective of any general incorporation language contained in such filing."