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 June 30, 2020

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 August 14, 2020, the number of shares of the registrant's common stock outstanding was 3,232,811.

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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)

	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,599	$ 12,448
Restricted cash - current	1,862	—
Royalty receivable	288	—
Prepaid expenses	641	1,078
Held for sale assets - current	—	16,309
Other current assets	98	160
Total current assets	10,488	29,995
Restricted cash - non-current	693	7,498
Property and equipment, net	3,320	3,946
Operating lease right-of-use asset	3,251	3,747
Held for sale assets - non-current	—	7,465
Other assets	757	757
Total assets	$ 18,509	$ 53,408
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,662	$ 6,427
Accrued compensation	1,419	2,870
Current portion of long-term debt	—	19,863
Held for sale liabilities - current	—	8,135
Other current liabilities	921	944
Total current liabilities	7,002	38,239
Operating lease liability	2,857	3,327
Total liabilities	9,859	41,566
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; 3,232,811 and 3,234,232 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	45	45
Additional paid-in capital	180,367	179,653
Accumulated deficit	(171,762)	(167,856)
Total stockholders' equity	8,650	11,842
Total liabilities and stockholders' equity	$ 18,509	$ 53,408

The accompanying notes are an integral part of these 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 June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Royalty revenue	473	—	473	—
Operating expenses:				
Research and development	(4,440)	(6,125)	(8,446)	(12,759)
General and administrative	(2,840)	(4,279)	(6,456)	(8,807)
Total operating expenses:	(7,280)	(10,404)	(14,902)	(21,566)
Other income (expense), net	4	(436)	(271)	(1,015)
Loss on extinguishment of debt	—	—	(2,104)	—
Net loss from continuing operations	$ (6,803)	$ (10,840)	$ (16,804)	$ (22,581)
Discontinued operations:				
Income (loss) from discontinued operations	$ —	$ (2,492)	$ 12,898	$ (2,769)
Net income (loss)	$ (6,803)	$ (13,332)	$ (3,906)	$ (25,350)
Net loss from continuing operations per share	$ (2.10)	$ (3.37)	$ (5.14)	$ (8.69)
Net income (loss) from discontinued operations per share	$ —	$ (0.77)	$ 3.95	$ (1.07)
Basic and diluted net loss per basic share	$ (2.10)	$ (4.14)	$ (1.19)	$ (9.76)
Weighted-average shares used to compute per share calculations	3,232,811	3,221,074	3,269,410	2,598,552

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

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

	For the Six Months Ended June 30,	
	2020	2019
Operating Activities		
Net loss	$ (3,906)	$ (25,350)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	714	995
Depreciation and amortization	764	1,156
Gain on sale of Aptevo BioTherapeutics	(14,338)	—
Loss on extinguishment of debt	2,104	—
Non-cash interest expense and other	137	310
Changes in operating assets and liabilities:		
Royalty receivable	(288)	—
Accounts receivable	—	(2,158)
Inventories	—	(5,182)
Prepaid expenses and other current assets	499	2,270
Operating lease right of use asset	496	428
Accounts payable, accrued compensation and other liabilities	(3,239)	(1,246)
Long-term operating lease liability	(470)	(607)
Changes in assets and liabilities held for sale	1,719	—
Sales rebates and discounts	—	(351)
Net cash used in operating activities	(15,808)	(29,735)
Investing Activities		
Cash received from sale of Aptevo BioTherapeutics	28,120	—
Purchases of property and equipment	—	(153)
Net cash (used in) provided by investing activities	28,120	(153)
Financing Activities		
Payment of long-term debt, including exit and other fees	(22,104)	—
Proceeds of issuance of common stock, warrants, and pre-funded warrants, net	—	20,297
Proceeds from the exercise of pre-funded warrants	—	21
Payment of tax liability for vested equity awards	—	(58)
Net cash provided by (used in) financing activities	(22,104)	20,260
Decrease in cash, cash equivalents, and restricted cash	(9,792)	(9,628)
Cash, cash equivalents, and restricted cash at beginning of period	19,946	38,083
Cash, cash equivalents, and restricted cash at end of period	$ 10,154	$ 28,455

The accompanying notes are an integral part of these 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
	Shares	Amount			
Balance at March 31, 2020	3,232,811	$ 45	$ 180,066	$ (164,959)	$ 15,152
Stock-based compensation	—	—	301	—	301
Net loss for the period	—	—	—	(6,803)	(6,803)
Balance at June 30, 2020	3,232,811	$ 45	$ 180,367	$ (171,762)	$ 8,650

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at March 31, 2019	3,220,730	$ 45	$ 178,511	$ (139,426)	$ 39,130
Common stock issued upon vesting of restricted stock units	616	—	—	—	—
Stock-based compensation	—	—	401	—	401
Net loss for the period	—	—	—	(13,332)	(13,332)
Balance at June 30, 2019	3,221,346	$ 45	$ 178,912	$ (152,758)	$ 26,199

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2019	3,234,232	$ 45	$ 179,653	$ (167,856)	$ 11,842
Cancellation of fractional shares arising from reverse stock split	(1,421)	—	—	—	—
Stock-based compensation	—	—	714	—	714
Net loss for the period	—	—	—	(3,906)	(3,906)
Balance at June 30, 2020	3,232,811	$ 45	$ 180,367	$ (171,762)	$ 8,650

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2018	1,629,173	$ 23	$ 157,791	$ (127,408)	$ 30,406
Issuance of common stock, pre-funded warrants and warrants, net	1,571,429	22	20,184	—	20,206
Issuance of commitment shares of common stock, non-cash transaction	13,991	—	—	—	—
Common stock issued upon vesting of restricted stock units (net of shares withheld for payment of tax liability)	6,753	—	(58)	—	(58)
Stock-based compensation	—	—	995	—	995
Net loss for the period	—	—	—	(25,350)	(25,350)
Balance at June 30, 2019	3,221,346	$ 45	$ 178,912	$ (152,758)	$ 26,199

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

Note 1. Nature of Business and Significant Accounting Policies

Organization

Aptevo Therapeutics Inc. (Aptevo, we, us, or the Company) is a research and development and clinical-stage biotechnology company focused on developing novel immunotherapies for the treatment of cancer. Our lead clinical candidate, APVO436, and preclinical candidates, ALG.APV-527 and APVO603 were developed based on the Company's versatile and robust ADAPTIR™ modular protein technology platform. The ADAPTIR platform is capable of generating highly differentiated bispecific antibodies with unique mechanisms of action for the treatment of different types of cancer.

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

On February 28, 2020, we entered into an LLC Purchase Agreement with Medexus Pharma Inc. ("Medexus"), pursuant to which we sold all of the issued and outstanding limited liability company interests of Aptevo BioTherapeutics LLC ("Aptevo BioTherapeutics"), a wholly owned subsidiary of Aptevo. As a result of the transaction, Medexus obtained all right, title and interest to the IXINITY product and the related Hemophilia B business and intellectual property. In addition, Aptevo BioTherapeutics personnel responsible for the sale and marketing of IXINITY also transitioned to Medexus as part of the transaction. Aptevo BioTherapeutics met all the conditions to be classified as a discontinued operation since the sale of Aptevo BioTherapeutics represented a strategic shift that will have a major effect on the Company's operations and financial results. Aptevo will not have further significant involvement in the operations of the discontinued Aptevo BioTherapeutics business. The operating results of Aptevo BioTherapeutics are reported as income (loss) from discontinued operations, in the condensed consolidated statements of operations for all periods presented. The gain recognized on the sale of Aptevo BioTherapeutics is presented in income (loss) from discontinued operations in the condensed consolidated statement of operations. In addition, on the consolidated balance sheet as of December 31, 2019, the assets and liabilities held for sale have been presented separately. See Note 2 - Sale of Aptevo BioTherapeutics for additional information.

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. We have suffered recurring losses from operations and negative cash flows from operating activities. When considered in aggregate, these factors raised substantial doubt about our ability to continue as a going concern in prior periods. We believe that our existing cash resources, the cash to be generated from future royalty and deferred payments, and the new Credit Agreement of $25 million with Midcap Financial Trust, will be sufficient to meet our projected operating requirements and debt service for at least twelve months from the date of issuance of these financial statements. We expect to raise additional funds to support our operating and capital needs in 2021.

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) potential decreases in our expected milestone and deferred payments from Medexus with respect to IXINITY; (e) potential decreases in our expected royalty payments from Pfizer with respect to RUXIENCE; and (f) other items affecting our forecasted level of expenditures and use of cash resources. We may attempt to obtain additional funding through our existing equity sales agreement with Lincoln Park Financial LLC or our Equity Distribution Agreement with Piper Sandler & Co (Piper Sandler), or other public or private financing, collaborative 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 global economic climate and additional or unforeseen effects from the COVID-19 pandemic, we may experience delays or difficulties to the financing environment and raising capital due to economic uncertainty.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). These condensed consolidated financial statements include all adjustments, which include normal recurring adjustments, necessary for the fair presentation of the Company's financial position.

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.

The condensed consolidated financial statements include the accounts of the company and its wholly owned subsidiaries: Aptevo Research and Development LLC and Aptevo BioTherapeutics LLC (for the period prior to the sale to Medexus). All intercompany balances and transactions have been eliminated.

In March 2020, we effected a 1-for-14 reverse stock split (the "Reverse Split") of our common stock pursuant to which every 14 shares of our common stock issued and outstanding as of March 26, 2020 were automatically combined into one issued and outstanding share of common stock. No fractional shares were issued as a result of the reverse stock split. Stockholders of record who would otherwise have been entitled to receive a fractional share received a cash payment in lieu thereof. All share and per share information with respect to our common stock have been restated to reflect the effect of the Reverse Split for all periods presented. Refer to Note 8 for additional information.

Significant Accounting Policies

Revenue Recognition - Royalties, Deferred Payments and Milestones

We are entitled to receive royalty revenue from Pfizer related to sales of a rituximab biosimilar product, RUXIENCE®. The payment from Pfizer relates to an agreement acquired by Aptevo as part of its spin-off from Emergent BioSolutions in 2016, which applies a fixed royalty rate of 2.5% on net sales in the United States, European Union, and Japan. The agreement was originally executed by Trubion Pharmaceuticals (which was subsequently acquired by Emergent BioSolutions Inc.,) and Wyeth (a wholly-owned subsidiary of Pfizer). The royalty term runs until the seventh anniversary of the first commercial sale of the CD20 biosimilar. CD20 biosimilar product payments to Aptevo are due within 60 days after the end of each quarter. We do not have future performance obligations under this agreement. We apply 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 are recognized in the quarter the product is sold. Pfizer generally reports sales information to us within 60 days of quarter end. Unless we receive finalized sales information for the respective quarter, we estimate 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 are adjusted for in the period in which they become known, typically the following quarter.

We are entitled to receive future deferred payments and future milestone payments from Medexus. The payments from Medexus constitute contingent consideration related to our sale of IXINITY in 2020, which is treated as a discontinued operation in the accompanying statement of operations. We treat contingent consideration arising from discontinued operations as gain contingencies in accordance with ASC 450-30, whereby such gain contingencies usually are not recognized in the financial statements until the period in which all contingencies are resolved and the gain is realized or realizable. As Medexus communicates payment amounts and sales details subsequent to quarter-end and there is uncertainty as to the amount of the payment before quarter-end, we record deferred payments in the quarter the payment is received.

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 consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, useful lives of equipment, commitments and contingencies, stock-based compensation forfeiture rates, and collectability of receivables. Given the global economic climate and additional or unforeseen effects from the COVID-19 pandemic, these estimates are becoming more challenging, and actual results could differ materially from those estimates.

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, 2019 that was filed with the SEC on March 25, 2020. Our other significant accounting policies have not changed materially from the policies previously reported.

Recently Adopted Accounting Pronouncements

On December 18, 2019 we adopted ASU No. 2019-12, Income Taxes (Topic 740), which amended the existing standards for income tax accounting, eliminating the legacy exception on how to allocate income tax expense or benefit for the year to continuing operations, discontinued operations, other comprehensive income, and other charges or credits recorded directly to shareholder's equity. We did not adjust comparative periods in our financial statements prior to that period.

Adoption of the new standard resulted in determining the tax effect of income or loss from continuing operations using a computation that does not consider the tax effects of items that are not included in continuing operations. As such, we did not record a tax expense or benefit in the first or second quarter of 2020. Refer to Note 2 for additional information.

Note 2. Sale of Aptevo BioTherapeutics

On February 28, 2020, we entered into an LLC Purchase Agreement with Medexus, pursuant to which Aptevo sold all of the issued and outstanding limited liability company interests of Aptevo BioTherapeutics, a wholly owned subsidiary of Aptevo. As a result of the transaction, Medexus obtained all right, title and interest to the IXINITY product and the related Hemophilia B business and intellectual property.

From the $30 million payment at closing, Medexus withheld $0.8 million, which we collected in full on June 29, 2020, from the escrow account for working capital adjustments. In addition to the payment received at closing, Aptevo may also earn milestone and deferred payments from Medexus in the future. We used $22.1 million of the $30 million in proceeds to repay in full our term debt facility with MidCap Financial Trust, including $20 million of principal and $2.1 million in an end of facility fee, accrued interest, legal fees and prepayment fees. We recorded a $2.1 million loss on extinguishment of debt in the first quarter of 2020.

The net gain on sale of Aptevo BioTherapeutics, totaling $14.3 million, was calculated as the difference between the fair value of the consideration received for Aptevo BioTherapeutics, less the net carrying value of the assets transferred to Medexus, less the transaction costs incurred and a working capital adjustment.

The following table summarizes the gain on sale (in thousands):

Cash payment received	$	29,250
Escrow receivable		750
Total consideration		30,000
Less:		
Net carrying value of assets transferred to Saol		13,376
Transaction costs		1,880
Minimum Transition Services Agreement ("TSA") fund		406
Net gain on sale of business	$	14,338

The purchase agreement included a target net working capital of $9.5 million compared to preliminary net working capital sold of $9.1 million. The difference between the target net working capital and the preliminary working capital was due to Medexus. The parties agreed to defer payment of this amount for a period of six months, during which time, the amount will be reduced by the cost of certain transition services performed by Aptevo during the transition service period, as agreed to by both parties (the "Minimum TSA Fund"). At June 30, 2020, we no longer have a future obligation to Medexus related to working capital and the amount due from Medexus in the Minimum TSA Fund was $0.1 million, which we have included in other current assets in the accompanying balance sheet.

The following table presents a reconciliation of the carrying amounts of assets and liabilities of Aptevo BioTherapeutics held for sale, net in the unaudited condensed consolidated balance sheet (in thousands):

ASSETS	December 31, 2019
Accounts receivable, net	$ 7,022
Inventories	6,140
Prepaid expenses	3,147
Total current assets, held for sale	16,309
Intangible assets, net	4,420
VAT receivable and deposit	3,045
Total assets held for sale	$ 23,774
LIABILITIES	
Accounts payable and other accrued liabilities	$ 5,043
Royalties payable	2,018
Accrued payroll	654
Other current liabilities	420
Total current liabilities	$ 8,135

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Loss from operations	$ —	$ (2,492)	$ (1,580)	$ (2,769)
Gain on sale of Aptevo BioTherapeutics	—	—	14,338	—
Deferred payment from Medexus	—	—	140	—
Income (loss) from discontinued operations	$ —	$ (2,492)	$ 12,898	$ (2,769)

Medexus communicated their second quarter 2020 net IXINITY sales to Aptevo in July and expects to make a deferred payment, within 45 days after quarter-end per the LLC Purchase Agreement, to Aptevo of approximately $0.2 million. As such, we will record the deferred payment amount related to Medexus' second quarter sales of IXINITY as a gain when collected.

Note 3. Collaboration Agreements

Alligator

On July 20, 2017, our wholly owned subsidiary Aptevo Research and Development LLC (Aptevo R&D), entered into a collaboration and option agreement (Collaboration Agreement) with Alligator Bioscience AB (Alligator), pursuant to which Aptevo and Alligator will collaboratively develop 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.

Alligator and Aptevo have initiated discussions with potential partners for the clinical development and commercialization of ALG.APV-527. The parties, Alligator and Aptevo, have delayed moving ALG.APV-527 into the clinic to focus on partnering efforts.

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. ASU 2018-18, under ASC 808, clarifies the interactions between Topic 808 and 606. ASU 2018-18 is a targeted amendment to ASC 808 that requires that if the counterparty in a collaborative arrangement is a customer for goods and services that is a distinct unit, the transaction should be considered as revenues from customers. We concluded that because the Collaboration Agreement with Alligator is a cost sharing agreement, there is no revenue and therefore ASU 2018-18 is not applicable to the Collaboration Agreement with Alligator.

For the three and six months ended June 30, 2020, we recorded an immaterial increase in research and development expense. For the three and six months ended June 30, 2019, we recorded a decrease in our research and development expense of $0.1 million and $0.5 million, respectively, related to the collaboration arrangement.

Note 4. 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, 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 June 30, 2020 and December 31, 2019, we had $5.6 million and $12.5 million in money market funds, respectively. Money market funds are level one balances as they are valued at fair value, which is the closing price reported by the fund sponsor from an actively traded exchange. At June 30, 2020, and December 31, 2019, we did not have any level two or level three assets.

Note 5. 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 includes $2.6 million securing letters of credit. $1.9 million of the $2.6 million restricted cash balance mature by the end of the second quarter of 2021, therefore, we have classified them as restricted cash, current on the balance sheet.

The following table shows our cash, cash equivalents and long-term restricted cash as of June 30, 2020 and December 31, 2019:

(in thousands)	June 30, 2020	December 31, 2019
Cash	$ 2,025	$ 4,954
Cash equivalents	5,574	7,494
Restricted cash, current	1,862	—
Restricted cash, long-term	693	7,498
Total cash, cash equivalents, and restricted cash	$ 10,154	$ 19,946

Note 6. Debt

On February 28, 2020, we repaid the entire amount outstanding under the Credit and Security Agreement with MidCap Financial Trust from the proceeds of the sale of Aptevo BioTherapeutics to Medexus. In addition to the outstanding principal of $20 million, we paid $2.1 million in an end of facility fee, accrued interest, legal fees and prepayment fees. We recorded an adjustment of $0.1 million related to unamortized loan initiation fees and a $2.1 million loss on extinguishment of debt in the first quarter of 2020.

On August 5, 2020, we entered into a Credit and Security Agreement (Credit Agreement) with MidCap Financial Trust. The Credit Agreement provided us with $25 million of available borrowing capacity. Refer to Note 12 – Subsequent Events for further details.

Note 7. Leases

Office Space Lease – Operating

We have an operating lease related to our office and laboratory space in Seattle, Washington. This lease was amended and extended in March 2019. The term of the amended lease is through April 2030 and we have 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. The lease was further amended effective August 2019 to reduce the square footage of our rented area.

We recorded a right-of-use asset for this lease on January 1, 2019, of $1.2 million which reflects the amount of the remaining lease liability, less the balance of accrued and deferred rent, and net of the unamortized balance of tenant incentives. We also recorded a lease liability of $1.9 million which reflects the present value of the remaining lease payments, discounted using our incremental borrowing rate of 16.95% for the remaining term of the lease.

In March 2019, we recorded an increase to our right-of-use asset for this lease amendment of $3.2 million which reflects the amount of the remaining lease liability through April 30, 2023, less the balance of accrued and deferred rent, and net of the unamortized balance of tenant incentives. In March 2019, we also recorded an increase to our lease liability for this lease amendment of $3.2 million which reflects the present value of the remaining lease payments through April 30, 2023, discounted using our incremental borrowing rate of 14.45% for the remaining term of the lease on the date of amendment.

For the three and six months ended June 30, 2020, we recorded $0.2 million and $0.3 million, respectively, related to variable expenses.

Equipment Leases - Operating

As of June 30, 2020, we have operating leases for one piece of lab equipment and four copiers in our Seattle, Washington headquarters. The future expense for these leases will be straight-line and will include any variable expenses that arise.

Equipment Lease – Financing

As of June 30, 2020, we had one equipment lease classified as a financing lease as the lease transfers ownership of the underlying asset to us at the end of the lease term. The remaining term of this lease is four months and has a remaining expense obligation of less than $0.1 million. There were no financing lease payments in the three months or six months ended June 30, 2020.

Components of lease expense:

(in thousands)	For the Three Months Ended June 30, 2020	For the Six Months Ended June 30, 2020	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Operating lease cost	$ 395	$ 790	$ 399	$ 734
Finance lease cost:				
Amortization of right-of-use assets	2	3	2	3
Interest on lease liabilities	—	—	—	1
Total lease cost	$ 397	$ 793	$ 401	$ 738

Right of use assets acquired under operating leases:

(in thousands)	As of June 30, 2020	As of June 30, 2019
Operating leases, excluding Seattle office lease	$ 349	$ 345
Seattle office lease, including amendment	3,067	4,347
Total operating leases	$ 3,416	$ 4,692

The long term portion of the lease liabilities included in the amounts above is $2.9 million and the remainder of our lease liabilities are included in other current liabilities on our condensed consolidated balance sheets.

Lease payments:

(in thousands)	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
For operating leases	$ 788	$ 868

As of June 30, 2020, the weighted average remaining lease term and weighted discount rate for operating leases was 2.8 years and 14.54%.

Note 8. Reverse Stock Split

On March 11, 2020, we held a Special Meeting of Stockholders at which our stockholders approved a series of alternate amendments to the Amended and Restated Certificate of Incorporation to effect, at the option of our Board of Directors, a reverse split of Aptevo's common stock at a ratio ranging from 1-for-2 to 1-for-20, inclusive, with the effectiveness of one of such amendments and the abandonment of the other amendments, or the abandonment of all amendments, to be determined by the Board in its sole discretion following the Special Meeting. The specific 1-for-14 reverse split ratio was subsequently approved by the Board on March 23, 2020. On March 26, 2020, the Company filed a Certificate of Amendment of Amended and Restated Certificate of Incorporation (the "Amendment") with the Secretary of State of the State of Delaware to effect a 1-for-14 reverse stock split of the Company's outstanding common stock.

No fractional shares were issued as a result of the reverse stock split. Stockholders of record who would otherwise be entitled to receive a fractional share received a cash payment in lieu thereof.

We have adjusted all common stock and stock equivalent figures retroactively in this Form 10-Q for all periods presented to reflect the reverse stock split.

Note 9. Net Income (Loss) per Share

Basic net loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding for the period. Diluted net loss per share is computed by dividing the net 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 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 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. Therefore, no dilutive effect has been recognized in the calculation of income from discontinued operations per share.

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Net loss from continuing operations	$ (6,803)	$ (10,840)	$ (16,804)	$ (22,581)
Income (loss) from discontinued operations	-	(2,492)	12,898	(2,769)
Net loss	$ (6,803)	$ (13,332)	$ (3,906)	$ (25,350)
Basic and diluted net income (loss) per share:				
Net loss from continuing operations	$ (2.10)	$ (3.37)	$ (5.14)	$ (8.69)
Net income (loss) from discontinued operations	$ —	$ (0.77)	$ 3.95	$ (1.07)
Basic and diluted net loss per basic share	$ (2.10)	$ (4.14)	$ (1.19)	$ (9.76)
Weighted-average shares used to compute per share calculations	3,232,811	3,221,074	3,269,410	2,598,552

The following table represents all potentially dilutive shares, which were all anti-dilutive and therefore excluded from the calculation of diluted net loss per share:

	As of June 30,	
(in thousands)	2020	2019
Warrants	1,571	1,571
Outstanding options to purchase common stock	340	294
Unvested RSUs	12	—

Note 10. Equity

Common Stock

On March 11, 2019, we completed a public offering of common stock and warrants, as follows:

- for a combined public offering price of $14.00 per share of common stock and related warrants, 1,417,857 shares of common stock and related warrants with a 5-year life to purchase up to 1,417,857 shares of common stock at an exercise price of $18.20 per share,
- for a combined public offering price of $13.86 per pre-funded warrant and related warrant, pre-funded warrants with a 10-year life to purchase up to 153,571 shares of common stock at an exercise price of $0.14 per share and related warrants with a 5-year life to purchase up to 153,571 shares of common stock at an exercise price of $18.20 per share. These pre-funded warrants were exercised on March 21, 2019.

We received net proceeds of $20.2 million, net of transaction costs, as a result of this offering.

For the three months ended March 31, 2019, we issued 6,138 shares of common stock due to the vesting of RSUs. In addition, pursuant to our purchase agreement with Lincoln Park, we issued 13,991 of commitment shares in a non-cash transaction during the three months ended March 31, 2019.

Equity Distribution Agreement

On November 9, 2017, we entered into an Equity Distribution Agreement (the 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 $17.5 million. We have no obligation to sell any such shares under the Equity Distribution Agreement. The sale of such shares of common stock by Piper Sandler will be effected pursuant to a Registration Statement on Form S-3 which we filed on November 9, 2017. We issued no shares under the Equity Distribution Agreement in the first or second quarter of 2020.

Converted Equity Awards Incentive Plan

In connection with the spin-off from Emergent BioSolutions Inc. (Emergent) in August 2016, we adopted the Converted Equity Awards Incentive Plan (Converted Plan) and outstanding equity awards of Emergent held by Aptevo employees were converted into or replaced with equity awards of Aptevo (Conversion Awards) under the Converted Plan and were adjusted to maintain the economic value before and after the distribution date using the relative fair market value of the Emergent and Aptevo common stock based on the closing prices as of August 1, 2016. A total of 0.1 million shares of Aptevo common stock have been authorized for issuance under the Converted Plan. Options issued as Conversion Awards were priced according to the Converted Plan. RSUs issued as part of the Converted Plan provide for the issuance of a share of Aptevo's stock at no cost to the holder.

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.

Stock options under the 2016 SIP generally vest pro rata over a three-year period and terminate ten years from the grant date, though the specific terms of each grant are determined individually. The Company's executive officers and certain other employees may be awarded options with different vesting criteria, and options granted to non-employee directors also vest over a three-year period. Option exercise prices for new options granted by the Company equal the closing price of the Company's common stock on the Nasdaq Capital Market on the date of grant.

RSUs issued under the 2016 SIP provide for the issuance of a share of the Company's common stock at no cost to the holder. RSUs granted to employees under the 2016 SIP generally provide for time-based vesting over a twelve-month to three-year period, although certain employees may be awarded RSUs with different time-based vesting criteria. Prior to vesting, RSUs granted under the 2016 SIP do not have dividend equivalent rights, do not have voting rights and the shares underlying the RSUs are not considered issued or outstanding.

The equity compensation awards granted by the Company generally vest only if the employee is employed by the Company (or in the case of directors, the director continues to serve on the Board) on the vesting date.

On May 31, 2017, at the 2017 Annual Meeting of Stockholders (Annual Meeting), the Company's stockholders approved the amendment and restatement of the Company's 2016 SIP (Restated 2016 Plan) to, among other things, increase the number of authorized shares issuable by 0.1 million shares of Aptevo common stock. The Restated 2016 Plan was previously approved, subject to stockholder approval, by the Board of Directors of the Company.

2018 Stock Incentive Plan

On June 1, 2018, at the 2018 Annual Meeting, 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 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 Annual Meeting. 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. The 2018 SIP was previously approved, subject to stockholder approval, by the Board of Directors of the Company. As of June 30, 2020, there are 0.1 million shares available to be granted under the 2018 SIP.

Stock options under the 2018 SIP generally vest pro rata over a three-year period and terminate ten years from the grant date, though the specific terms of each grant are determined individually. The Company's executive officers and certain other employees may be awarded options with different vesting criteria, and options granted to non-employee directors also vest over a three-year period. Option exercise prices for new options 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 Condensed Consolidated Statements of Operations as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands)	2020	2019	2020	2019
Research and development	$ 114	$ 121	$ 284	$ 372
General and administrative	187	280	430	623
Total stock-based compensation expense	$ 301	$ 401	$ 714	$ 995

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 of the grant date. The Company recognized the compensation expense over the vesting period.

Stock Options

Aptevo utilizes the Black-Scholes valuation model for estimating the fair value of all stock options granted. We note that there were no stock options granted in the three months ended June 30, 2020. Set forth below are the assumptions used in valuing the stock options granted:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Expected volatility	0.00%	75.00%	83.64%	75.00%
Risk-free interest rate	0.00%	1.94%	1.42%	2.43%
Expected average life of options	6 years	6 years	6 years	6 years

Management has applied an estimated forfeiture rate of 8% for the three and six months ended June 30, 2020 and 10% for the three and six months ended June 30, 2019.

The following is a summary of option activity for the six months ended June 30, 2020:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Term	Aggregate Intrinsic Value
Balance at December 31, 2019	334,938	$ 29.89	7.28	$ —
Granted	94,538	6.97	—	—
Forfeited	(89,459)	23.34	—	—
Outstanding at June 30, 2020	340,017	$ 26.10	7.25	$ 106,027
Exercisable at June 30, 2020	182,291	$ 36.24	5.58	$ —

As of June 30, 2020, we had $1.1 million of unrecognized compensation expense related to options expected to vest over a weighted average period of 1.5 years. The weighted average remaining contractual life of outstanding and exercisable options is 5.6 years.

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 June 2020 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 six months ended June 30, 2020:

	Number of Units	Weighted Average Fair Value per Unit	Aggregate Fair Value
Balance at December 31, 2019	17,458	$ 8.06	$ —
Forfeited	(5,469)	8.06	—
Outstanding at June 30, 2020	11,989	$ 8.06	$ 52,629
Expected to Vest	11,989	$ 8.06	$ 52,629

As of June 30, 2020, there was $0.05 million unrecognized stock-based compensation expense related to unvested RSUs.

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 $0.014 per share. The pre-funded warrants had a ten-year life and would have expired on March 11, 2029; however, 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. They are therefore included within equity on our consolidated balance sheet. As of June 30, 2020, there were 1,571,429 warrants outstanding.

Note 11. Stock Option Exchange

On June 29, 2020, Aptevo commenced a voluntary employee and directors stock option exchange program (the "Exchange Program") to permit the Company's eligible employees, directors and certain consultants to exchange some or all of their eligible outstanding options ("Original Options") to purchase the Company's common stock with an exercise price greater than or equal to $21.00 per share, whether vested or unvested, for a lesser number of new stock options ("New Options"). In accordance with the terms and conditions of the Exchange Program, we closed the exchange program and accepted all exchanged outstanding options on July 27, 2020. The stock option exchange program was approved at the Company's annual shareholder meetings on May 27, 2020.

Pursuant to the Exchange Offer, 52 Eligible Holders elected to exchange Eligible Options, and the Company accepted for cancellation Eligible Options to purchase an aggregate of 200,016 shares of the Company's common stock, representing approximately 96% of the total shares of Common Stock underlying the Eligible Options. On July 27, 2020, immediately following the expiration of the Exchange Offer, the Company granted New Options to purchase 84,900 shares of Common Stock, pursuant to the terms of the Exchange Offer and the Company's 2018 Stock Incentive Plan. We may record an immaterial additional compensation cost related to the exchange as the estimated fair value of the new options may slightly exceed the fair value of the exchanged stock options calculated immediately prior to the exchange. We will recognize the remaining unamortized compensation cost related to the exchanged options over the vesting period of the new options.

Note 12. Subsequent Events

On August 5, 2020, we entered into a Credit and Security Agreement (Credit Agreement), with MidCap Financial Trust. The Credit Agreement provided us with up to $25 million of available borrowing capacity. The full $25 million was drawn on the closing date of the Credit Agreement. The MidCap loan has a 48 month term, is interest-only for the first 18 months, with straight-line amortization for the remaining 30 months and bears interest at a rate of one month LIBOR plus 6.25% per annum, subject to a 1.50% LIBOR floor and a 2.50% LIBOR cap. The loan includes additional repayment provisions should either or both of the royalties or milestones related to IXINITY or royalties related to RUXIENCE be sold during the term of the loan.

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. All statements in this Quarterly Report, other than statements of historical facts, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans, intentions, expectations and objectives could be forward-looking statements. The words "anticipates," "believes," "could," "designed," "estimates," "expects," "goal," "intends," "may," "plans," "projects," "pursuing," "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 may not actually achieve the plans, intentions, expectations or objectives disclosed in our forward-looking statements and the assumptions underlying our forward-looking statements may prove incorrect. Therefore, you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions, expectations and objectives disclosed in the forward-looking statements that we make. Factors that we believe could cause actual results or events to differ materially from our forward-looking statements include, but are not limited to, those discussed in "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report. Our forward-looking statements in this Quarterly Report are based on current expectations and we do not assume any obligation to update any forward-looking statements.

You should read the following discussion and analysis together with the financial statements and the related notes to those statements included elsewhere in this Quarterly Report.

Overview

We are a research and development and clinical-stage biotechnology company focused on developing novel immunotherapies for the treatment of cancer. Our lead clinical candidate, APVO436, and preclinical candidates, ALG.APV-527 and APVO603 were developed based on our versatile and robust ADAPTIR™ modular protein technology platform. The ADAPTIR platform is capable of generating highly differentiated bispecific antibodies with unique mechanisms of action for the treatment of different types of cancer and autoimmunity. We previously had one revenue-generating product in the area of hematology, IXINITY, which sold to Medexus Pharma, Inc. ("Medexus") on February 28, 2020.

For the three and six months ended June 30, 2020, we had a net loss of $6.8 million and $3.9 million, respectively, compared to the three and six months ended June 30, 2019, when we had a net loss $13.3 million and $25.4 million, respectively. We had an accumulated deficit of $171.8 million as of June 30, 2020. For the six months ended June 30, 2020, net cash used in our operating activities was $15.8 million.

On February 28, 2020, we 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 ("Aptevo BioTherapeutics"), a wholly-owned subsidiary of Aptevo. As a result of the transaction, Medexus obtained all right, title and interest to the IXINITY product and related Hemophilia B business and intellectual property. In addition, Aptevo BioTherapeutics personnel responsible for the sale and marketing of IXINITY also transitioned to Medexus as part of the transaction. Aptevo BioTherapeutics met all the conditions to be classified as a discontinued operation since the sale of Aptevo BioTherapeutics represented a strategic shift that will have a major effect on our operations and financial results. Aptevo will not have further significant involvement in the operations of the discontinued Aptevo BioTherapeutics business. The operating results of Aptevo BioTherapeutics are reported as income from the discontinued operations, in the condensed consolidated statements of operations for all periods presented. The gain recognized on the sale of Aptevo BioTherapeutics, as well as deferred payments and milestones, is presented in income (loss) from discontinued operations in the consolidated statement of operations. In addition, on the consolidated balance sheet as of December 31, 2019, the assets and liabilities held for sale have been presented separately.

In July 2020, we announced that we engaged Piper Sandler & Co to sell our RUXIENCE and IXINITY royalty stream and deferred payments and milestones, respectively. Aptevo is entitled to receive a CD20 biosimilar product (royalty) payments from Pfizer Inc. of 2.5% of net sales of RUXIENCE in the United States, European Union, and Japan. The royalty term runs for seven years, until early 2027, and payments are due quarterly. Additionally, Aptevo is entitled to receive deferred payments from Medexus Pharmaceuticals Inc. pertaining to the net sales of IXINITY in the United States and Canada. The royalty term runs for up to fifteen years, until early 2035, and payments are due quarterly. Additionally, milestone payments totaling up to $11 million may be earned related to certain regulatory and commercial achievements.

A novel strain of coronavirus, COVID-19 has spread through the world, including the United States. We have experienced and may experience additional disruptions that could severely impact our business and clinical trials, including:

- limitation of company operations, including work from home policies and office closures;
- delays or difficulties in receiving deliveries of critical experimental materials;
- delays or difficulties in enrolling patients in our clinical trials;

- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- delays or difficulties to the financing environment and raising capital due to economic uncertainty;
- 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, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;
- potential impacts on our future deferred payments from Medexus due to the environment which may impact Medexus' ability to continue to successfully commercialize the IXINITY business;
- potential impacts on our future CD20 biosimilar product payments from Pfizer due to the environment which may impact Pfizer's ability to continue to successfully commercialize RUXIENCE;
- negative impact on suppliers and licensees;
- further delay in APVO436 initiation in the Beat AML trial;
- interruption of key clinical trial activities, such as patient enrollment and clinical trial site monitoring; and
- limitations in employee resources that would otherwise be focused on our business, including the conduct of our research and development activities and process development activities, such as because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people.

The global outbreak of the COVID-19 coronavirus continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact our business and clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

Corporate Highlights:

- Continued enrollment in a dose escalation Phase 1/1b open-label clinical study of APVO436 in patients with Acute Myeloid Leukemia (AML) and High-Grade Myelodysplastic Syndrome; enrollment in Cohort 6 is complete.
- Announced new preclinical data for ALG.APV-527 at the PEGS Virtual Interactive Global Summit on June 10, 2020 that ALG.APV-527 induces a potent primary anti-tumor response and memory response to 5T4 expressing tumors in preclinical animal studies, but does not induce systemic T-cell activation at high doses which were observed in a urelumab analogue in a side-by-side comparison.
- Recorded $0.5 million of RUXIENCE royalty payments from Pfizer related to first half sales of the product in the U.S. and Japan. We receive a 2.5% royalty on net sales of RUXIENCE in the United States, Japan, and European Union for a term of seven years.
- Collected in full the $0.8 million placed into an escrow account for working capital adjustments, as part of the sale of Aptevo BioTherapeutics to Medexus Pharmaceuticals.
- Received $0.1 million of deferred payments (royalties) from Medexus Pharmaceuticals related to sales of IXINITY for the first quarter of 2020. Royalties are earned at the rate of 2% of net revenue through the earlier of June 2022 or completion of the IXINITY pediatric trial being run by Medexus. After that, the royalty rate will increase to 5%. We expect to receive an estimated royalty of $0.2 million which will be recorded in our third quarter financial statements.

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, which has been separated from continuing operations and reflected as a discontinued operation. See Note 2 – Sale of Aptevo BioTherapeutics to the accompanying financial statements for additional information.

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

Royalty Revenue

Royalty revenue increased by $0.5 million for the three months ended June 30, 2020. This increase is related to a 2.5% royalty we are entitled to receive from Pfizer related to sales of RUXIENCE (rituximab biosimilar) which was approved by the FDA in July 2019 and launched by Pfizer in the United States and Japan in early 2020. The payment from Pfizer relates to an agreement acquired by Aptevo as part of our spin-off from Emergent BioSolutions in 2016. The agreement was originally executed by Trubion Pharmaceuticals, which was subsequently acquired by Emergent BioSolutions, and Wyeth, a wholly-own subsidiary of Pfizer. The royalty term runs through the first quarter of 2027, which is the seventh anniversary of the first commercial sale of the CD20 biosimilar. We commenced recognizing royalty revenue related to this agreement with Pfizer and the sales of RUXIENCE in the second quarter of 2020. We note that the $0.5 million recorded is the payment received related to first quarter sales and an estimate for second quarter sales of RUXIENCE. There is no comparable prior period royalty revenue.

Research and Development Expenses

We expense research and development costs as incurred. These expenses consist primarily of the costs associated with our research and development activities, including conducting preclinical studies and clinical trials, fees to professional service providers for analytical testing, 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;
- external research and development expense incurred under agreements with third-party contract research organizations (CROs) and investigative sites;
- manufacturing expenses and material for third-party manufacturing; and
- overhead costs such as rent, utilities and depreciation.

We expect our future research and development spending will also 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 patient enrollment and clinical trial site monitoring, and key non-clinical activities due to COVID-19. While programs are still in the pre-clinical 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 and six months ended June 30, 2020 and 2019 are shown in the following table:

(in thousands)	For the Three Months Ended June 30, 2020	2019	Change
Clinical programs:			
APVO436	$ 1,300	$ 870	$ 430
Other	163	1,119	(956)
Total clinical programs	1,463	1,989	(526)
Preclinical program, general research and discovery	2,977	4,136	(1,159)
Total	$ 4,440	$ 6,125	$ (1,685)

(in thousands)	For the Six Months Ended June 30, 2020	2019	Change
Clinical programs:			
APVO436	$ 2,276	$ 1,823	$ 453
Other	223	2,275	(2,052)
Total clinical programs	2,499	4,098	(1,599)
Preclinical program, general research and discovery	5,947	8,661	(2,714)
Total	$ 8,446	$ 12,759	$ (4,313)

Research and development expenses decreased by $1.7 million and $4.3 million for the three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019, respectively. Research and development expenses decreased primarily due to decreased spending for our preclinical, general research and discovery programs, which are primarily related to research and development activities around new pipeline product candidates or programs as they are being evaluated. We also decreased expenses for other clinical programs, including lower costs for programs discontinued in 2019, such as APVO210 which was discontinued in October 2019.

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 June 30, 2020, general and administrative expenses decreased by $1.5 million, or 35%, to $2.8 million from $4.3 million for June 30, 2019. This decrease was primarily due to reduced personnel and professional services costs.

For the six months ended June 30, 2020, general and administrative expenses decreased by $2.3 million, or 27%, to $6.5 million from $8.8 million for June 30, 2019. This decrease was primarily due to reduced personnel and professional services costs.

Other Income (Expense)

Other income (expense) consists primarily of gains or losses realized on foreign currency revaluation and interest on debt. For the six months ended June 30, 2020, other expense increased due to a loss on extinguishment of debt of $2.1 million, which consists of interest, exit, prepayment, and legal fees recognized during the first quarter of 2020. There is no comparable activity in 2019. Other income increased to an immaterial amount of other income for the three months ended June 30, 2020 from an expense of $0.4 million for the three ended June 30, 2019 due the repayment of the MidCap loan in the first quarter of 2020 and an immaterial gain on foreign currency revaluation realized in the second quarter of 2020. Other expense decreased from $0.3 million for the six months ended June 30, 2020 from $1.0 million for the six months ended June 30, 2019 due primarily to a decrease in the number of months during the quarter in which debt was outstanding.

Discontinued Operations

On February 28, 2020, we entered into an LLC Purchase Agreement with Medexus, pursuant to which Aptevo sold all of the issued and outstanding limited liability company interests of Aptevo BioTherapeutics, a wholly owned subsidiary of Aptevo. As a result of the transaction, Medexus obtained all right, title and interest to the IXINITY product and the related Hemophilia B business and intellectual property.

In connection with the sale of Aptevo BioTherapeutics, we recognized net income from discontinued operations totaling $12.9 million for the six months ended June 30, 2020. This included the gain on the sale of Aptevo BioTherapeutics of $14.3 million and net operating losses from Aptevo BioTherapeutics of $1.6 million related to the period prior to the sale on February 28, 2020. The LLC Purchase Agreement with Medexus entitles us to future deferred payments and milestones. Consideration related to the deferred payments and future milestone constitutes contingent consideration. Per ASC 450-30, gain contingencies usually are not recognized in the financial statements until the period in which all contingencies are resolved and the gain is realized or realizable. As Medexus communicates payment amounts and sales details subsequent to quarter-end and there is uncertainty as to the amount of the payment before quarter-end, we will record deferred payments in the quarter the payment is received. Medexus communicated their estimated second quarter 2020 net IXINITY sales to Aptevo in July and expects to make a deferred payment within 45 days after quarter-end, per the LLC Purchase Agreement, to Aptevo of approximately $0.2 million. As such, we will record the deferred payment amount related to Medexus' second quarter sales of IXINITY as a gain in the third quarter of 2020.

Critical Accounting Policies and Significant Judgements and Estimates

The preparation of our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States, or 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 that we believe are reasonable under the circumstances; however, actual results could differ from those estimates. 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. Although we believe that our judgments and estimates are appropriate, actual results may differ materially from our estimates.

We believe the judgments, estimates and assumptions associated with the following critical accounting policies have the greatest potential impact on our condensed consolidated financial statements:

- Royalty revenue recognition
- Gain contingencies on deferred payments and milestones from Medexus
- Research and development expenses
- Stock-based compensation

Given the global economic climate and additional or unforeseen effects from the COVID-19 pandemic, these estimates are becoming more challenging, and actual results could differ materially from those estimates.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of June 30, 2020.

Liquidity and Capital Resources

Cash Flows

We have financed our operations to date primarily through revenue generated from our commercial products, the sale of our hyperimmune products business in 2017, the sale of Aptevo BioTherapeutics on February 28, 2020, public offerings of our common stock, loan proceeds, license fees, milestone payments and research and development funding from strategic partners, and funds received at the date of our spin-off from Emergent. As of June 30, 2020, we had cash, and cash equivalents in the amount of $7.6 million.

In February 2020, we used $22.1 million from the proceeds of the sale of Aptevo BioTherapeutics to Medexus to repay in full our term debt facility with MidCap Financial Trust, including $20 million of principal and $2.1 million in an end of facility fee, accrued interest, legal fees and prepayment fees. Repayment of the debt relieved us of our obligation to keep $5 million of cash restricted related to the agreement with MidCap.

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

(in thousands)	For the Six Months Ended June 30, 2020	2019
Net cash (used in) provided by:		
Operating activities	$ (15,808)	$ (29,735)
Investing activities	28,120	(153)
Financing activities	(22,104)	20,260
Decrease in cash, cash equivalents, and restricted cash	$ (9,792)	$ (9,628)

Net cash used in operating activities of $15.8 million for the six months ended June 30, 2020 was primarily due to the gain on sale of Aptevo BioTherapeutics of $14.3 million, and changes in working capital accounts. Net cash used in operating activities of $29.7 million for the six months ended June 30, 2019 was primarily due to our net loss of $25.4 million, and changes in working capital accounts.

Net cash provided by investing activities for the six months ended June 30, 2020, was due to the cash received from the sale of Aptevo BioTherapeutics, net of transaction fees. For the six months ended June 30, 2019, the largest components of the cash used in investing activities were purchases of property and equipment.

Net cash used in financing activities for the six months ended June 30, 2020 is primarily due to the $22.1 million repayment of long-term debt. Net cash provided by financing activities for the six months ended June 30, 2019 was primarily due to the proceeds received from the issuance of common stock and purchase of warrants exercised.

Sources of Liquidity

Credit Agreement

On August 5, 2020, we entered into a Credit and Security Agreement (Credit Agreement), with MidCap Financial Trust. The Credit Agreement provided us with up to $25 million of available borrowing capacity. The full $25 million was drawn on the closing date of the Credit Agreement. The MidCap loan has a 48 month term, is interest-only for the first 18 months, with straight-line amortization for the remaining 30 months and bears interest at a rate of one month LIBOR plus 6.25% per annum, subject to a 1.50% LIBOR floor and a 2.50% LIBOR cap. The loan includes additional repayment provisions should either or both of the royalties or milestones related to IXINITY or royalties related to RUXIENCE be sold during the term of the loan.

Equity Distribution Agreement

On November 9, 2017, 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 $17.5 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 will be effected pursuant to a Registration Statement on Form S-3 which we filed on November 9, 2017. We issued no additional shares under the Equity Distribution Agreement in the first or second quarter of 2020. Following prior sales, we have the ability to sell up to an additional $17.3 million of common stock under the Equity Distribution Agreement.

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.

Purchase Agreement

On December 20, 2018 we entered into the Purchase Agreement, and a registration rights agreement with Lincoln Park. Pursuant to the purchase agreement Lincoln Park has committed to purchase up to $35.0 million worth of our common stock over a 36-month period commencing on February 13, 2019, the date the registration statement covering the resale of the shares was declared effective by the SEC. Pursuant to this purchase agreement, we issued 13,991 commitment shares of common stock in the first quarter of 2019 and none in the first or second quarter of 2020.

Under the Purchase Agreement, on any business day selected by us, we may direct Lincoln Park to purchase shares of our common stock provided that Lincoln Park's maximum commitment on any single day does not exceed $2.0 million. The purchase price per share will be based off of prevailing market prices of our common stock immediately preceding the time of sale; provided, however, that we cannot direct any such purchase if the prevailing market price is less than $1.00. In addition, we may also direct Lincoln Park to purchase other amounts as accelerated purchases or as additional accelerated purchases if the closing sale price of our common stock exceeds certain threshold prices as set forth in the Purchase Agreement. We have not purchased any shares under the Purchase Agreement through the second quarter of 2020.

Actual sales of shares of our common stock to Lincoln Park under the Purchase Agreement will depend on a variety of factors as determined by us from time to time, 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.

Liquidity

We have financed our operations to date primarily through revenue generated from our commercial products, the sale of our hyperimmune products business in 2017, the sale of Aptevo BioTherapeutics LLC on February 28, 2020, public offerings of our common stock, loan proceeds, license fees, milestone payments and research and development funding from strategic partners, and funds received at the date of our spin-off from Emergent. For the three and six months ended June 30, 2020, we had a net loss of $6.8 million and $3.9 million, respectively. We had cash and cash equivalents of $7.6 million, restricted cash of $2.6 million and an accumulated deficit of $171.8 million as of June 30, 2020.

For the six months ended June 30, 2020, net cash used in our operating activities was $15.8 million.

Our future success is dependent on our ability to develop our product candidates and ultimately upon our ability to attain profitable operations. 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 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 COVID-19, 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 deferred payments from Medexus and royalty payments from Pfizer due to the environment, which may impact Medexus' and Pfizer's ability to continue to successfully commercialize the IXINITY and RUXIENCE businesses, respectively. We believe that our existing cash resources, the cash to be generated from future royalty and deferred payments, and the new Credit Agreement of $25 million with Midcap Financial Trust, will be sufficient to meet our projected operating requirements and debt service for at least twelve months from the date of this Form 10-Q filing.

In July 2020, we announced that we engaged Piper Sandler to sell our RUXIENCE and IXINITY royalty streams and, deferred payments and milestones, respectively, in order to provide additional funding for the development of our product candidates. However, there is no guarantee that we will be successful in completing such sales. In addition, our MidCap Credit Agreement includes repayment provisions should either or both of the royalties or milestones related to IXINITY or royalties related to RUXIENCE be sold during the term of the loan.

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 establish and maintain strategic partnerships, licensing or other arrangements and the financial terms of such agreements;
- the number and characteristics of the product candidates we pursue;
- the scope, progress, results and costs of researching and developing our product candidates, and of conducting preclinical and clinical trials;
- the timing of, and the costs involved in, completing our clinical trials and obtaining regulatory approvals for our product candidates;
- 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;
- the cost of manufacturing our product candidates and any products we successfully commercialize;

- the timing, receipt and amount of any royalty payments from Pfizer with respect to RUXIENCE;
- the timing, receipt and amount of any milestone payments and deferred payments from Medexus with respect to IXINITY; and
- our ability to continue as a going concern.

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 COVID-19, we may experience delays in opportunities to partner our product candidates, due to financial and other impacts on potential partners.

Contractual Obligations

In January 2020, we entered into a contract with The Leukemia & Lymphoma Society (LLS) to be part of an ongoing national AML master clinical trial called the 'Beat AML Master Clinical Trial.' The Beat AML Master Clinical Trial provides access to leading academic cancer centers and allows us to study APVO436 in a front-line AML setting. Our purchase obligation for the Beat AML Master Clinical Trial totals $8.1 million over the next four years. The Clinical Trial Participation Agreement contains a termination for convenience clause where we may terminate the agreement with 180 days prior written notice.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of June 30, 2020, there were no material changes to the information provided under Item 7A, Quantitative and Qualitative Disclosures About Market Risk in our Annual Report filed on Form 10-K for the year ended December 31, 2019 and filed on March 25, 2020.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of June 30, 2020, 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 June 30, 2020, 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 June 30, 2020, 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.

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. Any of the following risks could materially and adversely affect our results of operations, financial condition or financial prospects.

RISKS RELATED TO OUR BUSINESS

Financial Risks

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

For the six months ended June 30, 2020 and 2019, we had net losses of $3.9 million and net losses of $25.4 million, respectively. As of June 30, 2020, we had an accumulated deficit of $171.8 million.

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

As of June 30, 2020, we had cash, cash equivalents, and restricted cash in the amount of $10.2 million. We will require additional funding to grow our business including to develop additional products, support commercial marketing activities or otherwise provide additional financial flexibility. In October 2019, we implemented an expense reduction plan that reduced annual expenditures by approximately 30%, including streamlining research and development programs, through reducing investment in certain programs; cut-backs in legal, professional and consulting expenses; reduction of leased space, cut-backs in non-commercial headcount; and reductions in executive and board cash compensation, with such compensation restored to previous levels in August 2020. If we are not able to secure adequate additional funding, we may need to make additional reductions in spending. This may include extending payment terms with suppliers, liquidating assets, and suspending or curtailing planned programs. We may also have to further delay, reduce the scope of, suspend or eliminate one or more research and development programs. 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 or deferred payments under our agreement with Medexus with respect to the sales of IXINITY or royalty payments under our agreement with Pfizer with respect to the sales of RUXIENCE;
- our ability to successfully sell our rights to receive royalty payments from Pfizer with respect to the sales of RUXIENCE and/or deferred payments and milestones from Medexus with respect to the sales of IXINITY on terms acceptable to us;
- 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; and
- future clinical development costs and requirements to dose additional cohorts to achieve maximum tolerated dose (MTD) for APVO436.

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. Future issuances of common stock may include (i) any sale of up to the remaining $17.3 million worth of shares of our common stock pursuant to our Equity Distribution Agreement with Piper Sandler & Co entered into in November 2017, (ii) any sale of up to $35.0 million worth of shares of our common stock in a private placement pursuant to our Purchase Agreement with Lincoln Park Capital Fund, LLC, or Lincoln Park, entered into in December 2018, and (iii) the issuance of up to 1,571,429 shares of common stock upon the exercise of warrants issued in connection with our March 2019 public offering of common stock and warrants. 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 or declaring dividends. 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. For example, in July 2020, we announced that we intend to sell our rights to receive royalty payments from Pfizer with respect to the sales of RUXIENCE and our rights to deferred payments and milestones from Medexus with respect to IXINITY. We also reached agreement on a $25 million dollar loan with MidCap Financial Trust on August 5, 2020.

Current economic conditions, including the impact of COVID 19 on our operations or on the global economy and capital markets, may make it difficult to obtain additional financing on attractive terms, or at all. 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.

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 due to a variety of factors, including:

- the level and timing of any milestone or deferred payments with respect to sales of IXINITY by Medexus or with respect to sales of RUXIENCE by Pfizer;
- 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 activities as well as expenditures we will or may incur to acquire or develop additional technologies, products and product candidates.

Due to COVID-19, 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 or deferred payments from Medexus and or royalty payments from Pfizer due to the environment which may impact Medexus' and or Pfizer's ability to continue to successfully commercialize the IXINITY and RUXIENCE businesses, respectively. In the first and second quarter of 2020, we did see an impact of COVID-19 on our business as some of our clinical sites were at reduced capacity or closed, as well as our BEAT AML trial being delayed by LLS. These and other factors may make it difficult for us to forecast our expected financial performance. If our operating results are below the expectations of securities analysts or investors, the trading price of our stock could decline.

Our future income will be dependent on the ability of Medexus and Pfizer to successfully further develop, market and commercialize IXINITY or RUXIENCE, respectively, resulting in the payment of milestone, deferred and CD20 BioSimilar product payments.

On February 28, 2020, Aptevo entered into an LLC Purchase Agreement with Medexus, pursuant to which Aptevo sold all of the issued and outstanding limited liability company interests of Aptevo BioTherapeutics, a subsidiary of Aptevo wholly owns the IXINITY and related Hemophilia B business. We are entitled to receive future potential payments as the result of the achievement of certain regulatory and commercial milestones and through deferred payments based on net sales of IXINITY. 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. Due to COVID-19, we may experience potential impacts on our future deferred payments from Medexus due to the environment which may impact Medexus' ability to continue to successfully commercialize the IXINITY business. 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 or deferred payments and negatively impact our future financial and operating results.

On June 25, 2020, we announced that we will receive 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. The payments from Pfizer relates 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 net sales in the United States, European Union, and Japan. The agreement was originally executed by Trubion Pharmaceuticals (which was subsequently acquired by Emergent) and Wyeth (a wholly-owned subsidiary of Pfizer). The royalty term runs until the seventh anniversary of the first commercial sale of the biosimilar. Royalty payments to us are due within 60 days after the end of each quarter. Although the agreement was terminated in 2012, the royalty obligation survived. We have no control over the sales of RUXIENCE and are dependent on Pfizer to successfully do so. The failure of Pfizer to successfully commercialize RUXIENCE could result in lower than expected royalty payments and negatively impact our future financial and operating results.

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 possess 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 Financial Officer, Jeffrey G. Lamothe, our Chief Scientific Officer, Jane Gross Ph.D., 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. Furthermore, we have experienced and may experience an impact on the health of key personnel due to COVID-19.

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.

Our ability to use net operating losses to offset future taxable income may be subject to limitations.

As of December 31, 2019, we had approximately $28.2 million and $3.0 million of federal and state net operating loss carryforwards, respectively, available to reduce future taxable income that will begin to expire in 2028 for federal purposes and 2029 for state tax purposes. These net operating loss carryforwards could expire unused and be unavailable to offset future income tax liabilities. Under the newly enacted federal income tax law, federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal net operating losses is limited. It is uncertain if and to what extent various states will conform to the newly enacted federal tax law. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, and corresponding provision of state law, if a corporation undergoes an "ownership change," which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income or taxes may be limited. We have not assessed whether such an ownership change has previously occurred, including as a result of our March 2019 public offering of common stock and warrants. In addition, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, some of which may be outside of our control. If an ownership change has occurred or occurs in the future and our ability to use our net operating loss carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations.

The COVID-19 coronavirus could adversely impact our business, including our clinical trials

A novel strain of coronavirus, COVID-19 has spread through the world, including the United States. We have experienced and may experience additional disruptions that could severely impact our business and clinical trials, including:

- limitation of company operations, including work from home policies and office closures;
- delays or difficulties in receiving deliveries of critical experimental materials;
- delays or difficulties in enrolling patients in our clinical trials;
- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- delays or difficulties to the financing environment and raising capital due to economic uncertainty;
- 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, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;
- potential impacts on our future deferred payments and milestones from Medexus due to the environment which may impact Medexus' ability to continue to successfully commercialize the IXINITY business;
- potential impacts on our future royalty payments from Pfizer due to the environment which may impact Pfizer's ability to continue to successfully commercialize RUXIENCE;
- negative impact on suppliers and licensees;
- further delay in APVO436 initiation in the Beat AML trial;
- interruption of key clinical trial activities, such as patient enrollment and clinical trial site monitoring; and
- limitations in employee resources that would otherwise be focused on our business, including the conduct of our research and development activities and process development activities, such as because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people.

The global outbreak of the COVID-19 coronavirus continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact our business and clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

The terms of our credit agreement may restrict the operation of our business and limit the cash available for investment in our business operations.

In August 2020, we entered into a Credit and Security Agreement, or the Credit Agreement, by and among us and certain our subsidiaries as borrowers, MidCap Financial Trust, as agent, and the lenders from time to time party thereto. The terms of the Credit Agreement and borrowings we may make under the Credit Agreement in the future, could have significant adverse consequences for our business, including:

- requiring us to dedicate a substantial portion of any cash flow from operations to payment on our debt, which would reduce the amounts available to fund other corporate initiatives;
- increasing the amount of interest that we have to pay on borrowings under the Credit Agreement if market rates of interest increase;
- not complying with restrictive covenants restricting, among other things, certain indebtedness, liens, dividends and other distributions, repayment of subordinated indebtedness, mergers, dispositions, investments, acquisitions, transactions with affiliates and modification of organizational documents or certain other agreements, subject to certain exceptions;
- not complying with affirmative covenants including payment and reporting covenants; and
- placing us at a competitive disadvantage compared to our competitors that have less debt, better debt servicing options or stronger debt servicing capacity.

We may not have sufficient funds or be able to obtain additional financing to pay the amounts due under the Credit Agreement. In addition, failure to comply with the covenants under the Credit Agreement could result in an event of default. An event of default could result in the acceleration of amounts due under the Credit Agreement, and we may not be able to obtain additional financing to make any accelerated payments. Under these circumstances, our lenders could seek to enforce security interests in our assets securing our indebtedness, including our intellectual property.

Product Development Risks

The results of our current and planned clinical trials may not satisfy the requirements of the FDA or non-U.S. regulatory authorities. Interim or top line data may be subject to change or qualification based the complete analysis of data.

Clinical failure can occur at any stage of clinical development. Clinical trials may produce 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 clinical trials does not mean that future larger registration clinical trials will be successful because 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. 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.

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. Even in situations where a clinical stage candidate appears to be benefiting a patient, that benefit may not be of a permanent nature. For example, we have previously reported on a patient in cohort 4 of our APVO 436 Phase 1/1b clinical trial who showed a complete marrow response. That patient dropped out of the trial during the eleventh cycle of treatment because his/her disease progressed. 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, 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 preclinical studies and clinical trials. In particular, the FDA may not view our data as being clinically meaningful or statistically persuasive. 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.

If we experience delays or difficulties in the enrollment of patients in 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 and enroll 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. In addition, the global outbreak of the COVID-19 coronavirus makes it more difficult to initiate studies and enroll patients.

Patient enrollment is affected by other factors including:

- the severity of the disease under investigation;
- 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;
- the ability to monitor patients adequately during and after treatment; and
- the proximity and availability of clinical trial sites for prospective patients.

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. Enrollment delays in our clinical trials may result in increased development costs for our product candidates and in 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 could cause us or regulatory authorities to interrupt, delay or halt our manufacturing and distribution operations and could result in a more restrictive label, the imposition of 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.

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, our trials could be suspended or terminated, and the FDA or comparable foreign regulatory authorities could order us to cease further development of or deny approval of our other product candidates. If such an event occurs, a number of potentially significant negative consequences may result, including:

- 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 Risk Evaluation and Mitigation Strategy, or 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 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 harm our business and results of operations.

We depend on third parties to conduct our clinical and non-clinical trials.

We do not have the ability to independently conduct the clinical and non-clinical trials required to obtain regulatory approval for our product candidates. We depend on third parties, such as independent clinical investigators, contract research organizations and other third-party service providers to conduct the clinical and non-clinical trials of our product candidates and expect to continue to do so. For example, Dr. Scott Stromatt, our former full-time Chief Medical Officer, is now providing clinical trial and medical affairs oversight duties as an independent consultant. We rely heavily on Dr. Stromatt and these other third parties for successful execution of our clinical and non-clinical trials, but we do not exercise day-to-day control over their activities. Our reliance on these 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 plan 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, costly and result in a delay of our trials. In addition, business disruptions arising from the COVID-19 pandemic could negatively affect the ability of some of the independent clinical investigators, contract research organizations and other third-party service provider that conduct our clinical and non-clinical 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 we contract research organizations 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 cannot assure you that, upon inspection, the FDA or non-U.S. regulatory agencies will determine that any of our clinical trials comply with GCPs. In addition, our clinical trials must be conducted with product produced under GCPs and similar regulations outside of the United States. Our failure, or the failure of our product manufacturers, to comply with these regulations may require us to repeat or redesign clinical trials, which would increase our development costs and delay or impact 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. 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.

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.

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.

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 one clinical-stage candidate, APVO436, which is 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. For example, in 2018, we announced the discontinuation of development of APVO414 and otlertuzumab as a result of clinical trial results. In addition, in October 2019, we announced our decision to discontinue development of APVO210, a novel investigational bispecific antibody candidate under development for the treatment of autoimmune diseases. The decision followed the review of data from 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. 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.

We may not be successful in our efforts to use and further develop our ADAPTIR platform.

A key element of our strategy is to expand our product pipeline of immunotherapeutics based on our ADAPTIR platform technology. 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 multispecific molecules in oncology and other therapeutic areas. Our goal is to leverage this technology to make targeted investment in bispecific ADAPTIR 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 platform technology, 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 substantial competition.

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 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 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., Aduro, Inc., Affirmed, Amgen Inc., AnaptysBio, Inc., Astellas Pharma Inc., Bayer AG, Biogen Idec Inc., Boehringer Ingelheim GmbH, Genentech Inc. (a subsidiary of F. Hoffmann-La Roche Ltd.), Genmab A/S, GlaxoSmithKline plc, Grifols USA LLC, Bristol Myers Squibb Foundation, ImmunoGen, Inc., Immunomedics, Inc., Janssen BioTech Inc., Johnson & Johnson, Macrogenics, Inc., Novartis International AG, Pieris Pharmaceuticals, Inc., Sanofi-Aventis US LLC, Takeda Pharmaceuticals U.S.A., Inc., Xencor, 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.

Healthcare legislature 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 by the Trump Administration to repeal or replace certain aspects of the ACA. For example, since January 2017, President Trump has signed two executive orders and other directives designed to delay, circumvent, or loosen certain requirements mandated by the ACA. Concurrently, 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. Additionally, on December 14, 2018, a Texas U.S. District Court Judge ruled that the ACA is unconstitutional in its entirety because the individual mandate was repealed by Congress as part of the Tax Cuts & Jobs Act. While the Texas U.S. District Court Judge, as well as the current U.S. Presidential administration and the Centers for Medicare and Medicaid Services, or CMS, have stated that the ruling will have no immediate effect pending appeal of the decision, it is unclear how this decision, subsequent appeals, and other efforts to repeal and replace the ACA will impact the ACA and our business. We continue to evaluate how the ACA and recent efforts to repeal and replace or limit the implementation of 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, 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 2027 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. For example, the Trump administration released a "Blueprint", or plan, to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals 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. These new laws and initiatives may result in additional reductions in Medicare and other healthcare funding, 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.

The loss of any of our third-party manufacturers, or delays or problems in the manufacture our product candidates, could result in product shortages 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 sole source third-party suppliers for our product candidates. Accordingly, our ability to develop and deliver products in a timely and competitive manner depends on our third-party manufacturers being able to continue to meet our ongoing clinical trial needs and perform their contractual obligations.

Manufacture of our product candidates, especially in large quantities, is complex and time consuming.

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. Due to COVID-19, our third-party manufacturers may experience difficulties that impact our product candidates.

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. 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. 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.

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. Due to COVID-19, our third-party manufacturers may experience difficulties that impact our product candidates. 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.

Development and commercialization of our product candidates may be terminated or delayed.

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 maintaining 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 our product candidates in development, our results of operations and prospects would be materially and adversely affected.

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. Generally, 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 pre-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 biologics license application, or 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 is expensive. All of the product candidates that we are developing, or may develop in the future, require research and development, pre-clinical studies, nonclinical 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.

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 anti-drug antibodies (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. 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.

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 FDAs 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.

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, 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. Beginning in 2022, applicable manufacturers will also be 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 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 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 to bring our practices into compliance with the GDPR, 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.

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 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.

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 US Patent and Trademark Office (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.

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.

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. If we fail to acquire and protect such trademarks, our ability to market and sell our products, and therefore our business, financial condition and operating results, could be materially and adversely affected.

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 PTAB 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 applications pending that cover the APTEVO THERAPEUTICS, APTEVO BIOTHERAPEUTICS, and APTEVO RESEARCH AND DEVELOPMENT trademarks. 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.

If we experience a significant disruption in our information technology systems or breaches of data security, 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. The impact of COVID-19 also poses an increased security risk, due to the mandatory remote working orders. 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, our information technology systems are potentially vulnerable to data security breaches—whether by employees or others—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, patients in our clinical trials, 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 of revenue, 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.

Risk Related to Collaborations and Other Agreements

We may not be successful in establishing and maintaining collaborations that leverage our capabilities in pursuit of developing and commercializing our product candidates.

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 Bioscience AB, or Alligator, pursuant to which Aptevo R&D and Alligator will collaboratively develop 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 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 COVID-19, we may experience delays in opportunities to develop our product candidates, due to financial and other impacts on potential partners.

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. Due to COVID-19, we may experience delays in opportunities to develop our product candidates, due to financial and other impacts on potential partners.

Risks Related to Our Common Stock

Our stock price may be volatile.

Our stock price has fluctuated in the past and is likely to be volatile in the future. Since August 1, 2016, the reported closing price of our common stock has fluctuated between $3.29 and $112 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 COVID-19 and its impact on the global economy. 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:

- 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 non-clinical 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 or of RUXIENCE by Pfizer;
- actual or anticipated variations in our cash flows or results of operations;
- the operating and stock price performance of comparable companies;
- the impact of COVID-19 or similar global health challenges;
- general industry conditions and domestic and worldwide financial, economic and political instability; and
- the other factors described in this “Risk Factors” section.

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.

If we do not continue to develop 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. As an emerging growth company, we 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. However, we may no longer avail ourselves of this exemption when we cease to be an emerging growth company. When 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 may 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.

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 for acquisitions, capital market transactions or otherwise, including 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.

Future issuances of common stock may include (i) any sale of up to the remaining $17.3 million worth of shares of our common stock pursuant to our Equity Distribution Agreement with Piper Sandler & Co entered into in November 2017, (ii) any sale of up to $35.0 million worth of shares of our common stock in a private placement pursuant to our Purchase Agreement with Lincoln Park, entered into in December 2018 and (iii) the issuance of up to 1,571,429 shares of common stock upon the exercise of warrants issued in connection with our March 2019 public offering of common stock and warrants.

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 and amended and restated by-laws 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.

Our by-laws include an exclusive forum provision that could limit our stockholders' ability to obtain a judicial forum viewed by stockholders as more favorable for disputes with us or our directors, officers or other employees or certain stockholders.

Our by-laws provide that the Chancery Court of the State of Delaware will be the sole and exclusive forum for certain legal proceedings, unless we consent in writing to the selection of an alternative forum. This exclusive forum provision may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors or officers, which may discourage lawsuits against us or our directors or officers. Alternatively, if a court outside of Delaware were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

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
2.1	LLC Purchase Agreement by and among Aptevo Therapeutics Inc. and Medexus Pharma, Inc. dated February 28, 2020
3.1	Amended and Restated Certificate of Incorporation of Aptevo Therapeutics Inc.
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Aptevo Therapeutics Inc.
10.1*	Collaboration and License Agreement, dated as of December 19, 2005, by and among Wyeth Pharmaceuticals and Trubion Pharmaceuticals, Inc.
10.2*	Amendment No. 1 to the Collaboration and License Agreement dated as of December 19, 2005 (the "Agreement") by and between Trubion Pharmaceuticals, Inc. ("Trubion") and Wyeth, acting through its Wyeth Pharmaceuticals Division ("Wyeth").
10.3*	Amendment No. 2 to the Collaboration and License Agreement dated as of December 19, 2005 (as previously amended, the "Agreement") by and between Trubion Pharmaceuticals, Inc. ("Trubion") and Wyeth LLC (formerly known as Wyeth), acting through its Wyeth Pharmaceuticals Division ("Wyeth").
10.4*	Amendment No. 3 to the Collaboration and License Agreement dated as of December 19, 2005 (as previously amended, the "Agreement") by and between Emergent Product Development Seattle, LLC (successor to Trubion Pharmaceuticals, Inc. ("Trubion")) ("EPDS") and Wyeth LLC (formerly known as Wyeth), acting through its Wyeth Pharmaceuticals Division ("Wyeth").
10.5*	Amendment No. 4 to the Collaboration and License Agreement dated as of December 19, 2005 (as previously amended, the "Agreement") by and between Emergent Product Development Seattle, LLC (successor to Trubion Pharmaceuticals, Inc. ("Trubion")) and Wyeth LLC (formerly known as Wyeth), acting through its Wyeth Pharmaceuticals Division ("Wyeth").
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*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

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: August 14, 2020

By: /s/ Marvin White

Marvin White
President and Chief Executive Officer

Date: August 14, 2020

By: /s/ Jeffrey G. Lamothe

Jeffrey G. Lamothe
Senior Vice President, Chief Financial Officer, and Treasurer

Exhibit 10.1

Execution Copy

COLLABORATION AND LICENSE AGREEMENT

by and between

WYETH
acting through its Wyeth Pharmaceuticals Division

and

TRUBION PHARMACEUTICALS, INC.

December 19, 2005

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COLLABORATION AND LICENSE AGREEMENT

This Collaboration and License Agreement (the "Agreement") is entered into as of December 19, 2005 (the "Signing Date"), by and between Wyeth, together with its Affiliates (as defined below), acting through its Wyeth Pharmaceuticals Division, a corporation organized and existing under the laws of the State of Delaware and having a place of business at 500 Arcola Road, Collegeville, Pennsylvania 19426 (collectively, "Wyeth") and Trubion Pharmaceuticals, Inc., together with its Affiliates (as defined below), a corporation organized and existing under the laws of the State of Delaware and having a principal place of business at 2401 4th Avenue, Suite 1050, Seattle, Washington 98121 (collectively, "Trubion"). Wyeth and Trubion may each be referred to herein individually as a "Party" and collectively as the "Parties".

WHEREAS, Wyeth is engaged in the research, development and commercialization of pharmaceutical and health care products;

WHEREAS, as of the Signing Date, Trubion has developed certain SMIPs (as defined below) and CD20 Products (as defined below), as well as certain Patent Rights (as defined below) and Know-How (as defined below) pertaining to Trubion's SMIP technology platform;

WHEREAS, Wyeth and Trubion desire to collaborate to discover, research and develop, and Wyeth desires to research, develop, manufacture and commercialize, Licensed Products (as defined below) as provided herein; and

WHEREAS, Wyeth desires to obtain from Trubion, and Trubion desires to grant to Wyeth, certain exclusive rights so that Wyeth may develop, manufacture and commercialize such Licensed Products, as provided herein.

NOW THEREFORE, in consideration of the mutual promises and covenants set forth below and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS.

1.1. **"Additional Research and Development Expense Payment"** shall have the meaning set forth in Section 5.3 hereof.

1.2. **"Additional Third Party Licenses"** shall have the meaning set forth in Section 6.2.3(a) hereof.

1.3. **"Affiliate(s)"** shall mean, with respect to any Person, any other Person which controls, is controlled by or is under common control with such Person. A Person shall be regarded as in control of another entity if it owns or controls at least fifty percent (50%) of the equity securities of the subject entity entitled to vote in the election of directors (or, in the case of an entity that is not a corporation, for the election of the corresponding managing

authority); *provided, however,* that the term "Affiliate" shall not include subsidiaries or other entities in which a Party or its Affiliates owns a majority of the ordinary voting power necessary to elect a majority of the board of directors or other governing board, but is restricted from electing such majority by contract or otherwise, until such time as such restrictions are no longer in effect.

1.4. **"Agreement"** shall have the meaning set forth in the preamble hereof.

1.5. **"Bankruptcy Code"** shall have the meaning set forth in Section 2.7 hereof.

1.6. **"BLA"** shall have the meaning set forth in Section 1.100 hereof.

1.7. **"Calendar Quarter"** shall mean the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 or December 31, for so long as this Agreement is in effect.

1.8. **"Category 1 Covered SMIP Improvement"** shall have the meaning set forth in Section 6.1.3(b) hereof.

1.9. **"Category 2 Covered SMIP Improvement"** shall have the meaning set forth in Section 6.1.3(b) hereof.

1.10. **"CD20 Antigen"** shall mean the human protein antigen that is known as CD20, and identified as a full length CD20 protein antigen in GenBank, and identified by GenBank Accession Nos. NP_690605, NP_068769 or P11836, and any other protein that Has The Same Sequence as the foregoing.

1.11. **"CD20 Effective Royalty Rate"** shall have the meaning set forth in Section 5.4.2(a) hereof.

1.12. **"CD20 Product"** shall mean any TRU-015 Product and/or Follow-On CD20 Product (as the context requires).

1.13. **"Cell Lines"** shall mean the cell lines and any other expression systems that produce or express any SMIP.

1.14. **"Change of Control"** shall have the meaning set forth in Section 9.10.1 hereof.

1.15. **"Clinical Study Supplies"** shall have the meaning set forth in Section 4.9 hereof.

1.16. **"Combination Product"** shall mean any product containing as active ingredients both (a) a Product and (b) one or more other pharmaceutically active compounds or substances.

1.17. **"Combination Sale"** shall have the meaning set forth in Section 1.76 hereof.

1.18. **"Commercialization" or "Commercialize"** shall mean activities directed to marketing, promoting, distributing, importing or selling a product. Commercialization shall not include any activities related to Manufacturing or Development.

1.19. **"Commercially Reasonable Efforts"** shall mean, with respect to the efforts to be expended by any Party with respect to any objective, those reasonable, diligent, good faith efforts to accomplish such objective as such Party would normally use to accomplish a similar objective under similar circumstances. With respect to any objective relating to the Development and/or Commercialization of a Licensed Product by any Party, "Commercially Reasonable Efforts" shall mean those efforts and resources normally used by such Party with respect to a product owned or controlled by such Party, or to which such Party has similar rights, which product is of similar market potential and is at a similar stage in its development or life as is such Licensed Product, taking into account issues of safety, efficacy, product profile, the competitiveness of the marketplace, the proprietary position of the Licensed Product, the regulatory structure involved, profitability of the Licensed Product and other relevant commercial factors. A **"Commercially Reasonable"** action or decision of a Party refers in this Agreement to an action or decision taken or made by such Party using its Commercially Reasonable Efforts.

1.20. **"Confidential Information"** of a Party shall mean all Know-How or other information, including, without limitation, proprietary information and materials (whether or not patentable) regarding such Party's technology, products, business information or objectives, that is communicated in any way or form by the Disclosing Party to the Receiving Party, either prior to or after the Effective Date of this Agreement, and whether or not such Know-How or other information is identified as confidential at the time of disclosure; *provided* that, information not identified as confidential by the Disclosing Party shall be deemed to be Confidential Information of the Disclosing Party if the Receiving Party knows, or should have had a reasonable expectation, that the information communicated by the Disclosing Party is Confidential Information of the Disclosing Party. The terms and conditions of this Agreement shall be considered Confidential Information of both Parties.

1.21. **"Conjugate(s)"** shall mean SMIP(s) fused genetically or linked, either directly or through a linker molecule, with any biological, cytostatic, cytotoxic or radioactive agent.

1.22. **"Control" or "Controlled"** shall mean with respect to any (a) item of information, including, without limitation, Know-How, or (b) intellectual property right, the possession (whether by ownership or license, other than pursuant to this Agreement) by a Party of the ability to grant to the other Party a license or to extend other rights as provided herein, under such item or right without violating the terms of any agreement or other arrangements with any Third Party.

1.23. **"Co-Promotion"** shall mean the joint promotion of a CD20 Product in the United States by both Parties and/or their respective Affiliates under the same CD20 Product Trademark(s). **"Co-Promote,"** when used as a verb, shall mean to engage in such Co-Promotion.

1.24. **"Co-Promotion Period"** shall have the meaning set forth in Section 4.11 hereof.

1.25. **"Covered SMIP Improvement"** shall have the meaning set forth in Section 6.1.2 hereof.

1.26. **"Deposited Protein"** shall have the meaning set forth in Section 1.45 hereof.

1.27. **"Designated Target(s)"** shall have the meaning set forth in Section 9.8 hereof.

1.28. **"Development" or "Develop"** shall mean non-clinical and clinical drug development activities pertaining to a product, including, without limitation, toxicology, pharmacology, test method development and stability testing, process development, formulation development, delivery system development, quality assurance and quality control development, statistical analysis, clinical studies (including pre- and post-approval studies), regulatory affairs, pharmacovigilance and Regulatory Approval and clinical study regulatory activities (including regulatory activities directed to obtaining pricing and reimbursement approvals).

1.29. **"Development Plan"** shall mean the written plan for the Development of CD20 Products described in Section 4.8 hereof.

1.30. **"Disclosing Party"** shall have the meaning set forth in Section 7.1 hereof.

1.31. **"Effective Date"** shall mean the later to occur of (a) the Signing Date and (b) the HSR Clearance Date.

1.32. **"Exchange Act"** shall mean the Securities Exchange Act of 1934, as amended.

1.33. **"Excluded Target(s)"** shall mean the Target(s) described in Section 3.2.4 hereof as Excluded Target(s).

1.34. **"Exclusivity Covenants"** shall have the meaning set forth in Section 9.10.2(c) hereof.

1.35. **"Executive Officers"** shall mean the President of Wyeth Pharmaceuticals (or an executive officer of Wyeth designated by such President of Wyeth Pharmaceuticals) and the Chief Executive Officer of Trubion (or an executive officer of Trubion designated by such Chief Executive Officer).

1.36. **"Exercise Notice"** shall have the meaning set forth in Section 9.10.2(c) hereof.

1.37. **"Existing Activities"** shall have the meaning set forth in Section 9.10.2(c) hereof.

1.38. **"Existing Trademarks"** shall have the meaning set forth in Section 9.7.1(a).

1.39. **"FDA"** shall mean the United States Food and Drug Administration or any successor agency thereto.

1.40. **"FD&C Act"** shall mean the United States Federal Food, Drug, and Cosmetic Act (21 U.S.C. § 301 *et seq.)*, as amended, and the rules and regulations promulgated thereunder.

1.41. **"First Commercial Sale"** shall mean, with respect to a given Licensed Product and any country in the Territory, the first sale or transfer for value of such Licensed Product under this Agreement by Wyeth or its sublicensees to a Third Party in such country following receipt of marketing authorization from the appropriate Regulatory Authority permitting commercial sale of such Licensed Product in such country.

1.42. **"Follow-On CD20 Product"** shall mean any product containing a Follow-On CD20 SMIP.

1.43. **"Follow-On CD20 SMIP"** shall mean any SMIP (other than TRU-015) directed against the CD20 Antigen or a portion thereof.

1.44. **"FTE"** shall mean a full time equivalent scientific person (M.S. or Ph.D. level) year, consisting of a minimum of a total of one thousand eight hundred eighty (1,880) hours per year of scientific work by an employee of Trubion on or directly related to and in support of the Research Program. Work on or directly related to the Research Program can include, but is not limited to, experimental preclinical laboratory and research work, recording and writing up results, reviewing literature and references, holding scientific discussions, managing and leading scientific staff and carrying out management duties, in each case where such activities are directly related to the Research Program.

1.45. **"Has The Same Sequence"** shall mean, with respect to a specific protein (as described by an amino acid sequence identified by a GenBank accession number; a "New Protein"), that another specific protein (as described by an amino acid sequence identified by a GenBank accession number; each, a "Deposited Protein") has at least ninety percent (90%) amino acid sequence identity over at least ninety percent (90%) of the length of the New Protein.

By way of example only, if the New Protein consists of 100 amino acids, and any contiguous sequence of 90 amino acids contained in the Deposited Protein has at least 90% sequence identity to any contiguous sequence of 90 amino acids in the New Protein (that is, at least 81 of the 90 contiguous amino acids in such Deposited Protein sequence are identical to any 81 of any 90 contiguous amino acids in such New Protein), then the New Protein Has The Same Sequence as the Deposited Protein.

1.46. **"HER2 Antigen"** shall mean the human protein antigen that is known as human epidermal growth factor receptor (also known as c-erb-B2 or HER2/neu), and identified as a full length human epidermal growth factor receptor in GenBank and identified by GenBank Accession Nos. NP_004439.2, NP_001005862 or AAD56009 and any other protein that Has The Same Sequence as the foregoing.

1.47. **"HER2 Effective Royalty Rate"** shall have the meaning set forth in Section 5.4.3(a) hereof.

1.48. **"HER2 Product"** shall mean any product containing a HER2 SMIP.

1.49. **"HER2 SMIP"** shall mean any SMIP directed against the HER2 Antigen or a portion thereof.

1.50. **"HSR Act"** shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

1.51. **"HSR Filing"** shall mean filings by Wyeth and Trubion with the United States Federal Trade Commission and the Antitrust Division of the United States Department of Justice of a Notification and Report Form for Certain Mergers and Acquisitions (as that term is defined in the HSR Act) with respect to the matters set forth in this Agreement, together with all required documentary attachments thereto.

1.52. **"HSR Clearance Date"** shall mean the earliest date on which the Parties have actual knowledge that all applicable waiting periods under the HSR Act with respect to the transactions contemplated hereunder have expired or have been terminated.

1.53. **"IND"** shall mean an Investigational New Drug Application, as defined in the FD&C Act, that is required to be filed with the FDA before beginning clinical testing of a Licensed Product in human subjects, or an equivalent foreign filing.

1.54. **"Indemnified Party"** shall have the meaning set forth in Section 10.3 hereof.

1.55. **"Indemnifying Party"** shall have the meaning set forth in Section 10.3 hereof.

1.56. **"Initial Term"** shall have the meaning set forth in Section 3.3.1 hereof.

1.57. **"JDC"** shall have the meaning set forth in Section 4.7 hereof.

1.58. **"Joint Invention(s)"** shall have the meaning set forth in Section 6.1.1 hereof.

1.59. **"Joint Know-How"** shall mean that Know-How related to the Licensed Products that is jointly owned by the Parties in accordance with Section 6.1.1 of this Agreement.

1.60. **"Joint Patent Committee"** shall mean the committee described in Section 6.1.3 hereof.

1.61. **"Joint Patent Right(s)"** shall mean those Patent Right(s) that claim Joint Know-How or Joint Invention(s).

1.62. **"Joint Technology"** shall mean the Joint Patent Rights, the Joint Inventions and the Joint Know-How.

1.63. **"JPT"** shall have the meaning set forth in Section 4.8 hereof.

1.64. **"JRC"** shall have the meaning set forth in Section 3.4.1 hereof.

1.65. **"JRC Liaison"** shall mean a JRC member designated by a Party as its "JRC Liaison" in accordance with Section 3.4.3 hereof.

1.66. **"Know-How"** shall mean inventions, discoveries, data, information, processes, methods, techniques, materials, technology, results or other know-how, whether or not patentable.

1.67. **"Liabilities"** shall have the meaning set forth in Section 10.1 hereof.

1.68. **"Licensed Product(s)"** shall mean any Product(s) or Combination Product(s).

1.69. **"Licensed Target(s)"** shall mean any Trubion Target(s) or Wyeth Target(s), so long as they remain the subject of the licenses granted to Wyeth under this Agreement.

1.70. **"Major Indication(s)"** shall mean, with respect to any CD20 Product, any indication with a prevalence-based patient population of at least two hundred thousand (200,000) patients in the United States, including, without limitation, non-Hodgkin's lymphoma, rheumatoid arthritis, systemic lupus erythematosus, Crohn's disease and multiple sclerosis.

1.71. **"Major Market Country"** shall mean any of the United States, the United Kingdom, France, Germany, Italy, Spain or Japan.

1.72. **"Manufacturing" or "Manufacture"** shall mean activities directed to producing, manufacturing, processing, filling, finishing, packaging, labeling, quality assurance testing and release, shipping and storage of a product.

1.73. **"NCBI"** shall have the meaning set forth in Section 3.2.1 hereof.

1.74. **"NDA"** shall have the meaning set forth in Section 1.100 hereof.

1.75. **"Net Combination Sale Amount"** shall have the meaning set forth in Section 1.76 hereof.

1.76. **"Net Sales"** shall mean the gross amounts charged for sales of Licensed Products (on which payments are due under this Agreement) by Wyeth or its sublicensees to Third Parties, less the sum of (a) and (b) where (a) is a provision, determined under Generally Accepted Accounting Principles in the United States and in accordance with Wyeth's customary and usual accrual procedures, consistently applied, for the accrual of (i) trade, cash, quantity and wholesaler discounts or rebates (other than price discounts granted at the time of sale), if any, allowed or paid, (ii) credits or allowances given or made for rejection or return of, previously sold Licensed Products or for retroactive price reductions (including Medicaid, managed care and similar types of rebates), (iii) taxes, duties or other governmental charges levied on or measured by the billing amount (excluding income and franchise taxes), as adjusted for rebates and refunds, and (iv) charges for packing, freight, and shipping to the extent included in the invoice price and (b) is a periodic adjustment (positive or negative, as applicable), determined under Generally Accepted Accounting Principles in the United States and in accordance with Wyeth's customary and usual adjustment procedures, consistently applied, of the provision determined in (a) to reflect amounts actually incurred for (i), (ii), (iii) and (iv) based on amounts actually invoiced or as separately set forth in agreements with Third Parties or as deducted or paid as required by applicable law or regulations. (The deductions described in (i), (ii), (iii) and (iv) are referred to herein as "Permitted Deductions.") In the case of any sale of Licensed Products for consideration other than cash, Net Sales shall be calculated on the fair market value of the consideration received.

Notwithstanding the foregoing, if a Licensed Product is sold as a Combination Product (a "Combination Sale"), the Net Sales for such Combination Product shall be the portion of such Combination Sale allocable to the Licensed Product determined as follows:

Except as provided below, the Net Sales amount for a Combination Sale shall equal the gross amount invoiced for the Combination Sale, reduced by the Permitted Deductions (the "Net Combination Sale Amount"), multiplied by the fraction **A/(A+B),** where:

> **A** is the invoice price, in the country where such Combination Sale occurs, of the Licensed Product contained in the Combination Product, if sold as a separate product in such country by Wyeth or its sublicensees, as the case may be, and **B** is the aggregate of the invoice price or prices, in such country, of, products which collectively contain as their respective sole active ingredient such other pharmaceutically active compounds or substances, as the case may be, included in the Combination Product, if sold separately in such country by Wyeth or its sublicensees, as applicable.

In the event that Wyeth or its sublicensees sell the Licensed Product included in a Combination Product as a separate product in a country, but do not separately sell all of the other pharmaceutically active compounds or substances, as the case may be, included in such Combination Product in such country, the calculation of the Net Sales amount for such Combination Sale shall be determined by multiplying the Net Combination Sale Amount by the fraction **A/C** where:

> **A** is the average wholesale price, in such country, charged by Wyeth or its sublicensees, as the case may be, for the Licensed Product contained in such Combination Product, when sold as a separate product by Wyeth or its sublicensees, as applicable, and **C** is the average wholesale price, in such country, charged by Wyeth or its sublicensees, as applicable, for the entire Combination Product.

In the event that Wyeth or its sublicensees do not sell the Licensed Product included in a Combination Product as a separate product in a country where such Combination Sale occurs, but do separately sell products which collectively contain as their respective sole active ingredient all of the other pharmaceutically active compounds or substances, as the case may be, included in the Combination Product in such country, the calculation of Net Sales resulting from such Combination Sale shall be determined by multiplying the Net Combination Sale Amount by the fraction **(C-D)/C,** where:

C is the average wholesale price, in such country, charged by Wyeth or its sublicensees, as the case may be, for the entire Combination Product, and **D** is the average wholesale price charged by Wyeth or its sublicensees, as the case may be, for the products which collectively contain as their sole active ingredient such other pharmaceutically active compounds or substances, as the case may be, included in the Combination Product.

Where active ingredient portions of a Combination Product are sold separately as other products but in different dosage strengths than are in the Combination Product, the calculation of the Net Sales amount for such Combination Product shall be based on appropriate proration of the amounts of each active ingredient component included therein when applying the formulas set forth above.

Where the calculation of Net Sales resulting from a Combination Sale in a country cannot be determined by any of the foregoing methods, the calculation of Net Sales for such Combination Sale shall be that portion of the Net Combination Sale Amount reasonably determined in good faith by the Parties as properly reflecting the value of the Licensed Product included in the Combination Product.

Notwithstanding the foregoing, Net Sales shall not include any reimbursement received by Wyeth or its sublicensees in respect of the use of a Licensed Product in a country solely as part of a clinical trial prior to the receipt of marketing authorization required to commence commercial sales of such Licensed Product in such country.

1.77. **"New Protein"** shall have the meaning set forth in Section 1.45 hereof.

1.78. **"Niche Indication(s)"** shall mean, with respect to any CD20 Product, any indication, including, but not limited to, inflammatory myositis, for such CD20 Product other than a Major Indication.

1.79. **"Notice of Breach"** shall have the meaning set forth in Section 9.5 hereof.

1.80. **"Notice of Modification"** shall have the meaning set forth in Section 9.5 hereof.

1.81. **"Notice of Termination"** shall have the meaning set forth in Section 9.5 hereof.

1.82. **"Other Product"** shall mean any product containing a SMIP directed against a Wyeth Target or a portion thereof.

1.83. **"Part(y/ies)"** shall have the meaning set forth in the preamble hereof.

1.84. **"Patent Rights"** shall mean any and all (a) patents, (b) pending patent applications, including, without limitation, all provisional applications, substitutions, continuations, continuations-in-part, divisions, renewals, and all patents granted thereon, (c) all patents-of-addition, reissues, reexaminations and extensions or restorations by existing or future extension or restoration mechanisms, including, without limitation, supplementary protection certificates or the equivalent thereof, (d) inventor's certificates, and (e) all United States and foreign counterparts of any of the foregoing.

1.85. **"Person"** shall mean an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, incorporated association, joint venture or similar entity or organization, including a government or political subdivision, department or agency of a government.

1.86. **"Permitted Deduction"** shall have the meaning set forth in Section 1.76 hereof.

1.87. **"Phase I Clinical Study"** shall mean a study of a Licensed Product in human subjects with the endpoint of determining initial tolerance, safety or pharmacokinetic information in single dose, single ascending dose, multiple dose and/or multiple ascending dose regimens.

1.88. **"Phase II Clinical Study"** shall mean a study of a Licensed Product in human patients to determine initial efficacy and dose range finding before embarking on Phase III Clinical Studies.

1.89. **"Phase IIa Clinical Study"** shall mean Trubion's TRU-015 Protocol 15001.

1.90. **"Phase IIb Clinical Study"** shall mean Trubion's TRU-015 Protocol 15002.

1.91. **"Phase III Clinical Study"** shall mean a pivotal study (whether or not denominated a "Phase III" clinical study under applicable regulations) in human patients with a defined dose or a set of defined doses of a Licensed Product designed to ascertain efficacy and safety of such Licensed Product for the purpose of enabling the preparation and submission of Regulatory Approval Applications to the competent Regulatory Authorities in a country of the Territory.

1.92. **"Previously Deposited Protein"** shall have the meaning set forth in Section 3.2.4(b) hereof.

1.93. **"Product"** shall mean any CD20 Product, HER2 Product, or Other Product, or any Conjugate of any CD20 Product, HER2 Product, or Other Product.

1.94. **"Product Data and Filings"** shall mean (a) all clinical protocols, studies, clinical data and results used in or resulting from any clinical trial of any Licensed Product and (b) all INDs, Regulatory Approval Applications and Regulatory Approvals regarding any Licensed Product.

1.95. **"Product License"** shall have the meaning set forth in Section 2.1.1 hereof.

1.96. **"Product-Related Patent Rights"** shall have the meaning set forth in Section 6.2.1 (a) hereof.

1.97. **"Provisional Excluded Target"** shall mean a Target described in Section 3.2.4 hereof as a Provisional Excluded Target.

1.98. **"Receiving Party"** shall have the meaning set forth in Section 7.1 hereof.

1.99. **"Recombinant DNA**" shall mean the DNA sequences encoding any SMIP including, without limitation, any DNA plasmid expression construct encoding any such SMIP.

1.100. **"Regulatory Approval"** shall mean the technical, medical and scientific licenses, registrations, authorizations and approvals (including, without limitation, approvals of New Drug Applications ("NDAs") or Biologic License Applications ("BLAs"), supplements and amendments, pre- and post- approvals, pricing approvals, and labeling approvals) of any national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity, necessary for the commercial Manufacture, distribution, marketing, promotion, offer for sale, use, import, export and sale of Licensed Product(s) in a regulatory jurisdiction in the Territory. For the sake of clarity, Regulatory Approval shall not be deemed to have been obtained in a country other than the United States until any applicable governmental pricing approvals have also been obtained in such country. Regulatory Approval of a Licensed Product shall be deemed to have been obtained in the United States immediately upon BLA approval for such Licensed Product in the United States.

1.101. **"Regulatory Approval Application"** shall mean an application submitted to the appropriate Regulatory Authority seeking Regulatory Approval of a Licensed Product for use in one or more therapeutic indications in a regulatory jurisdiction within the Territory.

1.102. **"Regulatory Authorit(y/ies)"** shall mean any national *(e.g.*, the FDA), supra-national *(e.g.*, the European Commission, the Council of the European Union, or the European Agency for the Evaluation of Medicinal Products), regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity in each country of the Territory involved in the granting of Regulatory Approval for a Licensed Product.

1.103. **"Released Target"** shall have the meaning set forth in Section 3.2.2 hereof.

1.104. **"Replacement Target"** shall have the meaning set forth in Section 3.2.3 hereof.

1.105. **"Research Budget"** shall have the meaning set forth in Section 3.5 hereof.

1.106. **"Research Plan"** shall mean the written plan for the conduct of the Research Program described in Section 3.5 hereof as approved and amended by the Parties in accordance with Section 3.5 hereof.

1.107. **"Research Program"** shall have the meaning set forth in Section 3.1 hereof.

1.108. **"Research Program Data"** shall have the meaning set forth in Section 3.7 hereof.

1.109. **"Research Term"** shall have the meaning set forth in Section 3.3.1 hereof.

1.110. **"Royalty Period"** shall mean the period of time beginning on the date of the First Commercial Sale of a Licensed Product in any country and, on a Licensed Product-by-Licensed Product and country-by-country basis, extending until the earlier of (a) the termination of this Agreement pursuant to Article 9 hereof with respect to such Licensed Product in such country or (b) the later of (i) the date on which the last Valid Claim included within the Trubion Technology ceases to be a Valid Claim, which Valid Claim would be infringed by the composition, Manufacture, use, sale, offer for sale or importing of such Licensed Product in such country, or (ii)(A) with respect to CD20 Products, the ten (10) year anniversary of the First Commercial Sale for the first Major Indication of such CD20 Product in such country (*provided, however*, that if such CD20 Product has received Regulatory Approval for a Niche Indication in such country but has not received Regulatory Approval for a Major Indication in such country, the Royalty Period as defined under and for purposes of this clause (ii)(A) for such CD20 Product in such country shall be suspended beginning on the ten (10) year anniversary of the First Commercial Sale of such CD20 Product in such country until such time, if at all, as Regulatory Approval has been obtained permitting the marketing of such CD20 Product for a Major Indication in such country, at which point such Royalty Period shall commence with respect to such CD20 Product for a Major Indication) and (B) with respect to each other Licensed Product, the ten (10) year anniversary of the First Commercial Sale of such Licensed Product in such country.

1.111. **"Signing Date"** shall have the meaning set forth in the preamble hereof.

1.112. **"SMIP(s)"** or small modular immuno-pharmaceutical(s) shall mean a single chain polypeptide that (i) is not a tetrameric immunoglobulin having two (2) heavy chains and two (2) light chains or a fragment of such an immunoglobulin, (ii) binds with specificity to a target antigen, (iii) has a binding domain, and (iv) may have an effector domain which may or may not have effector function, including, but not limited to, any murine, chimeric, humanized or human forms thereof, any fragments, subunits, derivatives or multimeric forms thereof, any fusion protein or multispecific forms thereof, and any other native, genetically engineered protein or protein scaffold.

1.113. **"SMIP Improvement"** shall mean an invention consisting of any modification to the polynucleotide sequence encoding or the amino acid sequence of a SMIP, if the practice of such invention would infringe Patent Rights Controlled by Trubion at the time such invention is made.

1.114. **"Specifically Binds"** shall mean, in the case of a SMIP or other protein, the binding of such SMIP or other protein to a Target (or a portion thereof) above the level of background binding and wherein such SMIP or other protein is designed or being developed to exert its biological effect through binding to such Target (or such portion thereof).

1.115. **"Successor Party"** shall have the meaning set forth in Section 9.10.2(a) hereof.

1.116. **"Sued Party"** shall have the meaning set forth in Section 6.2.3(b) hereof.

1.117. **"Target"** shall mean a specific named human protein that is identified as a full length protein of that name and further identified by up to three (3) GenBank accession numbers for its amino acid sequence, as well as any additional protein(s) that Has The Same Sequence as such specific named human protein.

1.118. **"Target Candidate"** shall have the meaning set forth in Section 3.2.1 hereof.

1.119. **"Territory"** shall mean the entire world.

1.120. **"Third Part(y/ies)"** shall mean any Person(s) other than Wyeth or Trubion.

1.121. **"Trademark"** shall mean those trademarks used in connection with the Commercialization of any Licensed Product by Wyeth or its sublicensees hereunder.

1.122. **"TRU-015"** shall mean the chimeric SMIP directed against the CD20 Antigen that is currently designated by Trubion as "TRU-015," as further described on Exhibit 1.122 attached hereto.

1.123. **"TRU-015 Product"** shall mean any product containing TRU-015.

1.124. **"Trubion"** shall have the meaning set forth in the preamble hereof.

1.125. **"Trubion Additional Third Party License"** shall have the meaning set forth in Section 6.2.3(a) hereof.

1.126. **"Trubion Indemnified Party"** shall have the meaning set forth in Section 10.1 hereof.

1.127. **"Trubion Know-How"** shall mean any Know-How, other than the Joint Know-How, that (a) Trubion Controls as of the Effective Date or that comes into the Control of Trubion during the term of this Agreement (other than through the grant of a license by Wyeth) and (b) relates to any Cell Lines, Conjugates, Licensed Products, Recombinant DNA, SMIPs, Licensed Targets, Target Candidates or the Development, Manufacture or use of any of the foregoing.

1.128. **"Trubion Lawyers"** shall have the meaning set forth in Section 3.2.1 hereof.

1.129. **"Trubion Patent Rights"** shall mean Patent Rights, other than Joint Patent Rights, that (a) Trubion Controls as of the Effective Date or that come into the Control of Trubion during the term of this Agreement and (b) claim any Trubion Know-How. Those Trubion Patent Rights known to be existing as of the Signing Date are listed on Exhibit 1.129 attached hereto.

1.130. **"Trubion Target"** shall mean each of the human CD20 Antigen and/or the HER2 Antigen, as the context may require.

1.131. **"Trubion Technology"** shall mean Trubion's interest in the Trubion Patent Rights, the Trubion Know-How, the Joint Technology and the Research Program Data.

1.132. **"Trubion Third Party Agreement(s)"** shall mean the agreements specified on Exhibit 1.132 between Trubion and the indicated Third Parties that relate to the research, Development, Manufacture and/or Commercialization of Licensed Products under this Agreement.

1.133. **"U.S. Wyeth Pharmaceuticals"** shall have the meaning set forth in Section 12.5 hereof.

1.134. **"Valid Claim"** shall mean a claim that (a) in the case of any unexpired United States or foreign patent, shall not have been dedicated to the public, disclaimed, nor held invalid or unenforceable by a court or government agency of competent jurisdiction in an unappealed or unappealable decision, or (b) in the case of any United States or foreign patent application, (i) shall not have been cancelled, withdrawn or abandoned, without being refiled in another application in the applicable jurisdiction, (ii) shall not have been finally rejected by an administrative agency or other

governmental action from which no appeal can be taken and (iii) shall not have been pending for more than seven (7) years, in either case which claim (if issued) would cover the Manufacture, use or sale of any Licensed Product. For purposes of this definition, the time period for which a claim is pending shall begin on the priority date for such claim, and shall continue until such claim is either issued or is no longer deemed to be a Valid Claim in accordance with the preceding sentence regardless of whether such claim is amended or refiled in another application in the applicable jurisdiction. If a claim of a patent application which ceased to be a Valid Claim under (b) due to the passage of time later issues as part of a patent described within (a) then it shall again be considered to be a Valid Claim effective as of the issuance of such patent.

1.135. "Wyeth" shall have the meaning set forth in the preamble hereof.

1.136. "Wyeth Applied Technology" shall mean, with respect to any Licensed Product, that Wyeth Technology which (a) Wyeth had applied to such Licensed Product prior to any termination of any rights under this Agreement with respect to such Licensed Product, provided that such Wyeth Technology is necessary or useful for the continued research, Development, Manufacture or Commercialization of such Licensed Product as it exists at the time of such termination, or (b) Wyeth had incorporated into such Licensed Product prior to any termination of rights under this Agreement with respect to such Licensed Product; *provided* that Wyeth shall use its Commercially Reasonable Efforts to sublicense or otherwise transfer rights under any Third-Party license to which the use or exploitation of such Wyeth Applied Technology is subject; and *further provided, however,* that with respect to each of clauses (a) and (b) of this Section 1.136, such Wyeth Technology shall not include any of Wyeth's conjugation technology.

1.137. "Wyeth Indemnified Party" shall have the meaning set forth in Section 10.2 hereof.

1.138. "Wyeth Know-How" shall mean any Know-How, other than the Joint Know-How, that (a) Wyeth Controls as of the Effective Date or that comes into the Control of Wyeth (other than as a result of the licenses granted by Trubion to Wyeth under Section 2.1 hereof) during the term of this Agreement and (b) relates to the Cell Lines, Conjugates, Recombinant DNA, Licensed Products, SMIPs, Target Candidates or Licensed Targets or the Development, Manufacture, use or Commercialization of any of the foregoing.

1.139. "Wyeth Patent Rights" shall mean Patent Rights, other than the Joint Patent Rights, that (a) Wyeth Controls as of the Effective Date or that come into the Control of Wyeth (other than as a result of the licenses granted by Trubion to Wyeth under Section 2.1 hereof) during the term of this Agreement and (b) claim any Wyeth Know-How.

1.140. **"Wyeth Targets"** shall mean the Targets designated by Wyeth under the Research Program, as described in Section 3.2 hereof.

1.141. **"Wyeth Technology"** shall mean Wyeth's interest in the Wyeth Patent Rights, the Wyeth Know-How, the Joint Technology and the Research Program Data.

2. LICENSES.

2.1. Licenses to Wyeth.

2.1.1. **Exclusive Licenses.** Subject to the terms and conditions of this Agreement, Trubion, effective as of the Effective Date, hereby grants to Wyeth an exclusive license (exclusive even as to Trubion, except to the extent necessary for Trubion to perform its obligations under this Agreement), with the right to grant sublicenses in accordance with the provisions of Section 2.4 hereof, under the Trubion Technology, to research, Develop, have Developed, make, have made, Manufacture, use, have used, import, have imported, export, have exported, distribute, have distributed, market, have marketed, offer and have offered for sale, sell, have sold and Commercialize (subject to Section 4.11) Licensed Products in the Territory (the license granted under this Section 2.1.1 is sometimes referred to herein as the "Product License").

2.1.2. **Retained Rights of Trubion.** For the avoidance of doubt, but subject to Sections 2.3 and 3.2 hereof, Trubion shall retain: (a) all rights under the Trubion Technology with respect to the research, Development, Manufacture, use and Commercialization of SMIPs that (i) Specifically Bind to Targets that are not Licensed Targets and (ii) do not Specifically Bind to any Licensed Targets; and (b) the right to use SMIPs which Specifically Bind to one or more Licensed Targets in in vitro studies conducted solely as part of Trubion's internal research efforts, *provided, however,* that Trubion shall not provide any such SMIP (that Specifically Binds to a Licensed Target) to any Third Party or utilize any such SMIP (that Specifically Binds to a Licensed Target) in a collaboration with any Third Party, except with Wyeth's prior written consent.

2.2. **License to Trubion.** Wyeth hereby grants to Trubion a royalty-free non-exclusive license, with no right to grant sublicenses, under the Wyeth Technology, solely for the purpose of, and limited to, Trubion's use of the Wyeth Technology in connection with the Trubion Technology to research, Develop, have Developed, make, have made, use and have used Licensed Products to fulfill its obligations under this Agreement. In addition, Wyeth hereby grants to Trubion the non-exclusive license under Wyeth's rights to Covered SMIP Improvements as set forth in greater detail in Section 6.1.2.

2.3. Exclusivity.

2.3.1. CD20 Product Exclusivity. Subject to Section 2.3.3, and except for Development of the CD20 Products pursuant to the terms of this Agreement, neither Party shall Develop any human therapeutic product that contains a protein that Specifically Binds to the CD20 Antigen during the time period beginning on the Effective Date and ending on the earlier of: (a) the First Commercial Sale of any CD20 Product for a Major Indication in a Major Market Country or (b) the termination of the licenses granted by Trubion to Wyeth under this Agreement with respect to all CD20 Products.

Subject to Section 2.3.3, and except for Commercialization of the CD20 Products pursuant to the terms of this Agreement, neither Party shall Commercialize any human therapeutic product that contains a protein that Specifically Binds to the CD20 Antigen during the time period beginning on the Effective Date and ending on the earlier of: (a) five (5) years after the First Commercial Sale of any CD20 Product for a Major Indication in a Major Market Country or (b) the termination of the licenses granted by Trubion to Wyeth under this Agreement with respect to all CD20 Products.

2.3.2. HER2 Product Exclusivity. Subject to Section 2.3.3, and except for Development of the HER2 Products pursuant to the terms of this Agreement, neither Party shall Develop any human therapeutic product that contains a protein that Specifically Binds to the HER2 Antigen during the time period beginning on the Effective Date and ending on the earlier of: (a) the First Commercial Sale of any HER2 Product in any Major Market Country or (b) the termination of the licenses granted by Trubion to Wyeth under this Agreement with respect to all HER2 Products.

Subject to Section 2.3.3, and except for Commercialization of the HER2 Products pursuant to the terms of this Agreement, neither Party shall Commercialize any human therapeutic product that contains a protein that Specifically Binds to the HER2 Antigen during the time period beginning on the Effective Date and ending on the earlier of: (a) five (5) years after the First Commercial Sale of any HER2 Product in any Major Market Country or (b) the termination of the licenses granted by Trubion to Wyeth under this Agreement with respect to all HER2 Products.

2.3.3. Limitations. The exclusivity provisions of Sections 2.3.1 and 2.3.2 above (a) shall not apply to Wyeth's Manufacture of any product for a Third Party pursuant only to a contract manufacturing or supply agreement between Wyeth and such Third Party where Wyeth is acting only as a contract manufacturer or supplier for such Third Party, (b) shall in no way limit any of the licenses granted by Trubion to Wyeth under Section 2.1 hereof, and (c) shall in no way limit any of the retained rights of Trubion set forth in Section 2.1.2 hereof.

2.4. Sublicensing. Wyeth may grant to one or more Third Parties sublicenses of the rights granted to it under Section 2.1 hereof at any time; *provided* that Wyeth shall execute a written agreement with each such sublicensee and shall comply with the following: Each such sublicense (a) shall be subject and subordinate to, and consistent with, the terms and conditions of this Agreement, (b) shall not in any way diminish, reduce or eliminate any of Wyeth's obligations under this Agreement, (c) shall require each such sublicensee to comply with all applicable terms of this Agreement, including to keep books and records, and permit Wyeth to audit (either directly or through an independent auditor) such books and records, and (d) shall provide that any such sublicensee shall not further sublicense except on terms consistent with this Section 2.4. Wyeth shall provide Trubion with a copy of each such sublicense agreement within thirty (30) days after the execution thereof. Such copy may be redacted to exclude confidential, non-Licensed Product-related information and financial information (other than such financial information that is necessary for assessing the obligations to Trubion under this Agreement). Upon Trubion's request and at Trubion's expense, Wyeth shall exercise its right to conduct an audit of a sublicensee's books and records pertaining to the sale of a Licensed Product under any such sublicense agreement at the next time that conducting such an audit is permissible under such sublicense agreement. Wyeth shall provide Trubion with a copy of the report of the findings made in any such audit. If such audit reveals that such sublicensee has understated its Net Sales by ten percent (10%) or more, Wyeth shall be responsible for the costs of the audit. Wyeth shall remain responsible for its obligations hereunder and for the performance of its sublicensees (including, without limitation, making all payments due Trubion by reason of any Net Sales of Licensed Products), and shall ensure that any such sublicensees comply with all relevant provisions of this Agreement. In the event of any uncured material breach by any sublicensee under a sublicense agreement that would constitute a breach of Wyeth's obligations under this Agreement, Wyeth will promptly inform Trubion in writing and shall take such action which in Wyeth's reasonable business judgment will address such default;

provided, however, any such uncured material breach by such sublicensee of an obligation that would constitute a breach of Wyeth's obligations under this Agreement shall be deemed an uncured material breach of Wyeth hereunder unless Wyeth cures such material breach within the time provided under Section 9.5 hereof.

2.5. **Direct Licenses to Affiliates.** Wyeth may at any time request and authorize Trubion to grant licenses within the scope of Section 2.1 directly to Affiliates of Wyeth by giving written notice designating to which Affiliate a direct license is to be granted. Upon receipt of any such notice, Trubion shall enter into and sign a separate direct license agreement with such designated Affiliate of Wyeth. All such direct license agreements shall be consistent with the terms and conditions of this Agreement, except for such modifications as may be required by the laws and regulations in the country in which the direct license will be exercised; *provided, however,* that Trubion shall have no obligation to enter into any such direct license agreement if the effect of entering into such agreement (and continuing as a Party to this Agreement) would be to increase the level of obligations owed by Trubion, decrease the obligations owed to Trubion or the enforceability thereof, or decrease the consideration owed to Trubion relative to the obligations owed by or to, or the consideration owed to, Trubion under this Agreement, had such direct license(s) not been granted. In countries where the validity of such direct license agreement requires prior government approval or registration, such direct license agreement shall not become binding between the parties thereto until such approval or registration is granted, which approval or registration shall be obtained by Wyeth. All costs of making such direct license agreement(s), including Trubion's reasonable attorneys' fees, under this Section 2.5 shall be borne solely by Wyeth.

2.6. **Right of Reference.** Trubion hereby grants to Wyeth a "Right of Reference," as that term is defined in 21 C.F.R. § 314.3(b), to any data Controlled by Trubion that relates to any CD20 Product (and any other Licensed Product, to the extent applicable), and Trubion shall provide a signed statement to this effect, if requested by Wyeth, in accordance with 21 C.F.R. § 314.50(g)(3).

2.7. **Section 365(n) of Bankruptcy Code.** All rights and licenses now or hereafter granted under or pursuant to any Section of this Agreement, including Sections 2.1 and 2.5 hereof, are rights to "intellectual property" (as defined in Section 101 (35A) of Title 11 of the United States Code, as amended (such Title 11, the "Bankruptcy Code")). In the event this Agreement is rejected under Section 365 of the Bankruptcy Code, Trubion hereby grants to Wyeth, subject to Wyeth's obligations under Sections 365(n)(2)(A) and (B), a right of access and to obtain possession of and to benefit from each of the following embodiments to the extent related to Wyeth's exercise of its license rights to any Licensed Products or otherwise

related to any rights or licenses granted under or pursuant to any Section of this Agreement: (i) copies of pre-clinical and clinical research data and results, (ii) aliquots of laboratory samples, (iii) Licensed Product samples and inventory, (iv) Cell Lines expressing Licensed Products, libraries encoding Licensed Products or components thereof and sequences thereof, (v) copies of laboratory notes and notebooks pertaining to Licensed Products, (vi) copies of data and results related to clinical trials of Licensed Products, (vii) regulatory filings and approvals of Licensed Products, (viii) rights of reference in respect of regulatory filings and approvals of Licensed Products, and (ix) plasmid and vectors encoding Licensed Product SMIPs, all of which constitute "embodiments" of intellectual property pursuant to Section 365(n) of the Bankruptcy Code, and (xi) all other embodiments of such intellectual property in Trubion's possession or control. Recognizing that the embodiments described above may be useful or necessary to Trubion in connection with its continued operation of its business, and that a Third Party may also have a right of access to such embodiment under Section 365(n) of the Bankruptcy Code or applicable non-bankruptcy law, where there is a fixed or limited quantity of any biological material or other tangible item of such embodiment described above, Wyeth shall be entitled to a pro rata portion thereof. Trubion agrees not to interfere with Wyeth's exercise under the Bankruptcy Code of rights and licenses to intellectual property licensed hereunder and embodiments thereof in accordance with this Agreement and agrees to use Commercially Reasonable Efforts (short of any obligation of Trubion to incur expenses in connection therewith) to assist Wyeth to obtain such intellectual property and embodiments thereof in the possession or control of Third Parties as reasonably necessary or useful for Wyeth to exercise such rights and licenses in accordance with this Agreement; *provided, however,* that Trubion's Commercially Reasonable Efforts for purposes of this Section 2.7 shall not be deemed to include an obligation to make payments to Third Parties to obtain such intellectual property rights and embodiments thereof The Parties hereto acknowledge and agree that reimbursement payments pursuant to Sections 3.6 and 4.6 and all other payments by Wyeth to Trubion hereunder other than royalty payments pursuant to Section 5.4 and Additional Research and Development Expense Payments under Section 5.3 do not constitute royalties within the meaning of Bankruptcy Code §365(n) or relate to licenses of intellectual property hereunder.

2.8. **No Implied Rights.** Except as expressly provided in this Agreement, neither Party shall be deemed by estoppel or implication to have granted the other Party any license or other right with respect to any intellectual property of such Party.

3. RESEARCH PROGRAM.

3.1. Scope and Conduct of the Research Program. Under the terms and conditions set forth herein, Trubion and Wyeth shall collaborate through one or more joint project teams in the conduct of a pre-clinical research program to identify and evaluate (a) SMIPs directed against Licensed Targets and (b) Licensed Products, including CD20 Products, HER2 Products and Other Products (collectively, the "Research Program"). Such activities shall include, but not be limited to, the following:

(i) Licensed Product SMIP discovery, construction, initial expression and characterization,

(ii) Licensed Product SMIP optimization and preliminary Cell Line and bioprocess development in connection with such SMIPs,

(iii) Biological activity evaluation of Licensed Products via *in vitro* assays and *in vivo* models,

(iv) Pharmacology studies of Licensed Products to determine mechanisms of action, pharmacokinetics and pharmacodynamics,

(v) Advanced Licensed Product process development, Licensed Product formulation, Cell Line optimization, and generation of related working and master cell banks,

(vi) Pre-clinical toxicology and safety assessment studies with respect to Licensed Products, and

(vii) Evaluation of Licensed Products and related SMIPs for use as part of Wyeth's targeted chemotherapy products.

Subject to and in accordance with the Research Plan and the Development Plan (to the extent applicable), the JRC shall determine the appropriate activities to be undertaken by Trubion and Wyeth; *provided, however,* that, as of the Signing Date, the Parties anticipate that Trubion shall conduct activity (i) above (with input from Wyeth), Wyeth shall. conduct activities (v), (vi) and (vii) above, and Trubion and Wyeth shall jointly conduct activities (ii), (iii) and (iv) above. The Research Program shall be conducted in accordance with the Research Plan, and each Party shall use its Commercially Reasonable Efforts to perform all of its obligations under the Research Program in accordance with the Research Plan and current good laboratory practices.

3.2. Designation of Targets.

3.2.1. Target Candidates. Within thirty (30) days after the Effective Date, Wyeth shall provide Trubion's Vice President, Legal Affairs & Chief Patent Counsel with a list of up to thirty (30) Targets (each a "Target Candidate") from which Wyeth shall have the exclusive right, until the second anniversary of the Effective Date (or in the event that the Research Program is extended, until the third anniversary of the Effective Date), to designate up to ten (10) Wyeth Targets, in accordance with the following provisions (subject to Wyeth's right under Section 3.2.3 to designate as Wyeth Targets up to five (5) Targets (of the ten (10) Targets that Wyeth may designate as Wyeth Targets)

that are not Target Candidates at the time of selection). In the case of protein Targets that are Target Candidates, Wyeth shall designate each such Target Candidate on the list by its GenBank accession number provided by the National Center for Biotechnology Information ("NCBI") (including any nomenclature describing such Target Candidate that is provided therewith) or, if an NCBI GenBank accession number is not available for such Target Candidate, by its nucleotide and amino acid sequences. For the avoidance of doubt, Wyeth may not designate as Target Candidates any Targets that are Excluded Targets. Subject to the following procedures, Trubion shall not undertake any research or Development activities beyond Milestone One (as defined on Exhibit 3.2.1 attached hereto) of Trubion's internal product development process, or propose to enter into or enter into any agreement with any Third Party with respect to any SMIP directed against any Target Candidate or with respect to any Licensed Product containing such a SMIP, unless and until such Target Candidate becomes a Released Target, Excluded Target or Provisional Excluded Target. Trubion, through its Legal Department, shall maintain a copy of the list of Target Candidates in a secure location. Trubion shall take reasonable measures and implement reasonable procedures to ensure that only its inside attorneys who are employees of its Legal Department and its outside patent counsel (collectively, "Trubion Lawyers") have knowledge of and access to Wyeth's Target Candidate list. The Target Candidate list shall be considered Confidential Information of Wyeth, and except as expressly permitted under this Section 3.2 or otherwise under this Agreement, Trubion shall not use or disclose the Target Candidate list or the information set forth therein to any of its Affiliates, to any Third Party, or to any employees, officers or agents of Trubion other than Trubion Lawyers. For so long as a Target remains a Target Candidate, Trubion, through its Legal Department, shall implement reasonable procedures to maintain records of all Third Party inquiries to Trubion and Trubion's responses to same, relating to the Target Candidate list made pursuant to this Section 3.2. The Trubion Legal Department shall also maintain the list of Released Targets, Excluded Targets and Provisional Excluded Targets in accordance with the provisions of Sections 3.2.2 and 3.2.4. In the event of a *bona fide* dispute arising under this Agreement relating to the Target selection process described in this Section 3.2, Trubion shall provide to an independent Third Party selected by Wyeth and reasonably acceptable to Trubion access to the lists of Target Candidates, Released Targets, Excluded Targets and Provisional Excluded Targets and records and processes related

thereto (to the extent relevant to the *bona fide* dispute) maintained by Trubion in accordance with this Section 3.2. Such independent Third Party may only communicate to Wyeth whether or not the Target selection process was properly performed by Trubion's Lawyers.

3.2.2. Released Targets. On or before the first anniversary of the Effective Date, Wyeth, by written notice to Trubion's Vice President, Legal Affairs & Chief Patent Counsel, shall identify at least fifteen (15) Target Candidates from the list delivered pursuant to Section 3.2.1 (inclusive of any Target Candidates that have become Released Targets during such period pursuant to Section 3.2.4 hereof), which from the date of such identification shall cease to be Target Candidates (each, a "Released Target"). At the time that a Target Candidate becomes a Released Target, Trubion, subject to Section 2.8, shall be free to undertake research and Development activities independent of obligations under this Agreement, and to enter into discussions or an agreement with a Third Party, with respect to SMIPs directed against any such Released Target or any other activities in connection with such Released Target. On or before the second anniversary of the Effective Date, Wyeth, by written notice to Trubion, shall identify such additional Target Candidates from the list delivered pursuant to Section 3.2.1, if any, as additional Released Targets, such that there are no more than ten (10) Target Candidates remaining on the list delivered pursuant to Section 3.2.1 (less the number of Wyeth Targets that were Target Candidates at the time of selection as a Wyeth Target(s) pursuant to Section 3.2.3), which from the date of such identification shall cease to be Target Candidates and, thereafter each shall also become a Released Target. At the end of the Research Term, all remaining Target Candidates, if any, shall become Released Targets.

3.2.3. Wyeth Targets. Wyeth Targets shall be designated only from either (a) Target Candidates that have not become Released Targets, or (b) any other Target (including a Released Target that is or becomes available, as described below) that is not then an Excluded Target or a Provisional Excluded Target; *provided*, *however*, that no more than five (5) of the Targets designated by Wyeth as Wyeth Targets may be Targets that are not Target Candidates at the time of selection. Subject to the foregoing sentence, Wyeth shall designate: (y) at least two (2) Target Candidates or other Targets as Wyeth Targets on or before the first anniversary of the Effective Date; and (z) up to ten (10) Target Candidates or other Targets (inclusive of those designated as Wyeth Targets during the first year) as Wyeth

Targets on or before the second anniversary of the Effective Date; *provided, however,* if Wyeth does not designate a total of ten (10) Wyeth Targets on or before such second anniversary, then the lesser number of Wyeth Targets so designated shall be the total number of Wyeth Targets under this Agreement unless Wyeth extends the Research Program, in which case Wyeth may designate, before the third anniversary of the Effective Date, one or more additional Wyeth Targets (up to a cumulative total of ten (10) in the aggregate). For the avoidance of doubt and subject to the following sentence, Wyeth may designate only up to a total of ten (10) Wyeth Targets from the Effective Date of this Agreement through the end of the Research Program (even if extended). During the term of the Research Program, Wyeth shall have the right to abandon and replace up to three (3) of the Wyeth Targets with other Targets designated as described above; *provided* that each such replacement Target (a "Replacement Target") must be unanimously approved (such approval not to be unreasonably withheld) by the JRC (without resort to the JRC dispute resolution procedure) to be designated as a Wyeth Target. In the event that Wyeth nominates as a Wyeth Target (whether as a proposed initial designation of a Wyeth Target or as a replacement designation as a Wyeth Target) a Target that is not then a Target Candidate, Trubion's Legal Department, within ten (10) business days after receiving written notice of such nomination, shall determine and advise Wyeth in writing whether such Target is an Excluded Target or a Provisional Excluded Target, as described below (and shall indicate whether such Target is an Excluded Target or is a Provisional Excluded Target). If such Target is an Excluded Target or a Provisional Excluded Target, it shall not be eligible to be considered a Wyeth Target. If a proposed Replacement Target is not an Excluded Target or a Provisional Excluded Target, then the JRC shall either approve or disapprove designation of such proposed Replacement Target as a Wyeth Target; *provided* that the original Wyeth Target that Wyeth proposes to replace shall be automatically deemed a Released Target upon the JRC's approval of the designation of the Replacement Target.

3.2.4. Excluded Targets. Excluded Targets are not eligible to be Wyeth Targets for so long as they remain Excluded Targets. The Targets deemed "Excluded Targets" as of the Effective Date are set forth in Exhibit 3.2.4 attached hereto. Trubion may add additional Targets as Excluded Targets or Provisional Excluded Targets (which may be selected from Released Targets and other Targets, but would not include any Wyeth Targets or any Target Candidate that has not become a Released Target) in accordance with the following procedures:

(a) During the period when at least one Target Candidate exists, and upon the written request of a potential Third Party collaborator and/or licensee of Trubion pertaining to the identification, generation and/or Development of SMIPs directed against a Target or Targets, Trubion's Legal Department shall promptly determine whether or not any of such Targets is a Wyeth Target.

(b) With respect to any Target newly submitted by a Party to Trubion's Legal Department hereunder, Trubion's Lawyers will determine whether such submitted Target Has The Same Sequence as any specific, previously deposited protein within the list of Licensed Targets, Target Candidates, Released Targets, Excluded Targets and Provisional Excluded Targets available to Trubion's Lawyers (each a "Previously Deposited Protein"). By way of example only, if the New Protein consists of 100 amino acids, and any contiguous sequence of 90 amino acids contained in the Previously Deposited Protein has at least 90% sequence identity to any contiguous sequence of 90 amino acids in the New Protein (that is, at least 81 of the 90 contiguous amino acids in such Previously Deposited Protein sequence are identical to any 81 of any 90 contiguous amino acids in such New Protein), then the New Protein Has The Same Sequence as the Previously Deposited Protein. Should Wyeth designate a Target that is not a protein, the Parties agree to negotiate in good faith the procedure for identifying and testing whether a subsequent proposed non-protein Target is the "same as" such designated non-protein Target for purposes of this Section 3.2.

(c) If Trubion's Legal Department determines, in accordance with Section 3.2.4(b) above, that any such Target is a Wyeth Target, Trubion shall not proceed with such potential Third Party collaboration or license with respect to such Target. If any of such Targets is not a Wyeth Target or a Target Candidate, such Target shall automatically be deemed a "Provisional Excluded Target". If such Target is a Target Candidate, Trubion shall notify Wyeth in writing of Trubion's request that a Target Candidate be recategorized as a Released Target, in order for Trubion to be able to enter substantive negotiations with such Third Party regarding such Target that is a Target

Candidate *(i.e.*, Trubion shall "Put" such Target Candidate to Wyeth). Trubion shall have no obligation to notify Wyeth of the identity of such Third Party or the purpose of the proposed collaboration or license. From the date that Trubion "Puts" such Target Candidate to Wyeth, Wyeth shall have ninety (90) days with respect to such Puts made to Wyeth prior to the first anniversary of the Effective Date, and shall have thirty (30) days with respect to such Puts made thereafter, to notify Trubion in writing whether Wyeth designates such Target Candidate as a Wyeth Target or recategorizes such Target Candidate as a Released Target. If Wyeth fails to notify Trubion within such ninety (90)-day or thirty (30)-day period, respectively, then such Target Candidate shall automatically be deemed a Released Target. Any such Released Targets shall be deemed to be Provisional Excluded Targets.

(d) If Trubion and such potential Third Party collaborator and/or licensee do not enter into a definitive agreement regarding such Provisional Excluded Target within twelve (12) months after the date that such Target is deemed a Provisional Excluded Target (such 12-month period being subject to a three (3) month extension by Trubion, if Trubion declares, in writing, to Wyeth that at least one draft definitive agreement has been exchanged between Trubion and such potential Third Party collaborator and/or licensee), thereafter such Provisional Excluded Target would revert to being a Released Target. If Trubion and such potential Third-Party collaborator and/or licensee enter into a definitive agreement within the time period provided above, such Provisional Excluded Target shall be deemed an Excluded Target.

(e) During the period when at least one (1) Target Candidate exists, if Trubion itself identifies internally a Target that has progressed to Milestone One (as defined in Exhibit 3.2.1 attached hereto) of Trubion's internal product development process, Trubion's Legal Department shall promptly determine whether or not such Target is a Target Candidate. If such Target is not a Target Candidate, such Target shall be deemed an Excluded Target. If Trubion thereafter abandons work on such Excluded Target, Trubion shall notify Wyeth in writing that Trubion has abandoned work on such Excluded Target and such Excluded Target shall thereafter be deemed a Released Target. If such Target is a Target Candidate, Trubion may Put such Target Candidate to Wyeth. From the date that

Trubion Puts such Target Candidate to Wyeth, Wyeth shall have ninety (90) days with respect to such Puts made to Wyeth prior to the first anniversary of the Effective Date, and shall have thirty (30) days with respect to such Puts made thereafter, to notify Trubion in writing whether Wyeth designates such Target Candidate as a Wyeth Target or recategorizes such Target Candidate as a Released Target. If Wyeth fails to notify Trubion within such ninety (90)-day or thirty (30)-day period, respectively, then such Target Candidate shall automatically be deemed a Released Target. Any such Released Target shall be deemed to be Excluded Target. If Trubion thereafter abandons work on any such Excluded Target, Trubion shall notify Wyeth in writing that Trubion has abandoned work on such Excluded Target and such Excluded Target shall thereafter be deemed a Released Target.

(f) With respect to the Puts described in (c) and (e) above, Trubion shall not be permitted to Put more than two (2) Target Candidates to Wyeth during the first six (6) full Calendar Quarters of the Research Program.

3.3. Term and Termination of the Research Program.

3.3.1. Research Term. The term of the Research Program (the "Research Term") shall begin on the Effective Date and shall continue until the three (3) year anniversary of the Effective Date (the "Initial Term"), subject to extension as described below. At Wyeth's option (exercisable by providing written notice to Trubion no later than six (6) months prior to the end of the Initial Term of the Research Program or any extension year thereof), the Research Term may be extended for up to two (2) additional one (1) year periods and, thereafter, shall be renewable annually only upon mutual written agreement of the Parties.

3.3.2. Termination of Research Program by Wyeth. Commencing on the first anniversary of the Effective Date, Wyeth shall have the right to terminate the Research Program, at will, at any time, in its entirety, upon one (1) year prior written notice to Trubion; *provided* that Trubion shall have no obligation after the effective termination date to complete any Research Program activities in connection with any Trubion Target, Wyeth Target, SMIP or Licensed Product. Such termination of the Research Program shall not constitute termination of this Agreement and shall not affect the Parties' rights and obligations under this Agreement other than those relating to the Research Program.

3.4. Joint Research Committee.

3.4.1. Composition. Within thirty (30) days after the Effective Date, the Parties shall establish a Joint Research Committee (the "JRC") to oversee the Research Program. The JRC will be in effect only during the Research Term. The JRC shall be composed of three (3) representatives from each Party. Each Party may replace any of its representatives at any time upon written notice to the other Party. From time to time, the JRC may establish subcommittees to oversee particular projects or activities, and such subcommittees shall be constituted as the JRC decides.

3.4.2. Responsibilities. The JRC shall be responsible for establishing, reviewing and recommending modifications and updates to the Research Plan, including the Research Budget, in accordance with Section 3.5 hereof, monitoring and reporting to the Parties on activities conducted pursuant to the Research Plan, and for such other functions as agreed by the Parties.

3.4.3. Meetings. The JRC shall meet as soon as practicable after it is established by the Parties and, thereafter, at such additional times as the Parties deem appropriate, not less frequently than quarterly. Each Party shall designate one of its JRC members as its "JRC Liaison" to co-chair meetings, prepare and circulate JRC meeting agendas and JRC meeting minutes. The meetings of the JRC shall be held in the United States, and shall alternate between the Parties' business locations or as otherwise decided by the JRC. JRC meetings may be conducted in person, by telephone or by videoconference. Each Party shall use reasonable efforts to cause its representatives to attend the meetings of the JRC. If a representative of a Party is unable to attend a meeting, such Party may designate an alternate member to attend such meeting in place of the absent member.

3.4.4. Voting. Decisions of the JRC shall be made by unanimous consent, with each Party having one vote. The JRC may act without a meeting if an action by unanimous written consent is signed by each Party's JRC Liaison.

3.4.5. Dispute Resolution. If the JRC is unable to reach agreement on a matter, the matter may be referred, at the request of either Party, for resolution through good faith discussions between Wyeth's Executive Vice President of Discovery Research and Trubion's Senior Vice President of Research and Development or their respective designees. Notwithstanding the foregoing, in the event the JRC cannot promptly resolve a disagreement or a

voting deadlock regarding the Research Program, Wyeth's Executive Vice President of Discovery Research shall have the right to cast a tie-breaking vote to resolve any such disagreement or voting deadlock, such right and tie-breaking authority being subject to the terms and conditions of this Agreement.

3.4.6. **Minutes.** The JRC shall keep accurate and complete minutes of its meetings that record all proposals and recommendations made, and all actions and decisions taken. The JRC minutes shall not be effective until approved in writing by each Party's JRC Liaison. All records of the JRC shall be available at all times to each Party.

3.5. **Research Plan.** The Parties shall use their Commercially Reasonable Efforts to develop and approve a complete Research Plan (including a corresponding Research Budget) within sixty (60) days of the Effective Date. The Parties shall ensure that the Research Plan is consistent with the terms and conditions of this Agreement, and the Research Plan shall not impose obligations on either Party that are inconsistent with the terms of this Agreement. The Research Plan shall set forth generally (a) the activities to be undertaken by the Parties under the Research Program consistent with the terms of Section 3.1, (b) the utilization of ten (10) Trubion FTEs in conducting such activities, (c) the anticipated schedule on which such activities are to be conducted, (d) the desired deliverables to be provided by each Party with respect to each Licensed Target that is the subject of the Research Program, and (e) the annual budget for non-ordinary expenses (as described in Section 3.6.1 below) to be incurred by Trubion under the Research Program (the "Research Budget"). The JRC shall review the Research Plan, including the Research Budget, on at least an annual basis and submit any proposed modifications or updates to the Parties for review and approval; any such modifications or updates shall not become effective until approved in writing by an authorized officer of each of the Parties. The Parties shall review and consider any such proposed modifications or updates on an expeditious basis. The Parties shall promptly amend the Research Plan from time to time to address the performance of the Research Program as it relates to any Licensed Targets designated by Wyeth in accordance with Section 3.2 above.

3.6. **Funding of the Research Program.**

3.6.1. **Research Funding.** During each year of the Research Term (as it may be extended), Wyeth shall pay Trubion Three Million Dollars ($3,000,000) per year for services performed in accordance with the Research Plan. Trubion shall commit to the Research Program ten (10) FTEs per year to provide services in furtherance of the Research Program in accordance with the Research Plan. For the avoidance of doubt, Trubion may, at its

Key Activities	Feb	March	April	May	June	July	August	September	October	November	December

CONFIDENTIAL

Planned expenditures/FTEs for Trubion:

~ $90,000 for purchase of phage specific for TRU-015 for use in detection assays

hu-TRU-015
Mo Bio: 3.5
Assay: 1.0
PD: 1.0

her2neu
Mo Bio: 1.5
Assay: 1
PD: 0.5

Up to 2 additional FTE's may be expended by Project Management and R&D management

JRC Wyeth Representative:

Name	
Signature	
Date	

JRC Trubion Representative:

Name	Kendall M. Mohler
Signature	/s/ Kendall M. Mohler
Date	3/9/06

Research Plan for Joint Research Committee-
Wyeth/Trubion Alliance 1Q 2006

CONFIDENTIAL

Team members JRC
Last updated 20-Feb-06

Key Activities	Feb	March	April	May	June	July	August	September	October	November	December

Development of CD20 humanized SMIP for Inflammation and Oncology Indications

L. Tchistiakov Wyeth contact for DNA constructs

9 versions of SMIP for further analysis: for Oncology: 3 binding domains, all with csc hinge, WT-Fc. For Inflammation, 3 binding domains, csc versus scc hinge, all with aa 331 mutations

Trubion to generate additional humanized binding domain(s) (e.g., 018009) for in vitro testing

9 Binding domain candidates: Fresh protein generated and tested at Trubion

Trubion to generate additional activity data (CDC, ADCC) on fresh batches of nine product candidates

DNA being transferred to Wyeth for activity confirmation. ATC/BEP and Andover to work sequentially

Top four constructs will be selected for manufacturability studies

Wyeth to send supernatants to Trubion for in vitro testing

Trubion to transfer assays and reagents for bioactivity testing to Wyeth

Trubion to provide chimeric lead molecule and CDC null version for testing in Wyeth oncology models

Trubion to evaluate linker versions to evaluate impact on aggregation

Trubion to assemble data and initiate patent strategy on second generation anti-CD20

Selection of pre-development candidate

Pre-development assessment of candidate and generation of data for entry into development

Key Activities	Feb	March	April	May	June	July	August	September	October	November	December

Develop strategy to identify and generate optimal SMIP to Her2 for Oncology Indication

Pursue multiple routes in parallel

Obtain mouse monoclonal antibodies using synthetic peptide

- Can use overlapping sequences
- Also try conventional approach to allow hitting epitopes outside of stump

Trubion generates her2 constructs for phage display- soluble ectodomain constructs and cell surface expressed cell lines

Carry-out phage display with multiple constructs

Team to meet to agree path forward

Expression and efficacy analysis

Determine possibility of X-ray crystallography at Wyeth for CD20 SMIP

Initiate research on additional targets for SMIP generation

Identify initial targets to be pursued

Planned expenditures/FTEs for Wyeth:

$65,000-130,000 outside services for monoclonal antibody production

hu-TRU-015
BT: 2.0
ONC: 0.5
INF: 1.0
BRITT: 1.0

her2neu
BT: 1.5
ONC: 1.0
BRITT: 0.5

New targets:
BT: 1.5
ONC: 1.0
INF: 0.5

Up to 2 additional FTEs may be expended by Project Management, Portfolio Management, and Biological Technologies management

Planned expenditures/FTEs for Trubion:

~ $90,000 for purchase of phage specific for TRU-015 for use in detection assays

hu-TRU-015
Mo Bio: 3.5
Assay: 1.0
PD: 1.0

her2neu
Mo Bio: 1.5
Assay: 1
PD: 0.5

Up to 2 additional FTE's may be expended by Project Management and R&D management

JRC Wyeth Representative:

Name

Signature

May 16, 2006
Date

JRC Trubion Representative:

Name

Signature

Date

sole expense and discretion, devote more than ten (10) FTEs from time to time to provide services in furtherance of the Research Program. The Three Million Dollars in research funding described above shall be increased automatically once per calendar year by the percentage change in the U.S. Consumer Price Index, All Urban Consumers over the previous year; *provided, however,* that no increase shall be effective prior to January 1, 2007. Trubion shall be solely responsible for expenses incurred by Trubion for ordinary equipment, materials and supplies utilized by Trubion in performing its activities under the Research Program; *provided, however,* that Wyeth shall reimburse Trubion for those out-of-pocket, non-ordinary expenses incurred by Trubion in accordance with the Research Plan and Research Budget in acquiring access to animal models, vendor services or equipment that are necessary for, and to be used primarily in connection with, the performance of Trubion's activities under the Research Program (for example, including unique equipment or the Manufacture of Products by Third Parties, but not including common laboratory or consumable supplies such as laboratory animals, pipettes, test tubes, petri dishes, reagents, and the like). Trubion shall provide to Wyeth, prior to the first day of each Calendar Quarter, a forecast of such expenses (by major expense category, on an accrual basis) reimbursable under this Section 3.6.1 which Trubion expects to incur during such Calendar Quarter and the subsequent three Calendar Quarters, in each case shown by month. Other than the foregoing amounts and except as otherwise expressly provided in this Agreement, each Party shall be solely responsible for its costs and expenses incurred in performing its obligations under the Research Program.

3.6.2. Reimbursement Payments. Reimbursement to be made to Trubion by Wyeth pursuant to Section 3.6.1 will be made pursuant to invoices submitted by Trubion to Wyeth no more often than once with respect to any Calendar Quarter, within thirty (30) days of the end of such Calendar Quarter. Payment shall be due within forty-five (45) days after Wyeth receives such an invoice from Trubion. Each invoice must be accompanied by supporting documentation sufficiently demonstrating the expense so paid on a cash basis (such as receipts for out-of-pocket expenses and other written documentation reasonably acceptable to Wyeth) and by a certificate executed by Trubion's VP, Finance & Administration, of the number of FTEs used by Trubion in such Calendar Quarter in performing Trubion's obligations under the Research Program. Except as approved in writing in advance by Wyeth, Wyeth shall not be obligated to reimburse Trubion for amounts in excess of the applicable budgeted amounts in the Research Budget.

3.6.3. Records and Audits. During the Research Term, Trubion shall keep books and accounts of record in connection with the expenses reimbursable under Section 3.6.1 hereof in accordance with GAAP and in sufficient detail to permit accurate determination of all figures necessary for verification of costs to be reimbursed hereunder. Trubion shall maintain such cost records for a period of at least three (3) years after the end of the calendar year in which they were generated in order to enable audit of such records as set forth below. Upon thirty (30) days prior written notice from Wyeth, Trubion shall permit an independent certified public accounting firm of nationally recognized standing selected by Wyeth and reasonably acceptable to Trubion, to examine, at Wyeth's sole expense, the relevant books and records of Trubion as may be reasonably necessary to verify the amount of reimbursable out-of-pocket expenses incurred. An examination by Wyeth under this Section 3.6.3 shall occur not more than once in any calendar year and shall be limited to the pertinent books and records for any calendar year ending not more than thirty six (36) months before the date of the request. The accounting firm shall be provided access to such books and records at Trubion's facility(ies) where such books and records are normally kept and such examination shall be conducted during Trubion's normal business hours. Trubion may require the accounting firm to sign a standard non-disclosure agreement before providing the accounting firm access to Trubion's facilities or records. The accounting firm shall provide both Trubion and Wyeth a written report disclosing whether the certificates and invoices submitted by Trubion under Section 3.6.2 are correct or incorrect and the specific details concerning any discrepancies. No other information shall be provided to Wyeth. If the accounting firm determines that the aggregate amount of out-of-pocket expenses actually incurred by Trubion was less than the amount reimbursed by Wyeth during the period covered by the audit, Trubion shall refund the excess payments to Wyeth within thirty (30) days of its receipt of the auditor's report so concluding (or, if later, within fifteen (15) days after resolution of a *bona fide* objection by Trubion to the findings in such report). If the amount to be refunded exceeds more than ten percent (10%) of the amount that was properly payable, Trubion shall reimburse Wyeth for the cost of the audit. All information of Trubion which is subject to review under this Section 3.6.3 shall be deemed to be Confidential Information of Trubion subject to the provisions of Article 7, and such Confidential Information shall not be disclosed to any Third Party or used for any purpose other than verifying the information provided by Trubion to Wyeth; *provided, however,* that such Confidential Information may be disclosed to Third Parties only to the extent necessary to enforce Wyeth's rights under this Agreement, as may be necessary for Wyeth to exercise its rights under this Agreement, or as otherwise expressly permitted under this Agreement.

3.7. **Data and Deliverables.** During the Research Term, each Party will use Commercially Reasonable Efforts to promptly provide to the other Party the data or desired deliverables specified in the Research Plan, including, without limitation, (a) SMIPs, Recombinant DNA, and Cell Lines, to the extent related to Licensed Targets and/or Licensed Products, (b) activity evaluation of the items listed in (a) obtained from *in vitro* or *in vivo* assays, pharmacology studies, process development data, drug product formulation data, toxicology and safety studies, and evaluation of chemotherapy conjugates, but only to the extent and in the manner that items listed in (a) and (b) are set forth in the Research Plan. Each Party shall also disclose to the other Party in writing all data, information, inventions, techniques and discoveries (whether patentable or not) arising out of the conduct of the Research Program. Disclosure of all such aforementioned inventions and discoveries shall be delivered to the other Party in a manner mutually agreed upon by the Joint Patent Committee. Subject to the terms and conditions of this Agreement, each Party shall have the right to use any data or information generated under the Research Program for its permitted activities under the Research Program and this Agreement (collectively, "Research Program Data"). TRUBION MAKES NO REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT IT WILL BE ABLE TO SUCCESSFULLY DISCOVER, DEVELOP OR DELIVER ANY SMIP DIRECTED AGAINST A LICENSED TARGET OR ANY LICENSED PRODUCT.

3.8. **Alliance Managers.** Each Party shall designate a single alliance manager, who shall perform such duties relating to the day-to-day worldwide coordination of the collaboration contemplated by this Agreement as are determined by the JRC and the JDC. Such alliance managers shall have experience and knowledge appropriate for managers with such project management responsibilities. Such alliance managers may attend, as non-voting members, any meetings of the committees contemplated by this Agreement as deemed fit by such committees. Each Party may change its designated alliance manager from time to time upon notice to the other Party.

4. PRODUCT DEVELOPMENT, MANUFACTURING, COMMERCIALIZATION AND REGULATORY MATTERS.

4.1. **Product Development.** Except as otherwise expressly provided in Articles 2 and 3 hereof and in this Article 4, Wyeth shall have the sole authority, at its expense, for the Development of Licensed Products, including the initiation and conduct of clinical trials. Wyeth shall be responsible for the Development of and shall use its Commercially Reasonable Efforts to Develop Licensed Products throughout the Territory where it is Commercially Reasonable to do so (it being understood that Wyeth shall have the sole discretion to select those countries in which it will conduct clinical studies of Licensed Products and, when Commercially Reasonable to do so, to delay or discontinue the Development of any Licensed Product directed against a particular Licensed Target in favor of pursuing Development of another Licensed Product directed against such Licensed Target). When appropriate based on the data obtained during Development, Wyeth shall use its Commercially Reasonable Efforts to secure Regulatory Approval for Licensed Products in the Territory.

4.2. **Transfer of Product Data and Filings.** Upon Wyeth's reasonable request and in consultation with the JDC from time to time during the term of this Agreement and to the extent permitted by applicable law, Trubion shall assign and transfer to Wyeth Trubion's entire right, title and interest in and to any of the Product Data and Filings pursuant to an instrument to such effect in form and substance reasonably satisfactory to Wyeth and shall perform all other actions reasonably requested by Wyeth to effect and confirm such transfer. The Parties shall cooperate through the JDC to ensure that assignment and transfer of Trubion's right, title and interest in and to Product Data and Filings relating to CD20 Products is made in a manner that does not impede Trubion's activities and responsibilities under Section 4.6. After receipt of Wyeth's request consistent with the foregoing, Trubion shall provide to Wyeth, at Wyeth's expense, within sixty (60) days of receipt of such request, complete copies of such Product Data and Filings, including, without limitation, relevant clinical data, INDs, additional regulatory filings with FDA or other Regulatory Authorities, supplements or amendments thereto, all written correspondence with FDA or other Regulatory Authorities regarding the regulatory filings, and all existing written minutes of meetings and memoranda of conversations between Trubion (including, to the extent practicable, Trubion's investigators) and FDA or other Regulatory Authorities in Trubion's possession (or in the possession of any of Trubion's agents and subcontractors, such as contract research organizations used by Trubion), to the extent Trubion has the right to access and provide to Wyeth such Product Data and Filings, regarding such regulatory filings, each to the extent they relate to Licensed Products. Within thirty (30) days (or such later date as Wyeth may request) after the date of receipt of Wyeth's reasonable request after consultation with the JDC, Trubion shall execute and deliver a letter to the FDA or other Regulatory Authorities, in a form approved by Wyeth, transferring ownership to Wyeth of such regulatory filings, if any, filed in the name of Trubion that are related to Licensed Products. After such transfer of ownership of regulatory filings relating to a Licensed Product, during the term of this Agreement all regulatory filings with the FDA or other Regulatory Authorities pertaining to such Licensed Product shall be made in the name of Wyeth, in accordance with the terms of Section 4.3 below.

4.3. **Regulatory Approvals.** Wyeth shall have the sole authority to file, in its own name, at its sole expense, all Regulatory Approval Applications for Licensed Products. Wyeth shall have the sole authority and responsibility for communicating with any Regulatory Authority regarding any Regulatory Approval Application, or any Regulatory Approval once granted. To the extent necessary to satisfy applicable regulatory requirements with respect to the INDs for the clinical studies of CD20 Products described in Section 4.6, Wyeth hereby grants to Trubion a "Right of Reference," as that term is defined in 21 C.F.R. § 314.3(b), to any data Controlled by Wyeth that relates to any CD20 Products that are the subject of the clinical studies described in Section 4.6 hereof, and Wyeth shall provide a signed statement to this effect, if requested by Trubion, in accordance with 21 C.F.R. § 314.50(g)(3). Copies of all Wyeth regulatory filings that relate to Trubion's Development activities under this Agreement will be provided by Wyeth to Trubion upon request, subject to reasonable resource and time constraints.

4.4. **Regulatory Reporting.** Wyeth shall be responsible for preparing and filing all reports required to be filed in order to maintain any Regulatory Approvals granted for Licensed Products in the Territory, including, without limitation, adverse drug experience reports. To the extent Trubion has or receives any information regarding any adverse drug experience which may be related to the use of any Licensed Product or to Licensed Product Development, Trubion shall promptly provide Wyeth with all such information in accordance with the Adverse Event Reporting and pharmacovigilance procedures set forth in Exhibit 4.4 attached hereto (as may be amended from time to time upon written mutual agreement of the Parties). From time to time after the Effective Date, representatives from both Parties shall meet to review and revise or replace such Adverse Event Reporting and pharmacovigilance procedures.

4.5. **Progress Reports.**

(a) Wyeth shall provide Trubion with confidential summary reports of its and its sublicensees' Development activities, on a Licensed Product-by-Licensed Product basis, on a quarterly basis, with respect to CD20 Products and HER2 Products, and on an annual basis, with respect to Other Products. The form of the summary reports, and the type of information and the appropriate and reasonable level of detail to be included in such reports, shall be mutually and reasonably agreed by the Parties; *provided* that the Parties agree that such reports shall include information regarding progress towards and achievement of any event set forth in Exhibit 5.3 attached hereto.

(b) Wyeth shall provide Trubion with confidential summary reports of its and its sublicensees' CD20 Product Commercialization activities on a quarterly basis after the First Commercial Sale of a CD20 Product. Beginning six (6) months prior to the anticipated First Commercial Sale of a CD20 Product, and thereafter on a semi-annual basis, Wyeth shall meet with Trubion and provide updates on CD20 Product Commercialization activities.

(c) Wyeth shall provide Trubion with confidential summary reports of its and its sublicensees' HER2 Product Commercialization activities on a semi-annual basis after the First Commercial Sale of a HER2 Product. Beginning six (6) months prior to the anticipated First Commercial Sale of a HER2 Product, and thereafter on a semi-annual basis, Wyeth shall meet with Trubion and provide updates on HER2 Product Commercialization activities.

(d) Wyeth shall provide Trubion with confidential summary reports of its and its sublicensees' Other Product Commercialization activities on an annual basis after the First Commercial Sale of an Other Product. Beginning six (6) months prior to the anticipated First Commercial Sale of an Other Product, and thereafter on an annual basis, Wyeth shall meet with Trubion and provide updates on Other Product Commercialization activities.

(e) The meetings described in clauses (b) – (d) above shall be coordinated to occur at the same time, to the extent practicable.

4.6. CD20 Product Development. Subject to Section 4.7 hereof, Trubion shall use its Commercially Reasonable Efforts to conduct the following Development activities for CD20 Products: (a) Trubion shall continue the Phase I Clinical Studies and Phase IIa Clinical Studies of TRU-015 ongoing at the Effective Date for treatment of rheumatoid arthritis until completion or termination of such studies, including the re-treatment periods of such studies; (b) Trubion shall initiate and perform the planned Phase IIb Clinical Study of TRU-015 for treatment of rheumatoid arthritis through the completion or termination of such study; (c) Trubion shall continue the Phase I Clinical Study ongoing at the Effective Date, and shall initiate and perform the planned Phase III Clinical Studies (or the appropriate subsequent clinical study) of TRU-015 for the treatment of inflammatory myositis through the completion or termination of such studies; (d) Trubion

shall have responsibility for and shall perform the clinical studies for at least two (2) additional Niche Indications selected by the Parties and set forth in the Development Plan; and (e) Trubion shall continue to perform the ongoing bioprocess development activities, and in each case (a-e) such activities and responsibilities of Trubion shall be performed in accordance with the Development Plan. None of the clinical studies described in this Section 4.6 shall be terminated prior to completion before discussion of such matter by the JDC. Trubion shall keep accurate records of its clinical study activities under this Section 4.6 in accordance with applicable laws and, upon reasonable request, shall provide Wyeth with access to such records. Trubion shall maintain such records for a period of at least three (3) years after the end of the calendar year in which they were generated. The Development Plan shall provide that Trubion is responsible for conducting the clinical trials for rheumatoid arthritis, inflammatory myositis and additional Niche Indications through the completion or termination of such clinical studies described above and shall contain a budget for such clinical trials. Trubion shall be solely responsible for its internal FTE and other internal costs for such Development activities, but Wyeth shall reimburse Trubion for all out-of-pocket costs incurred by Trubion in connection with the foregoing Development activities in accordance with the budget contained in the Development Plan (which shall include, without limitation, all expenses paid to one or more contract research organizations for such Development activities). Trubion shall provide to Wyeth, on or before the first day of each Calendar Quarter, a forecast of such out-of-pocket costs (by major expense category, on an accrual basis) reimbursable under this Section 4.6 that Trubion expects to incur during such Calendar Quarter and the subsequent three (3) Calendar Quarters, in each case shown by month. Reimbursement to be made to Trubion by Wyeth pursuant to this Section 4.6 will be made pursuant to invoices submitted by Trubion to Wyeth no more often than once with respect to any Calendar Quarter, within forty-five (45) days of the end of such Calendar Quarter. Payment shall be due within forty-five (45) days after Wyeth receives such an invoice from Trubion. Each invoice must be accompanied by supporting documentation sufficiently demonstrating the expense so incurred (such as receipts for out-of-pocket expenses). The provisions of Section 3.6.3 shall apply to the expenses reimbursable by Wyeth under this Section 4.6 in the same manner as they apply to expenses reimbursable under Section 3.6.1.

4.7. **Joint Development Committee.** Within thirty (30) days of the Effective Date, Wyeth and Trubion shall establish a CD20 Product Joint Development Committee (the “JDC”), comprised of appropriate representatives of both Parties, to review and provide input to Wyeth regarding CD20 Product Development in the Territory, including the strategic direction of the overall CD20 Product Development program. Wyeth shall consider in good faith any of Trubion JDC members’ comments and recommendations regarding CD20 Product Development,

but Wyeth shall have final decision-making authority with respect to how the Parties proceed with CD20 Product Development, subject to Wyeth's obligations under Section 4.1 in connection therewith. If Trubion disagrees with an action or decision by the JDC, Trubion may express its concerns through good faith discussions between the Executive Officers of Trubion and Wyeth, with Wyeth Research's President having the final decision-making authority with respect to such matter. For the avoidance of doubt, the JDC may not impose different or greater CD20 Product Development obligations on Trubion than those specified in Section 4.6.

4.8. **Joint Project Team; Development Plan.** Trubion and Wyeth shall form a Joint Project Team ("JPT") comprised of appropriate representatives of both Parties to plan and implement the CD20 Product Development activities in accordance with the Development Plan. The JPT shall report to the JDC. If the JPT cannot promptly resolve a disagreement or a voting deadlock regarding the CD20 Product Development activities, the matter shall be brought before the JDC for resolution. Wyeth shall prepare the Development Plan with input and advice from Trubion through the JPT. The Development Plan will define each Party's roles and responsibilities, provide a mechanism to coordinate each Party's and/or joint activities, and provide a process for monthly meetings of the JPT to monitor and report on all activities of the Parties conducted under the Development Plan. The Development Plan shall not impose different or greater CD20 Product Development obligations on Trubion than those specified in Section 4.6. The Development Plan shall be updated annually by the JPT.

4.9. **Manufacturing.** Wyeth shall have the exclusive right to Manufacture Licensed Products itself or through one or more Third Parties selected by Wyeth; *provided, however,* that Trubion shall use its Commercially Reasonable Efforts to Manufacture and supply Wyeth with its requirements of the TRU-015 Product in accordance with the Development Plan under Trubion's existing contract Manufacturing arrangements for use in pre-clinical studies and clinical trials ("Clinical Study Supplies"); *provided* that Trubion cannot guarantee as of the Effective Date that it will be able to Manufacture and supply such requirements. Wyeth shall reimburse Trubion for its direct out-of-pocket cost of Clinical Study Supplies, including, without limitation, out-of-pocket expenses incurred by Trubion prior to the Effective Date that are directly related to the Manufacture, testing and release of Clinical Study Supplies to be used after the Effective Date (such pre-Effective Date out-of-pocket expenses not to exceed Three Million Dollars ($3,000,000)). Reimbursement of such pre-Effective Date expenses shall be due within thirty (30) days after the first patient is dosed in the first Phase IIb Clinical Study for rheumatoid arthritis using such Clinical Study Supplies. Upon Wyeth's written request, Trubion shall provide reasonable assistance to Wyeth, until the first cGMP batch of TRU-015 Product is Manufactured in a Wyeth facility (or the facility of a Third Party designated by Wyeth), in support and facilitation of Wyeth's efforts

to Manufacture TRU-015 Products and to secure appropriate TRU-015 Product Manufacturing arrangements with Third Parties. Such assistance shall be at no cost to Wyeth; *provided* that Wyeth shall reimburse Trubion for all of its reasonable out-of-pocket expenses related thereto. If applicable, upon Wyeth's written request, Trubion shall assign or otherwise transfer to Wyeth (to the extent allowable under such agreements) its TRU-015 Product Manufacturing agreements with Third Parties.

4.10. Commercialization. Subject to the terms and conditions of this Agreement, Wyeth shall have the sole authority and the exclusive right to Commercialize Licensed Products itself or through one or more Third Parties selected by Wyeth and shall have sole authority and responsibility in all matters relating to the Commercialization of Licensed Products. Wyeth shall use Commercially Reasonable Efforts to Commercialize Licensed Products in the Territory in each country where Wyeth has obtained Regulatory Approval for such Licensed Product(s) and for each indication of such Licensed Product(s) for which Regulatory Approval has been obtained in such country.

4.11. Co-Promotion Option. Subject to the foregoing, in the event of a BLA filing with the FDA for Regulatory Approval of a CD20 Product for a Niche Indication in the United States, Trubion shall have the option to Co-Promote the CD20 Product in the United States for such Niche Indication in accordance with Wyeth's marketing plan for up to five (5) years after the First Commercial Sale of the first CD20 Product for any Niche Indication in the United States (the "Co-Promotion Period"). The Trubion Co-Promotion option shall be exercisable by Trubion giving written notice to Wyeth no later than forty-five (45) days after the date of the first BLA filing with the FDA for the first Niche Indication for the first CD20 Product (or such longer time as the Parties may mutually agree). Promptly after Trubion's exercise of such option, the Parties shall negotiate, in good faith, a definitive Co-Promotion Agreement, which shall require Trubion and Wyeth to use Commercially Reasonable Efforts to Co-Promote such CD20 Product. Such Co-Promotion Agreement shall contain customary provisions relating to relative sales force efforts, responsibility for sales calls, sales force training, promotional materials and samples, detailing and the number and qualifications of sales force personnel (including medical science liaisons) that will be devoted to such Co-Promotion activities. The Parties hereby agree, *inter alia*, that such Co-Promotion Agreement, and Wyeth's marketing plan for such CD20 Product, shall provide (a) Trubion's sales force with a meaningful role in the Commercialization of such CD20 Product; (b) that Wyeth shall provide CD20 Product-related sales training to Trubion's sales force, at no cost to Trubion; and (c) that Trubion's sales force shall use CD20 Product promotional materials and samples, to be provided by Wyeth at no cost, in connection with their sales efforts. As compensation for sales force support provided by Trubion in connection with such Co-Promotion, Wyeth shall pay Trubion a fixed fee (to be set

forth in the definitive Co-Promotion Agreement) for each Product sales detail performed by members of Trubion's sales force in accordance with Wyeth's marketing plan for such CD20 Product. Trubion will not have the right to contract out for or otherwise delegate to any Third Party any responsibility for such sales force support. Trubion's sales force activities shall be conducted in accordance with Wyeth's policies and the marketing and promotion plan for the CD20 Product.

4.12. **Co-Promotion Committee.** If Trubion exercises its Co-Promotion option with respect to a CD20 Product in accordance with Section 4.11 hereof, a Co-Promotion Committee shall be formed by the Parties within thirty (30) days after such exercise. The Co-Promotion Committee shall oversee all aspects of Co-Promotion-related activities and reasonably relevant aspects of Commercialization of such CD20 Product during the Co-Promotion Period, and shall include Trubion's Chief Executive Officer and Wyeth's Executive Vice President and General Manager, Wyeth BioPharma.

4.13. **Co-Branding.** To the extent allowed by applicable law, all product labeling for CD20 Products shall include both Parties' names, which shall be of similar size and prominence to the extent practicable (except (i) with respect to labeling of vials or other components of a CD20 Product that do not include either Party's name or (ii) with respect to labeling of diluent or other components packaged together with the CD20 Product that do not customarily contain another Person's name).

4.14. **Marking.** All Licensed Products shall be marked with the patent numbers of issued patents within Trubion Patent Rights and Wyeth Patent Rights that cover such Licensed Products, to the extent practicable and permitted by law in countries in which such markings have notice value against infringers of patents.

5. CONSIDERATION.

5.1. **Initial Research and Development Expense Payment.** In consideration of Trubion's agreement to conduct the Research Program and to participate on the JRC and JDC, Wyeth shall pay to Trubion Forty Million Dollars ($40,000,000.00) within ten (10) days after the Effective Date, which payment shall be non-refundable and non-creditable.

5.2. **Equity.** Wyeth shall purchase from Trubion common stock of Trubion at such time, in such amounts and for such price as specified in the Stock Purchase Agreement, attached hereto as Exhibit 5.2A. Concurrent with the execution of the Stock Purchase Agreement, the Parties shall enter into an amendment of Trubion's Amended and Restated Investor Rights Agreement, attached hereto as Exhibit 5.2B.

5.3. Additional Research and Development Expense Payments. In further consideration of Trubion's contributions under the Research Program and the Development Program, as provided in Articles 3 and 4 above, Wyeth shall pay to Trubion the payments specified in Exhibit 5.3 attached hereto (each an "Additional Research and Development Expense Payment") in the amounts and at such times as specified in Exhibit 5.3. Wyeth shall notify Trubion promptly upon the achievement of each event specified in Exhibit 5.3.

5.4. Royalties.

5.4.1. Licensed Product Royalties. In consideration for the licenses granted to Wyeth under Section 2.1 hereof, and in addition to those payments required to be made by Wyeth pursuant to Section 5.1, Section 5.2 and Section 5.3, Wyeth shall pay to Trubion royalties during the Royalty Period as set forth in Sections 5.4.2, 5.4.3 and 5.4.4 below, subject to the adjustments provided in Section 5.4.6 below.

5.4.2. CD20 Product Royalties.

(a) Except as provided in Sections 5.4.2(b) and 5.4.2(c) below, Wyeth shall pay to Trubion royalties in the amount of the Marginal Royalty Rates (set forth below) of the aggregate Net Sales collectively obtained by Wyeth and its sublicensees from the sale of CD20 Products in the Territory during each calendar year in the applicable Royalty Period:

Annual Net Sales Level	Marginal Royalty Rate (% of the Applicable Portion of Annual Net Sales)
Less than $500 million	10.0%
From $500 million up to $1.0 billion	12.5%
From $1.0 billion up to $1.5 billion	15.0%
From $1.5 billion up to $2.0 billion	17.5%
Greater than $2.0 billion	20.0%

Each Marginal Royalty Rate set forth in the table above shall apply only to that portion of the annual Net Sales that falls within the indicated range. By way of example only, if the aggregate Net Sales of CD20 Products during a calendar year equaled $1.2 billion, the total royalty for CD20 Products during such year would equal the specified Marginal Royalty Rate (10.0%) of the first five hundred million dollars ($500,000,000) of Net Sales, plus the specified Marginal Royalty Rate (12.5%) of the next five hundred million dollars ($500,000,000) of Net Sales, plus the specified Marginal Royalty Rate (15.0%) of the remaining two hundred million dollars ($200,000,000) of Net Sales (that is, $50 million + $62.5 million + $30 million, which would equal $142.5 million).

For purposes of this Section 5.4.2, the "CD20 Effective Royalty Rate" for a particular time period shall mean the weighted average, expressed as a percentage, of the Marginal Royalty Rates that would apply under the provisions of this Section 5.4.2(a) to the aggregate CD20 Product Net Sales in the Territory during such time period (without regard, for these purposes, to any adjustments made under Sections 5.4.2(b) or 5.4.2(c)). By way of example only, if the aggregate Net Sales of CD20 Products in the Territory during a calendar year equaled $1.2 billion, the CD20 Effective Royalty Rate for such calendar year would be calculated as follows: ((10.0% of $500 million) plus (12.5% of $500 million) plus (15.0% of $200 million)) divided by $1.2 billion, expressed as a percentage, which would equal 11.875%. By way of further example only, if the aggregate Net Sales of CD20 Products in the Territory during each of the four Calendar Quarters of such calendar year were $250 million, $275 million, $325 million and $350 million, respectively (for a total of $1.2 billion in such calendar year), the CD20 Effective Royalty Rates for each of the four Calendar Quarters would be 10%, 10.227%, 12.5% and 13.929%, respectively.

(b) Subject to the provisions of Section 5.4.2(c) below, in the event that, at any time during the term of the Product License, no issued Valid Claim is included within the Trubion Patent Rights in a country where a CD20 Product is sold (which claim, but for the licenses granted hereunder to Wyeth, would be infringed by Wyeth's or its sublicensees' Manufacture, use, sale, offer for sale or import of such CD20 Product in such country); Wyeth shall pay to Trubion royalties with respect to such CD20 Product in such country during such time period, in lieu of the royalties described in Section 5.4.2(a), equal to the following amount: (i) the CD20 Effective Royalty Rate of the aggregate Net Sales obtained by Wyeth and its sublicensees from the sale of such CD20 Product in such country during such time period minus (ii) two percent (2%) of the aggregate Net Sales obtained by Wyeth and its sublicensees from the sale of such CD20 Product in such country during such time period. By way of example only,

if the aggregate Net Sales of such a CD20 Product in such country during the relevant time period were $100,000,000 and the CD20 Effective Royalty Rate (based on Net Sales of CD20 Products throughout the Territory) for such time period were 11.875%, the royalties payable under this Section 5.4.2(b) on Net Sales in such country would equal (i) 11.875% of $100,000,000, (or $11,875,000), minus (ii) 2% of $100,000,000, (or $2,000,000), which would equal $9,875,000. By way of further example only, if the aggregate Net Sales of such a CD20 Product in such country during the relevant time period were $30,000,000 and the CD20 Effective Royalty Rate (based on Net Sales of CD20 Products throughout the Territory) for such time period were 13.929%, the royalties payable under this Section 5.4.2(b) on Net Sales in such country would equal (i) 13.929% of $30,000,000, (or $4,178,700), minus (ii) 2% of $30,000,000, (or $600,000), which would equal $3,578,700.

(c) In the event that at any time during the term of the Product License: (i) no issued Valid Claim is included within the Trubion Patent Rights in a country where a CD20 Product is sold (which claim, but for the licenses granted hereunder to Wyeth, would be infringed by Wyeth's or its sublicensees' Manufacture, use, sale, offer for sale or import of such CD20 Product in such country), (ii) a product is sold by a Third Party in such country, which product would, if sold by such Third Party in the United States, infringe an issued Valid Claim included within the Trubion Patent Rights in the United States, and (iii) such product sold by the Third Party has a ten percent (10%) or greater unit market share in such country (where the market is defined as the sum of the unit sales of such CD20 Product and of the product described in clause (ii)), Wyeth shall pay to Trubion royalties with respect to such CD20 Product in such country during such time period, in lieu of the royalties described in Section 5.4.2(a) and Section 5.4.2(b), equal to the following amount: (i) fifty percent (50%) of (ii) the CD20 Effective Royalty Rate of the aggregate Net Sales obtained by Wyeth and its sublicensees from the sale of such CD20 Product in such country during such time period. By way of example only, if the aggregate Net Sales of such a CD20 Product in such country during the relevant time period were $100,000,000 and the CD20 Effective Royalty Rate for such time period were 11.875%, the royalties payable under this Section 5.4.2(c) would equal (i) 50% of (ii) 11.875% of $100,000,000, (or $11,875,000), which would equal $5,937,500.

5.4.3. HER2 Product Royalties.

(a) Except as provided in Sections 5.4.3(b) and 5.4.3(c) below, Wyeth shall pay to Trubion royalties in the amount of the Marginal Royalty Rates (set forth below) of the aggregate Net Sales collectively obtained by Wyeth and its sublicensees from the sale of each HER2 Product in the Territory during each calendar year in the applicable Royalty Period:

Annual Net Sales Level	Marginal Royalty Rate (% of the Applicable Portion of Annual Net Sales)
Less than $500 million	7.5%
From $500 million up to $1.0 billion	10.0%
From $1.0 billion up to $1.5 billion	12.5%
From $1.5 billion up to $2.0 billion	15.0%
Greater than $2.0 billion	17.5%

Each Marginal Royalty Rate set forth in the table above shall apply only to that portion of the annual Net Sales for a particular HER2 Product that falls within the indicated range. By way of example only, if the aggregate Net Sales of a HER2 Product during a calendar year equaled $1.2 billion, the total royalty for such HER2 Product during such calendar year would equal the specified Marginal Royalty Rate (7.5%) of the first five hundred million dollars ($500,000,000) of Net Sales, plus the specified Marginal Royalty Rate (10.0%) of the next five hundred million dollars ($500,000,000) of Net Sales, plus the specified Marginal Royalty Rate (12.5%) of the remaining two hundred million dollars ($200,000,000) of Net Sales (that is, $37.5 million + $50 million + $25 million, which would equal $112.5 million).

For purposes of this Section 5.4.3, the "HER2 Effective Royalty Rate" for a particular time period for a particular HER2 Product shall mean the weighted average, expressed as a percentage, of the Marginal Royalty Rates that would apply under the provisions of this Section 5.4.3(a) to the Net Sales in the Territory of such HER2 Product during such time period (without regard, for these purposes, to any adjustments made under Sections 5.4.3(b) or 5.4.3(c)). By way of example only, if the Net Sales of a HER2 Product in

the Territory during a calendar year equaled $1.2 billion, the HER2 Effective Royalty Rate for such calendar year for such HER2 Product would be calculated as follows: ((7.5% of $500 million) plus (10.0% of $500 million) plus (12.5% of $200 million)) divided by $1.2 billion, expressed as a percentage, which would equal 9.375%. By way of further example only, if the Net Sales of such HER2 Product in the Territory during each of the four Calendar Quarters of such calendar year were $250 million, $275 million, $325 million, and $350 million, respectively (for a total of $1.2 billion in such calendar year), the HER2 Effective Royalty Rates for each of the four Calendar Quarters would be 7.5%, 7.727%, 10% and 11.429%, respectively.

(b) Subject to the provisions of Section 5.4.3(c) below, in the event that, at any time during the term of the Product License, no issued Valid Claim is included within the Trubion Patent Rights in a country where a HER2 Product is sold (which claim, but for the licenses granted hereunder to Wyeth, would be infringed by Wyeth's or its sublicensees' Manufacture, use, sale, offer for sale or import of such HER2 Product in such country), Wyeth shall pay to Trubion royalties with respect to such HER2 Product in such country during such time period, in lieu of the royalties described in Section 5.4.3(a), equal to the following amount: (i) the HER2 Effective Royalty Rate for such HER2 Product of the aggregate Net Sales obtained by Wyeth and its sublicensees from the sale of such HER2 Product in such country during such time period minus (ii) two percent (2%) of the aggregate Net Sales obtained by Wyeth and its sublicensees from the sale of such HER2 Product in such country during such time period. By way of example only, if the aggregate Net Sales of such a HER2 Product in such country during the relevant time period were $100,000,000 and the HER2 Effective Royalty Rate (based on Net Sales of such HER2 Product throughout the Territory) for such time period for such HER2 Product were 9.375%, the royalties payable under this Section 5.4.3(b) on Net Sales in such country would equal (i) 9.375% of $100,000,000, (or $9,375,000), minus (ii) 2% of $100,000,000, (or $2,000,000), which would equal $7,375,000. By way of further example only, if the Net Sales of such HER2 Product in such country during the relevant time period were $30,000,000 and the HER2 Effective Royalty Rate (based on Net Sales of such HER2 Product throughout the Territory) for such time period were 11.429%, the royalties payable under this Section 5.4.3(b) on Net Sales in such country would equal (i) 11.429% of $30,000,000, (or $3,428,700), minus (ii) 2% of $30,000,000, (or $600,000), which would equal $2,828,700.

(c) In the event that at any time during the term of the Product License: (i) no issued Valid Claim is included within the Trubion Patent Rights in any country where a HER2 Product is sold (which claim, but for the licenses granted hereunder to Wyeth, would be infringed by Wyeth's or its sublicensees' Manufacture, use, sale, offer for sale or import of such HER2 Product in such country), (ii) a product is sold by a Third Party in such country, which product would, if sold by such Third Party in the United States, infringe an issued Valid Claim included within the Trubion Patent Rights in the United States, and (iii) such product sold by a Third Party has a ten percent (10%) or greater unit market share in such country (where the market is defined as the sum of the unit sales of such HER2 Product and of the product described in clause (ii)), Wyeth shall pay to Trubion royalties with respect to such HER2 Product in such country during such time period, in lieu of the royalties described in Section 5.4.3(a) and Section 5.4.3(b), equal to the following amount: (i) fifty percent (50%) of (ii) the HER2 Effective Royalty Rate for such HER2 Product of the aggregate Net Sales obtained by Wyeth and its sublicensees from the sale of such HER2 Product in such country during such time period. By way of example only, if the aggregate Net Sales of such a HER2 Product in such country during the relevant time period were $100,000,000 and the HER2 Effective Royalty Rate for such time period for such HER2 Product were 9.375%, the royalties payable under this Section 5.4.3(c) on Net Sales in such country would equal (i) 50% of (ii) 9.375% of $100,000,000, (or $9,375,000), which would equal $4,687,500. By way of further example only, if the Net Sales of such HER2 Product in such country during the relevant time period were $30,000,000 and the HER2 Effective Royalty Rate (based on Net Sales of such HER2 Product throughout the Territory) for such time period were 11.429%, the royalties payable under this Section 5.4.3(c) on Net Sales in such country would equal (i) 50% multiplied by (ii) 11.429% of $30,000,000, (or $3,428,700), which would equal $1,714,350.

5.4.4. Other Product Royalties.

(a) Except as provided in Sections 5.4.4(b) and 5.4.4(c) below, Wyeth shall pay Trubion a royalty of five percent (5.0%) of the aggregate Net Sales obtained by Wyeth and its sublicensees from the sale of each Other Product in the Territory during each calendar year in the applicable Royalty Period.

(b) Subject to the provisions of Section 5.4.4(c) below, in the event that, at any time during the term of the Product License, no issued Valid Claim is included within the Trubion Patent Rights in a country where an Other Product is sold (which claim, but for the licenses granted hereunder to Wyeth, would be infringed by Wyeth's or its sublicensees' Manufacture, use, sale, offer for sale or import of such Other Product in such country), Wyeth shall pay to Trubion, with respect to such Other Product in such country during such time period, in lieu of the royalty described in Section 5.4.4(a), a royalty of four percent (4.0%) of the aggregate Net Sales obtained by Wyeth and its sublicensees from the sale of such Other Product in such country during such time period.

(c) In the event that at any time during the term of the Product License: (i) no issued Valid Claim is included within the Trubion Patent Rights in any country where an Other Product is sold (which claim, but for the licenses granted hereunder to Wyeth, would be infringed by Wyeth's or its sublicensees' Manufacture, use, sale, offer for sale or import of such Other Product in such country), (ii) a product is sold by a Third Party in such country, which product would, if sold by such Third Party in the United States, infringe an issued Valid Claim included within the Trubion Patent Rights in the United States, and (iii) such product sold by a Third Party has a ten percent (10%) or greater unit market share in such country (where the market is defined as the sum of the unit sales of such Other Product and of the product described in clause (ii)), Wyeth shall pay to Trubion, with respect to such Other Product in such country during such time period, in lieu of the royalties described in Section 5.4.4(a) and Section 5.4.4(b), a royalty of two and one half percent (2.5%) of the aggregate Net Sales obtained by Wyeth and its sublicensees from the sale of such Other Product in such country during such time period.

5.4.5. Expiration of Royalty Period. After the expiration of the Royalty Period for any Licensed Product in any country in the Territory, no further royalties shall be payable in respect of sales of such Licensed Product in such country and thereafter the licenses granted to Wyeth under Section 2.1 with respect to such Licensed Product in such country shall be fully paid-up, perpetual, irrevocable, royalty-free, exclusive licenses.

5.4.6. Royalty Adjustments.

(a) Certain Third Party Agreements. On a country-by-country basis in a given calendar year, Wyeth shall deduct from CD20 Product royalties otherwise payable to Trubion under Section 5.4.2 fifty percent (50%) of the aggregate amount of royalties actually paid to Third Parties under Additional Third Party Licenses with respect to the Development, Manufacture or Commercialization of CD20 Products in such country in such calendar year; *provided, however,* that (i) the amount of such deduction shall not exceed twenty percent (20%) of the amount of the CD20 Product royalties otherwise payable to Trubion under Section 5.4.2 in a given calendar year and (ii) such deduction shall not have the effect, under any circumstances, of reducing the CD20 Product royalties payable under Section 5.4.2 below ten percent (10%) of the aggregate Net Sales obtained by Wyeth and its sublicensees from the sale of CD20 Products in such country in a given calendar year (before taking into account the operation of Sections 5.4.2(b) and 5.4.2(c)). On a country-by-country basis in a given calendar year, Wyeth shall deduct from HER2 Product royalties otherwise payable to Trubion under Section 5.4.3 fifty percent (50%) of the aggregate amount of royalties actually paid to Third Parties under Additional Third Party Licenses with respect to the Development, Manufacture or Commercialization of such HER2 Product in such country in such calendar year; *provided, however,* that (i) the amount of such deduction shall not exceed twenty percent (20%) of the amount of the HER2 Product royalties otherwise payable to Trubion under Section 5.4.3 in a given calendar year and (ii) such deduction shall not have the effect, under any circumstances, of reducing the HER2 Product royalties payable under Section 5.4.3 below seven and one-half percent (7.5%) of the aggregate Net Sales obtained by Wyeth and its sublicensees from the sale of such HER2 Product in such country in a given calendar year (before taking into account the operation of Sections 5.4.3(b) and 5.4.3(c)). Wyeth shall not make any deductions under this Section 5.4.6(a) from royalties payable to Trubion under

Section 5.4.4 on Net Sales of Other Products. Wyeth shall be solely responsible for all (and shall bear entirely at its own expense) non-royalty costs (*i.e.*, costs other than those paid as a percentage of sales) of any Additional Third Party Licenses (including, without limitation, upfront license fees and milestone payments, if any). Trubion shall be solely responsible for all (and shall bear entirely at its own expense) royalties and non-royalty costs of any Trubion Additional Third Party Licenses (including, without limitation, upfront license fees and milestone payments, if any).

(b) Other Third Party Agreements. Wyeth shall be solely responsible for all payment obligations related to the Conjugates, Licensed Products and Wyeth Technology under its licenses and other agreements with Third Parties that are in effect as of the Effective Date, and no adjustment to the royalties payable by Wyeth under Section 5.4.1 shall be made on account of any such obligations. Trubion shall be solely responsible for all payment obligations related to the Trubion Technology under its licenses and other agreements with Third Parties that are in effect as of the Effective Date including, without limitation, those obligations arising under the Trubion Third Party Agreements.

5.5. Reports and Payments.

5.5.1. Cumulative Royalties. The obligation to pay royalties under Section 5.4 of this Agreement shall be imposed only once with respect to a single unit of a Licensed Product, regardless of how many Valid Claims included within the Trubion Technology would, but for this Agreement, be infringed by the Manufacture, use, import, offer for sale or sale of such Licensed Product in the countr(y)ies of such Manufacture, use or sale. For the avoidance of doubt, if a single Licensed Product is both a CD20 Product and an Other Product, such Licensed Product shall be deemed to be a CD20 Product for purposes of the royalty obligations under Section 5.4. If a single Licensed Product is both a HER2 Product and an Other Product, such Licensed Product shall be deemed to be a HER2 Product for purposes of the royalty obligations under Section 5.4.

5.5.2. Royalty Statements and Payments. Within sixty (60) days after the end of each Calendar Quarter, Wyeth shall deliver to Trubion a report setting forth for such Calendar Quarter the following information, on a Licensed Product-by-Licensed Product and country-by-country basis: (a) the gross sales amount (by Wyeth and its sublicensees) for each category of Licensed Product sold in the United States and the number of units of Licensed Product sold in the United States and other countries in the Territory, on a country-by-country basis; (b) the Net Sales for each Licensed Product; (c) any adjustments (including the basis therefor) made pursuant to Sections 5.4.2(b), 5.4.2(c), 5.4.3(b), 5.4.3(c), 5.4.4(b), 5.4.4(c) or 5.4.6(a) to the royalty amount payable for the sale of each Licensed Product, the applicable Marginal Royalty Rates and the CD20 Effective Royalty Rate or HER2 Effective Royalty Rate (as the case may be) payable on the Net Sales, and (d) the royalty amount due hereunder for the sale of each Licensed Product. No such reports shall be due for any Licensed Product before the First Commercial Sale of such Licensed Product. The total royalty due for the sale of Licensed Products during such Calendar Quarter shall be remitted at the time such report is made.

5.5.3. Taxes and Withholding. All payments due Trubion under this Agreement will be made without any deduction or withholding for or on account of any tax unless such deduction or withholding is required by applicable laws or regulations to be assessed against Trubion. If Wyeth is so required to deduct or withhold, Wyeth will (a) promptly notify Trubion of such requirement, (b) pay to the relevant authorities the full amount required to be deducted or withheld promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Trubion, (c) promptly forward to Trubion an official receipt (or certified copy) or other documentation reasonably acceptable to Trubion evidencing such payment to such authorities, and (d) otherwise reasonably cooperate with Trubion in connection with Trubion's attempts to obtain favorable tax treatment and credit therefor (where appropriate) in accordance with applicable laws.

5.5.4. Currency. All amounts payable and calculations hereunder shall be in United States Dollars. As applicable, Net Sales and any royalty deductions shall be translated into United States dollars in accordance with Wyeth's customary and usual translation procedures, consistently applied, which procedures are in accordance with Generally Accepted Accounting Principles in the United States.

5.5.5. Additional Provisions Relating to Royalties. Trubion acknowledges and agrees that nothing in this Agreement (including, without limitation, any exhibits or attachments hereto) shall be construed as representing an estimate or projection of either (a) the number of Licensed Products that will or may be successfully Developed or Commercialized or (b) anticipated sales or the actual value of any Licensed Product and that the figures set forth in Section 5.4 or elsewhere in this Agreement or that have otherwise been discussed by the Parties are merely intended to define Wyeth's royalty obligations to Trubion in the event such sales performance is achieved. WYETH MAKES NO REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT IT WILL BE ABLE TO SUCCESSFULLY DEVELOP OR COMMERCIALIZE ANY LICENSED PRODUCT OR, IF COMMERCIALIZED, THAT IT WILL ACHIEVE ANY PARTICULAR SALES LEVEL OF SUCH LICENSED PRODUCT(S).

5.5.6. Interest on Past Due Payments. If either Party fails to pay any payment due under this Agreement on or before the date such payment is due, as provided in this Agreement, such late payment shall bear interest, to the extent permitted by applicable law, at the average one-month London Inter-Bank Offering Rate (LIBOR) for the United States Dollar as reported from time to time in *The Wall Street Journal*, effective for the first date on which payment was delinquent and calculated on the number of days such payment is overdue or, if such rate is not regularly published, as published in such source as the Parties agree.

5.6. Maintenance of Records; Audits.

5.6.1. Record Keeping. Wyeth shall keep accurate books and accounts of record in connection with the sale of Licensed Products, in sufficient detail to permit accurate determination of all figures necessary for verification of royalties and other payments to be paid to Trubion hereunder. Wyeth shall keep accurate records of its activities under this Agreement that relate to the events with respect to which Additional Research and Development Expense Payments may be made under Section 5.3 hereof. Wyeth shall maintain such records for a period of at least three (3) years after the end of the calendar year in which they were generated.

5.6.2. Audits. Upon thirty (30) days prior written notice from Trubion, Wyeth shall permit an independent certified public accounting firm of nationally recognized standing selected by Trubion and reasonably acceptable to Wyeth, to examine, at Trubion's sole expense, the relevant books and records of Wyeth as may be reasonably necessary to verify the accuracy of the reports submitted by Wyeth in accordance with Section 5.5 and the payment of royalties hereunder. An examination by Trubion

under this Section 5.6.2 shall occur not more than once in any calendar year and shall be limited to the pertinent books and records for any calendar year ending not more than three (3) years before the date of the request. The accounting firm shall be provided access to such books and records at Wyeth's facility(ies) where such books and records are normally kept and such examination shall be conducted during Wyeth's normal business hours. Wyeth may require the accounting firm to sign a standard non-disclosure agreement before providing the accounting firm access to Wyeth's facilities or records. Upon completion of the audit, the accounting firm shall provide both Wyeth and Trubion a written report disclosing whether the reports submitted by Wyeth are correct or incorrect, whether the royalties paid are correct or incorrect, and in each case, the specific details concerning any discrepancies. No other information shall be provided to Trubion.

5.6.3. Underpayments/Overpayments. If such accounting firm concludes that additional royalties were due to Trubion, Wyeth shall pay to Trubion the additional royalties within thirty (30) days of the date Wyeth receives such accountant's written report so concluding. If such royalty underpayment exceeds ten percent (10%) of the royalties that were to be paid to Trubion, Wyeth also shall reimburse Trubion for the out-of-pocket expenses incurred in conducting the audit. If such accounting firm concludes that Wyeth overpaid royalties to Trubion, Trubion, within thirty (30) days of the date Trubion receives such account's report so concluding, will refund such overpayments to Wyeth less the reasonable out-of-pocket costs incurred by Trubion in conducting the audit.

5.6.4. Confidentiality. All financial information of Wyeth which is subject to review under this Section 5.6 shall be deemed to be Wyeth's Confidential Information subject to the provisions of Article 7 hereof, and Trubion shall not disclose such Confidential Information to any Third Party or use such Confidential Information for any purpose other than verifying payments to be made by Wyeth to Trubion hereunder; *provided, however,* that such Confidential Information may be disclosed by Trubion to Third Parties only to the extent necessary to enforce Trubion's rights under this Agreement.

6. INTELLECTUAL PROPERTY.

6.1. Inventions; Joint Patent Committee.

6.1.1. Ownership and Inventorship. A Party shall own all inventions and Know-How made solely by employees of such Party, and shall jointly own with the other Party any invention, whether or not patentable, made jointly by employees of both Parties (a "Joint Invention"), all Joint Patent Rights directed thereto, and any Know-How made jointly by employees of both Parties ("Joint Know-How"). All determinations of inventorship under this Agreement shall be made in accordance with United States patent law. Each Party shall disclose promptly in writing to the other any Joint Inventions and any candidate Joint Inventions of which it becomes aware. Subject to (a) the grant of licenses to Wyeth under Section 2.1 and to Trubion under Section 2.2, (b) the exclusivity provisions of Section 2.3, and (c) the Parties' other rights and obligations under this Agreement, each Party shall be free to exploit (including to research, Develop, Manufacture, Commercialize and enforce), either itself or through the grant of licenses to Third Parties (which Third Party licenses are further sublicensable), Joint Patent Rights and Joint Know-How throughout the world without restriction, without the need to obtain further consent from the other Party, and without payment of any compensation to the other Party.

6.1.2. SMIP Improvements. All SMIP Improvements made by Wyeth, whether independently or jointly with Trubion, in the course of performing Wyeth's obligations under this Agreement during the term of the Agreement (each, a "Covered SMIP Improvement") shall be promptly disclosed by Wyeth to Trubion. Wyeth, subject to the rights and licenses granted by Trubion to Wyeth hereunder, hereby grants to Trubion a worldwide, royalty-free (other than as expressly set forth in this Section 6.1.2), irrevocable, non-exclusive license (with the right to sublicense), under Wyeth's rights to such Covered SMIP Improvements, to practice, exploit and use such Covered SMIP Improvements in connection with the research, Manufacture, Development, Commercialization or use of SMIPs (but, to the extent any Covered SMIP Improvement is directed to a complementarity determining region or any portion of a binding domain provided by Wyeth, Trubion shall not have a license from Wyeth hereunder to practice, exploit and use such Covered SMIP Improvement in connection with the research, Manufacture, Development, Commercialization and use of proteins other than SMIPs); *provided, however*, for the avoidance of doubt, that the license granted to Trubion pursuant to this sentence shall not be deemed to constitute or include a license with respect to any underlying Wyeth technology or any Wyeth Technology (including without limitation Manufacturing, delivery, formulation and conjugation technology) other than Wyeth's rights to such Covered SMIP Improvements. In the event, and to the extent, that

Wyeth is obligated to pay a Third Party any royalties or other payments as a result of the licensing of a Covered SMIP Improvement to Trubion pursuant to this Section 6.1.2 or as a result of Trubion's or its sublicensees' (excluding Wyeth's) practice of such Covered SMIP improvement, the license by Wyeth to Trubion pursuant to this Section 6.1.2 with respect to such Covered SMIP Improvement shall be conditioned on Trubion's continuing obligation to pay Wyeth the amount of such royalties and other payments according to the terms of the applicable agreement between Wyeth and such Third Party. In the event that Trubion grants a sublicense to any Third Party with respect to a Covered SMIP Improvement that is not a Joint Invention (but rather was invented solely by Wyeth), Trubion shall pay Wyeth a royalty of one and one half percent (1.5%) of the net sales by such sublicensee (or its affiliates or sublicensees) of any product that incorporates such Covered SMIP Improvement. For purposes of the preceding sentence, "net sales" shall be defined in a manner substantially similar to the definition or "Net Sales" under this Agreement.

6.1.3. Joint Patent Committee.

(a) **Establishment; Meetings; Decisions.** Within thirty (30) days after the Effective Date, the Parties shall establish a Joint Patent Committee composed of at least one (1) representative from each Party with experience in the prosecution 01 biotechnology patents. The Joint Patent Committee will have such duties and responsibilities as are expressly assigned to it under this Article 6. The Joint Patent Committee shall meet as soon as practicable after it is established by the Parties and, thereafter, at such additional times as the Parties deem appropriate, not less frequently than quarterly. The meetings of the Joint Patent Committee shall alternate between the Parties' business locations or as otherwise decided by the Joint Patent Committee; *provided* that Joint Patent Committee meetings may be conducted in person, by telephone or by videoconference. Each Party shall use reasonable efforts to cause its representative(s) to attend each Joint Patent Committee meeting. Decisions of the Joint Patent Committee shall be made by unanimous consent, with each Party having one vote. The Joint Patent Committee may act without a meeting if an action by unanimous written consent is signed by each committee member. If the Joint Patent Committee is unable to reach agreement on a matter for which it has decision-malting authority pursuant to Section 6.1.3(b), 6.2.1(c) or 6.2.2(c), the matter may be

referred, at the request of either Party, Tor resolution by outside patent counsel mutually selected by the Parties (wherein such outside patent counsel shall be knowledgeable and experienced in the subject matter of the matter so referred), and such resolution shall be deemed the decision of the Joint Patent Committee. Unless otherwise agreed by the Parties, the patent counsel selected will not have served as primary outside IP counsel to either Party prior to being selected to resolve the Joint Patent Committee disagreement. Unless otherwise agreed by the Parties, each Party shall be responsible for fifty percent (50%) of the amounts paid to such outside patent counsel in connection with such resolution (including attorney's fees and other costs).

(b) **Category 1 Covered SMIP Improvements and Category 2 Covered SMIP Improvements.** Without limiting Wyeth's obligation under Section 6.1.1 and Section 6.1.2 to disclose promptly to Trubion any inventions and candidate inventions made hereunder (including, without limitation, any Covered SMIP Improvements), each Party shall report on a quarterly basis to the Joint Patent Committee whether any of its activities hereunder during the prior Calendar Quarter involved a new Covered SMIP Improvement. The Joint Patent Committee shall decide whether a given Covered SMIP Improvement (i) is solely applicable to SMIP coding regions (a "Category 1 Covered SMIP Improvement"), or (ii) is not solely applicable to SMIP coding regions (a "Category 2 Covered SMlP Improvement"). As provided in greater detail in Section 6.2.1(d) below, Trubion shall be responsible for preparation, filing, prosecution and maintenance of all Patent Rights directed to Category 1 Covered SMIP Improvements, and Wyeth shall be responsible for preparation, filing, prosecution and maintenance of all Patent Rights directed to Category 2 Covered SMlP Improvements.

6.2. Patent Rights.

6.2.1. Filing, Prosecution and Maintenance of Patent Rights

(a) **Trubion Patent Rights.**

(i) **Trubion Patent Rights.** Trubion shall use its Commercially Reasonable Efforts to prepare, file, prosecute and maintain, throughout the Territory, all

of the Trubion Patent Rights, using patent counsel of Trubion's choice; *provided, however,* that Trubion shall give Wyeth before filing a reasonable opportunity to review and comment upon the text of any applications for Trubion Patent Rights to the extent related to any Licensed Product, any SMIPs directed against any Licensed Target, or the Development, Manufacture, use or Commercialization thereof (collectively, "Product-Related Patent Rights"); *and provided further, however,* that patent counsel for patent applications for Product-Related Patent Rights that are prepared or filed on or after the Signing Date and that do not rely on the priority date of a patent or patent application filed before the Signing Date will be mutually agreed upon by the Parties. Trubion shall reasonably consider and address Wyeth's comments on patent applications included in Product-Related Patent Rights. Trubion shall consult with Wyeth with respect to such patent applications, and shall supply Wyeth with a copy of such patent applications as filed, together with notice of each filing date and serial number. Trubion shall also keep Wyeth advised of the status of prosecution of all such patent applications included in the Product-Related Patent Rights, and shall consult with Wyeth and provide Wyeth with a reasonable opportunity to comment on all correspondence received from and all submissions to be made to any government patent office or authority with respect to any such patent application or patent. Trubion shall reasonably consider and address Wyeth' s comments on such correspondence and submissions. Each Party shall be responsible for fifty percent (50%) of Trubion's out-of-pocket expenses incurred in connection with preparing, filing, prosecuting and maintaining such Product-Related Patent Rights throughout the Territory, including, but not limited to, out-of-pocket expenses for inventorship determinations and inventorship disputes (other than between the Parties); *provided, however,* that in the event Trubion grants a license(s) in a given country or countries to one or more Third Parties under any patent application or patent that is included in the Product-Related Patent Rights, Wyeth shall be responsible for a pro rata portion,

based on a total number of parties that includes Trubion, Wyeth and all Third Party licensees under such patent application or patent *(e.g.*, if there are two (2) Third Party licensees in addition to Wyeth and Trubion, then Wyeth shall be responsible for twenty-five percent (25%)), of Trubion's out-of- pocket expenses incurred in a given country in connection with preparing, filing, prosecuting and maintaining such patent application or patent. (As used in this Article 6, "out-of-pocket expenses" shall be deemed to include, without limitation, reasonable attorneys' fees.) Wyeth shall reimburse Trubion on a quarterly basis within forty-five (45) days of receiving an invoice accompanied by supporting documentation demonstrating the out-of- pocket expenses so incurred. On an annual basis, during the last Calendar Quarter of each year, Trubion shall provide Wyeth with a good faith, written estimate of the out-of-pocket expenses reimbursable by Wyeth under this Section 6.2.l(a) that Trubion expects to incur in the following calendar year. In addition, if Trubion elects not to file a patent application on Trubion Know-How that, if filed, would be a Product-Related Patent Right, or to cease the prosecution and/or maintenance of any Product-Related Patent Rights, (except for abandonment of a patent application in favor of a patent application subsequently filed for purposes of continuing the prosecution of Patent Rights claiming the inventions included in the abandoned patent application), Trubion shall provide Wyeth with written notice immediately upon the decision to not file or continue the prosecution of such patent application or maintenance of such patent. In such event, Trubion shall permit Wyeth, at Wyeth's sole discretion, to file and/or continue prosecution and/or maintenance of such Product-Related Patent Right on Trubion's behalf and at Wyeth's own expense. If Wyeth elects to file or to continue such prosecution or maintenance, it shall notify Trubion in writing of such decision within ninety (90) days of receipt of Trubion's written notice, in which case Trubion shall assign to Wyeth such Product-Related Patent Right abandoned by Trubion and shall execute such documents and perform such acts, at Wyeth's

expense, as may be reasonably necessary to permit Wyeth to file, prosecute and/or maintain such Product-Related Patent Right. In the event that Wyeth files or continues the prosecution or maintenance of any such Product-Related Patent Right pursuant to this Section 6.2.l(a), then Wyeth shall no longer be obligated to pay to Trubion any royalty payments that would be due solely with respect to such Product-Related Patent Right.

(b) **Wyeth Patent Rights.** Subject to Section 6.2.l(d), and except with respect to Covered SMIP Improvements, Wyeth, at its own expense, shall have the sole right, but not the obligation, to prepare, file, prosecute and maintain, throughout the Territory, all Wyeth Patent Rights, using patent counsel of Wyeth's choice.

(c) **Joint Patent Rights.** Subject to Section 6.2.l(d), in the event the Parties make any Joint Invention (excluding a Covered SMIP Improvement), the Joint Patent Committee shall promptly meet to discuss and determine whether to seek patent protection thereon. If the Joint Patent Committee decides to seek patent protection on such Joint Invention, then Wyeth shall have the primary obligation to prepare, file, prosecute and maintain any corresponding Joint Patent Rights throughout the Territory using patent counsel mutually agreeable to the Parties, such agreement not to be unreasonably withheld. Wyeth shall give Trubion a reasonable opportunity to review and comment on the text of any patent application with respect to such Joint Patent Right before filing, shall consult with Trubion with respect thereto, shall reasonably consider and address any of Trubion's comments, and shall supply Trubion with a copy of each such patent application as filed, together with notice of its filing date and serial number. Wyeth shall keep Trubion advised of the status of the actual and prospective patent filings (including, without limitation, the grant of any Joint Patent Rights), shall provide Trubion with a reasonable opportunity to comment on all correspondence received from and all proposed submissions to be made to any government patent office or authority related to the filing, prosecution and maintenance of such patent filings, shall consult with Trubion with respect thereto, and shall reasonably consider and address any or 'Trubion's comments on such correspondence and submissions. Trubion shall reimburse Wyeth for fifty percent (50%) of the out-of-pocket expenses incurred by

Wyeth in connection with preparing, filing, prosecuting and maintaining such Joint Patent Rights (other than out-of-pocket expenses for inventorship determinations and inventorship disputes), which reimbursement will be made within forty-five (45) days of receiving invoices, such invoices to be submitted by Wyeth no more often than once per Calendar Quarter and to be accompanied by supporting documentation demonstrating and detailing the expenses so incurred. On an annual basis, during the last Calendar Quarter of each year, Wyeth shall provide Trubion with a good faith, written estimate of the out-of-pocket expenses reimbursable by Trubion under this Section 6.2.1 (c) that Wyeth expects to incur in the following calendar year. If Wyeth elects not to file a patent application on any such Joint Patent Rights, or to cease the prosecution and/or maintenance of any such Joint Patent Rights (except for abandonment of a patent application in favor of a patent application subsequently filed for purposes of continuing the prosecution of Patent Rights claiming the inventions included in the abandoned patent application), Wyeth shall provide Trubion with written notice immediately upon the decision to not file or continue the prosecution of such patent application or maintenance of such patent. In such event, Wyeth shall permit Trubion, at Trubion's sole discretion, to file and/or continue prosecution and/or maintenance of such Joint Patent Rights at Trubion's own expense. If Trubion elects to continue such prosecution or maintenance, it shall notify Wyeth in writing of such decision within ninety (90) days of receipt of Wyeth's written notice, in which case, Wyeth shall assign to Trubion such Joint Patent Rights abandoned by Wyeth and shall execute such documents and perform such acts, at Trubion's expense, as may be reasonably necessary to permit Trubion to file, prosecute and/or maintain such Joint Patent Rights.

(d) Category 1 and Category 2 Covered SMIP Improvements.

(i) Category 1 Covered SMIP Improvements. In the event that Wyeth makes any Category 1 Covered SMIP Improvement (whether it is an invention solely by Wyeth or a Joint Invention), Trubion shall have the first right and primary obligation to prepare, file, prosecute and maintain any Patent Rights covering such Category 1 Covered SMlP Improvement, using patent counsel mutually agreeable to the Parties, such

agreement not to be unreasonably withheld. Trubion shall give Wyeth a reasonable opportunity to review and comment on the text of any patent application with respect to such Category 1 Covered SMIP Improvement before filing, shall consult with Wyeth with respect thereto, shall reasonably consider and address any of Wyeth's comments, and shall supply Wyeth with a copy of the patent application as filed, together with notice of its filing date and serial number. Trubion shall keep Wyeth advised of the status of the actual and prospective patent filings (including, without limitation, the grant of any Patent Rights covering such Category 1 Covered SMIP Improvements), shall provide Wyeth with a reasonable opportunity to comment on all correspondence received from and all proposed submissions to be made to any government patent office or authority related to the filing, prosecution and maintenance of such patent filings, shall consult with Wyeth with respect thereto, and shall reasonably consider and address any of Wyeth's comments on such correspondence and submissions. Each Party shall be responsible for fifty percent (50%) of Trubion's out-of-pocket expenses incurred in connection with preparing, filing, prosecuting and maintaining such Category 1 Covered SMIP Improvement-related Patent Rights throughout the Territory, other than out-of-pocket expenses for inventorship determinations and inventorship disputes. Wyeth shall reimburse Trubion on a quarterly basis within forty-five (45) days of receiving an invoice accompanied by supporting documentation demonstrating the out-of-pocket expenses so incurred. On an annual basis, during the last Calendar Quarter of each year, Trubion shall provide Wyeth with a good faith, written estimate of the out-of-pocket expenses reimbursable by Wyeth under this Section 6.2.1(d)(i) that Trubion expects to incur in the following calendar year. In addition, if Trubion elects not to file a patent application on a Category 1 Covered SMIP Improvement, or to cease the prosecution and/or maintenance of any Category 1 Covered SMIP Improvement-related Patent Right (except for abandonment of a patent application in favor of a patent application subsequently filed for purposes of continuing the prosecution of Patent Rights claiming the inventions included in the

abandoned patent application), Trubion shall provide Wyeth with written notice immediately upon the decision to not file or continue the prosecution of such patent application or maintenance of such patent. If Wyeth elects to continue such prosecution or maintenance, it shall notify Trubion in writing of such decision within ninety (90) days of receipt 01 Trubion's written notice, in which case Trubion shall assign to Wyeth the right to file, prosecute and maintain such Category 1 Covered SMIP Improvement-related Patent Right, and shall execute such documents and perform such acts, at Wyeth's expense, as may be reasonably necessary to permit Wyeth to file, prosecute and/or maintain such Category 1 Covered SMIP Improvement-related Patent Right. In the event that Wyeth continues the prosecution or maintenance of any Category 1 Covered SMIP Improvement-related Patent Right pursuant to this Section 6.2.l(d)(i), Wyeth shall do so at its own expense, and Wyeth shall no longer be obligated to pay to Trubion any royalty payments that would be due solely with respect to any such Category 1 Covered SMIP Improvement-related Patent Right.

(ii) **Category 2 Covered SMIP Improvements.** In the event that Wyeth makes any Category 2 Covered SMIP Improvement (whether it is an invention solely by Wyeth or a Joint Invention), Wyeth shall have the first right and primary obligation to prepare, file, prosecute and maintain any Patent Rights covering such Category 2 Covered SMIP Improvement, at its own expense, using patent counsel mutually agreeable to the Parties, such agreement not to be unreasonably withheld. Wyeth shall give Trubion a reasonable opportunity to review and comment on the text of any patent application with respect to such Category 2 Covered SMIP Improvement before filing, shall consult with Trubion with respect thereto, shall reasonably consider and address any of Trubion's comments, and shall supply Trubion with a copy 01 the patent application as filed, together with notice of its filing date and serial number. Wyeth shall keep Trubion advised of the status of the actual and prospective patent filings (including, without limitation, the grant of any Patent Rights covering such Category 2 Covered SMlP Improvement), shall provide Trubion with a reasonable opportunity to

comment on all correspondence received from and all proposed submissions to be made to any government patent office or authority related to the filing, prosecution and maintenance of such patent filings, shall consult with Trubion with respect thereto, and shall reasonably consider and address any of Trubion's comments on such correspondence and submissions. If Wyeth elects not to file a patent application on a Category 2 Covered SMIP Improvement, or to cease the prosecution and/or maintenance of any Category 2 Covered SMIP Improvement-related Patent Right (except for abandonment of a patent application in favor of a patent application subsequently filed for purposes of continuing the prosecution of Patent Rights claiming the inventions included in the abandoned patent application), Wyeth shall provide Trubion with written notice immediately upon the decision to not file or continue the prosecution of such patent application or maintenance of such patent. If Trubion elects to continue such prosecution or maintenance, it shall notify Wyeth in writing of such decision within ninety (90) days of receipt of Wyeth's written notice, in which case Wyeth shall assign to Trubion such Category 2 Covered SMIP Improvement-related Patent Right abandoned by Wyeth and shall execute such documents and perform such acts, at Trubion's expense, as may be reasonably necessary to permit Trubion to file, prosecute and/or maintain such Category 2 Covered SMIP Improvement-related Patent Right.

6.2.2. Enforcement of Patent Rights.

(a) **Notice.** lf either Wyeth or Trubion becomes aware of any infringement, anywhere in the Territory, of any issued patent within the Trubion Patent Rights (including Product- Related Patent Rights), Wyeth Patent Rights or Joint Patent Rights, which infringing activity adversely affects or is reasonably expected to adversely affect any SMIP or Licensed Product hereunder, it will promptly notify the other Party in writing to that effect and the Parties will consult with each other through the Joint Patent Committee regarding any actions to be taken with respect to such infringing activity; *provided*, *however*, that neither Party is obligated to disclose confidential information of a Third Party (other than a sublicensee under this Agreement, to the extent such Party is permitted to do so under the terms of the sublicense).

(b) **Product-Related Patent Rights.** To the extent permitted under the Trubion Third Party Agreements, if applicable, Wyeth shall have the first right, but not the obligation, to take action to obtain a discontinuance of infringement or bring suit against a Third Party infringer of Product-Related Patent Rights under which Wyeth has an exclusive license to make, use and sell Licensed Products under this Agreement, to the extent such infringement involves a product directed against a Licensed Target. Wyeth shall have such first right within three (3) months from the date of notice and the right to join Trubion as a party plaintiff. Wyeth shall be responsible for, and shall bear, all the out-of-pocket expenses of any suit brought by it claiming infringement of any such Product-Related Patent Rights; *provided* that Trubion shall reimburse Wyeth for twenty percent (20%) of the out-of-pocket expenses incurred in connection therewith. Trubion will cooperate with Wyeth in any such suit and shall have the right to consult with Wyeth and to participate in and be represented by independent counsel in such litigation at its own expense. Wyeth shall incur no liability to Trubion as a consequence of such litigation or any unfavorable decision resulting therefrom, including any decision holding any of the Product-Related Patent Rights invalid or unenforceable. Any recoveries obtained by Wyeth as a result of any proceeding against such Third Party infringer shall be allocated as follows:

(i) Such recovery shall first be used to reimburse each Party for all out-of-pocket litigation expenses in connection with such litigation paid by that Party; and

(ii) With respect to any remaining recovery, eighty percent (80%) shall go to Wyeth and twenty percent (20%) shall go to Trubion.

If, after the expiration of the three (3) month period (or, if earlier, the date upon which Wyeth provides written notice that it does not plan to bring suit), Wyeth has not obtained a discontinuance of such infringement of Product-Related Patent Rights or filed suit against any such Third Party infringer hereunder, then Trubion shall have the right, but not the obligation, to bring suit against

such Third Party infringer of the Product-Related Patent Rights under which Wyeth has an exclusive license under this Agreement, *provided* that each Party shall bear fifty percent (50%) of the out-of-pocket expenses of such suit. Wyeth will cooperate with Trubion in any such suit for infringement of such Product-Related Patent Rights brought by Trubion against a Third Party, and shall have the right to consult with Trubion and to participate in and be represented by independent counsel in such litigation at its own expense. Trubion shall incur no liability to Wyeth as a consequence of such litigation or any unfavorable decision resulting therefrom, including any decision holding any of the Product-Related Patent Rights invalid or unenforceable. Any recoveries obtained by Trubion as a result of any such proceeding against a Third Party infringer shall be allocated as follows:

(iii) Such recovery shall first be used to reimburse each Party for all out-of-pocket litigation expenses in connection with such litigation paid by that Party; and

(iv) With respect to any remaining recovery, one hundred percent (100%) shall go to Trubion.

(c) **Joint Patent Rights.** With respect to any notice of a Third Party infringer of the Joint Patent Rights, the Joint Patent Committee shall meet as soon as reasonably practicable to discuss such infringement and determine an appropriate course of action. Wyeth shall have the first right but not the obligation to bring an action against such Third Party infringer or otherwise address such alleged infringement within three (3) months from the date of notice and to control such litigation or other means of addressing such infringement. Wyeth shall be responsible for, and shall bear, all the out-of-pocket expenses of any suit brought by it claiming infringement of any such Joint Patent Rights; *provided* that Trubion shall reimburse Wyeth for twenty percent (20%) of the out-of-pocket expenses incurred in connection therewith. Trubion shall cooperate with Wyeth, at Wyeth's expense, in any such suit brought by Wyeth and shall have the right to consult with Wyeth and participate in and be represented by independent counsel in such litigation at its own expense. Wyeth shall incur no liability to Trubion as a consequence of such litigation or any unfavorable decision resulting therefrom, including any decision holding any of the Joint Patent Rights invalid or

unenforceable. Any recovcries obtained by Wycth as a result of any proceeding against such Third Party infringer shall be allocated as follows:

(i) Such recovery shall first be used to reimburse each Party for all out-of-pocket litigation expenses in connection with such litigation paid by that Party; and

(ii) With respect to any remaining recovery, eighty percent (80%) shall go to Wyeth and twenty percent (20%) shall go to Trubion.

If, after the expiration of the three (3) month period (or, if earlier, the date upon which Wyeth provides written notice that it does not plan to bring suit) Wyeth elects not to take action against a Third Party infringer of the Joint Patent Rights and Trubion elects to bring an action, then Wyeth shall cooperate, at Trubion's expense, in such action. Trubion shall incur no liability to Wyeth as a consequence of such litigation or any unfavorable decision resulting therefrom, including any decision holding any of the Joint Patent Rights invalid or unenforceable. Any recoveries obtained by Trubion shall go to Trubion.

6.2.3. Infringement and Third Party Licenses

(a) **Infringement of Third Party Patents - Course of Action.** If the research, Development, Manufacture or Commercialization of any Licensed Product is alleged by a Third Party to infringe a Third Party's patent, the Party becoming aware of such allegation shall promptly notify the other Party.

Additionally, if either Party determines (with consultation by the Joint Patent Committee) that, based upon the review of a Third Party's patent or patent application or other intellectual property rights, it may be desirable to obtain a license from such Third Party with respect thereto, such Party shall promptly notify the other Party of such determination. In the event Wyeth determines, after good faith consultation with Trubion through the Joint Patent Committee, that it is necessary or useful to obtain licenses under intellectual property rights from Third Parties ("Additional Third Party Licenses") in order to Develop, Manufacture or Commercialize Licensed Products under this Agreement, Wyeth shall be solely responsible for

negotiating and obtaining any such Additional Third Party Licenses, but shall not be obligated to do so. Trubion may elect, in its sole discretion, to obtain one or more Third Party licenses that are applicable to Trubion Technology in general but are not Licensed Product-specific ("Trubion Additional Third Party Licenses"); if Trubion so elects, then Trubion shall be solely responsible for negotiating and obtaining any such licenses, but shall not be obligated to do so.

(b) **Third Party Infringement Suit.** If a Third Party sues a Party (the "Sued Party") alleging that the Sued Party or its Affiliates' or sublicensees' research, Development, Manufacture or Commercialization of any Licensed Product during the term of and pursuant to this Agreement infringes or will infringe said Third Party's patent, then, upon the Sued Party's request and in connection with the Sued Party's defense of any such Third Party infringement suit, the other Party shall provide reasonable assistance to the Sued Party for such defense. If both Wyeth and Trubion are sued by a Third Party, then the Parties shall consult with one another through the Joint Patent Committee. Unless otherwise determined by the Joint Patent Committee, Wyeth will control the defense of any suit relating to Licensed Products (whether one or both Parties are Sued Parties) and shall select counsel for such suit after consultation through the Joint Patent Committee. Trubion shall have the right to participate in and be represented by independent counsel in such litigation at its own expense. If the alleged infringement is of claims related to the Trubion Technology utilized by Wyeth hereunder, Wyeth shall be responsible for, and shall bear, all the out-of-pocket expenses of such actions; *provided* that Trubion shall reimburse Wyeth for twenty percent (20%) of the out-of-pocket expenses incurred in connection therewith. In the event Trubion is the Party paying such expenses, Trubion shall periodically, but no more than once per Calendar Quarter, invoice Wyeth for its eighty percent (80%) share of expenses incurred. All invoices shall be accompanied by supporting documentation reasonably showing the expenses so incurred. Such invoices shall be paid within thirty (30) days of receipt. In the event Wyeth is the Party paying such expenses, Wyeth shall receive a credit in the amount of Trubion's share of such expenses, which credit shall be applied to royalties due to Trubion under Section 5.4, as adjusted under Section 5.4.6; *provided* that, no such royalty payment to Trubion shall be

reduced by more than fifty percent (50%) in any Calendar Quarter as a result of such credit. Any portion of the credit not utilized due to the limitations of the preceding sentence shall be carried over and credited to future royalty payments.

(c) **Interference, Opposition, Revocation, and Declaratory Judgment Actions.** If the Parties, though the Joint Patent Committee, mutually determine that, based upon the review of a Third Party's patent or patent application or other intellectual property rights, it may be desirable to provoke or institute an interference, opposition, revocation or declaratory judgment action with respect thereto, then the 'Parties shall consult with one another and shall reasonably cooperate in connection with such an action. Unless otherwise determined by the Joint Patent Committee, Wyeth will control such action and shall select counsel for such action. Wyeth shall be responsible for, and shall bear, all the out-of-pocket expenses of such action; *provided* that Trubion shall reimburse Wyeth for twenty percent (20%) of the out-of-pocket expenses incurred in connection therewith. Wyeth shall submit invoices to Trubion for such expenses, such invoices to be accompanied by supporting documentation reasonably showing the expenses so incurred. Trubion shall have the right to participate in and be represented by independent counsel in such action at its own expense.

6.2.4. **Patent Certifications.** Each Party shall immediately give written notice to the other of any certification of which it becomes aware filed pursuant to 21 U.S.C. *5* 355(b)(2)(A) or *5* 355(j)(2)(A)(vii) (or any amendment or successor statute thereto), any similar statutory or regulatory requirement enacted in the future regarding biologic products, or any similar statutory or regulatory requirement in any non-U.S. country in the Territory claiming that a Joint Patent Right, Wyeth Patent Right or a Trubion Patent Right covering a Licensed Product is invalid or that infringement will not arise from the Manufacture, use or sale of a product by a Third Party. Upon the giving or receipt of such notice, Wyeth shall have the first right, but not the obligation, to bring an infringement action against such Third Party. In such a case, Wyeth shall notify Trubion at least ten (10) days prior to the date set forth by statute or regulation of its intent to exercise, or not exercise, this right. Any infringement action against a Third Party arising under this Section 6.2.4 shall be governed by the provisions of Section 6.2.2(b) hereof.

6.2.5. Patent Term Restoration. The Parties hereto shall cooperate with each other in obtaining patent term restoration, or its equivalent anywhere in the Territory, including under 3 5 U.S .C. *5* 156 and its foreign counterparts, where applicable to the Trubion Patent Rights, Wyeth Patent Rights and Joint Patent Rights. If elections with respect to obtaining such patent term restoration are to be made, Wyeth shall make such election (after consultation with Trubion through the Joint Patent Committee) and Trubion shall abide by such election.

6.3. Trademarks. Wyeth shall, in its sole discretion select and own all Licensed Product-related Trademarks, trade dress, logos and copyrights and names to be used in connection with the Commercialization of any Licensed Product hereunder. Trubion shall neither use nor seek to register, anywhere in the Territory, any trademarks which are confusingly similar to any Trademark or any other trademarks, trade names, trade dress or logos used by or on behalf of Wyeth or its sublicensees in connection with any Licensed Product; *provided*, *however**, that nothing in this Section 6.3 shall be construed to prevent Trubion from enforcing its own trademark, trade name, trade dress or logo rights or affect the Parties' obligations under Section 4.13.

7. CONFIDENTIALITY.

7.1. Confidentiality. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing, the Parties agree that, for the term of this Agreement and for five (5) years thereafter, each Party (the "Receiving Party"), receiving any Confidential Information of the other Party (the "Disclosing Party") hereunder shall keep such Confidential Information confidential and shall not publish or otherwise disclose or use such Confidential Information for any purpose other than as provided for in this Agreement except for Confidential Information that the Receiving Party can establish:

(a) was already known by the Receiving Party (other than under an obligation of confidentiality), at the time of disclosure by the Disclosing Party and such Receiving Party has documentary evidence to that effect;

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

(c) became generally available to the public or otherwise part of the public domain after its disclosure or development, as the case may be, and other than through any act or omission of a Party in breach of this confidentiality obligation;

(d) was disclosed to that Party, other than under an obligation of confidentiality, by a Third Party who had 110 obligation to the Disclosing Party not to disclose such information to others; or

(e) was independently discovered or developed by or on behalf of the Receiving Party without the use of the Confidential Information belonging to the other Party and the Receiving Party has documentary evidence to that effect.

7.2. Authorized Disclosure and Use.

7.2.1. Disclosure. Notwithstanding the foregoing Section 7.1, each Party may disclose Confidential Information belonging to the other Party to the extent such disclosure is reasonably necessary to:

(a) file or prosecute patent applications covering Trubion Know-How, Wyeth Know-How or Joint Know-How as contemplated by this Agreement, in a manner consistent with decisions and recommendations of the Joint Patent Committee under Article 6, if the affected Party consents to such disclosure (such consent not to be unreasonably withheld or delayed); *provided* that a disclosure of a Party's Confidential Information under this Section 7.2.l(a) shall be treated as a publication under Section 7.4.3, and shall be subject to the requirements of advance notice, review period and opportunity to file patent application(s), as set forth in Section 7.4.3,

(b) prosecute or defend litigation,

(c) exercise rights hereunder provided such disclosure is covered by terms of confidentiality similar to those set forth herein,

(d) facilitate discussions with prospective investors (other than pharmaceutical or biotechnology companies) in connection with financing arrangements (not involving any license, collaboration or other arrangement relating to such Party's technology or products) or a proposed acquisition of such Party, subject to appropriate confidentiality agreements and limiting such disclosure to disclosure of the terms and conditions of this Agreement and Know-How to the extent contained in such Party's patent applications; and

(e) comply with applicable governmental laws and regulations.

In the event that a Party shall reasonably deem it necessary to disclose, pursuant to this Section 7.2.1, Confidential Information belonging to the other Party, the Disclosing Party shall to the extent possible give reasonable advance notice of such disclosure to the other Party and take reasonable measures to ensure confidential treatment of such information.

7.2.2. Use. Notwithstanding the foregoing Section 7.1, each Party shall have the right to use Confidential Information of the other Party in carrying out its responsibilities under this Agreement in the research, Development, Manufacture and Commercialization of Licensed Products.

7.3. SEC Filings. Either Party may disclose the terms of this Agreement to the extent required, in the reasonable opinion of such Party's legal counsel, to comply with applicable laws, including, without limitation, the rules and regulations promulgated by the United States Securities and Exchange Commission. Notwithstanding the foregoing, before disclosing this Agreement or any of the terms hereof pursuant to this Section 7.3, the Parties will reasonably consult with one another on the terms of this Agreement to be redacted in malting any such disclosure. If a Party discloses this Agreement or any of the terms hereof in accordance with this Section 7.3, such Party agrees, at its own expense, to seek confidential treatment 01 portions of this Agreement or such terms, as may be reasonably requested by the other Party.

7.4. Public Announcements; Publications

7.4.1. Coordination. The Parties agree on the importance of coordinating their public announcements respecting this Agreement and the subject matter thereof (other than academic, scientific or medical publications that are subject to the publication provision set forth below). Trubion and Wyeth shall, from time to time, and at the request of the other Party, discuss and agree on the general information content relating to this Agreement (including relating to the Research Program and Development Program, and/or to research, Development, Manufacture and/or Commercialization of Licensed Products) which may be publicly disclosed (including, without limitation, by means of any printed publication or oral presentation).

7.4.2. Announcements. Except as may be expressly permitted under Section 7.3 or Section 7.4.3 or as may be appropriate for Wyeth to make in connection with its Commercialization activities as contemplated hereunder, subject to Sections 7.1 and 7.2 hereof, neither Party will make any public announcement regarding this Agreement, the Research Program or the Development Program,

and/or the research, Development, Manufacturing or Commercialization of Licensed Products without the prior written approval of the other Party.

7.4.3. Publications. During the term of this Agreement, each Party will submit to the other Party for review and approval all proposed academic, scientific and medical publications and public presentations relating to the Research Program, the Development Program and/or to the research, Development, Manufacture and/or Commercialization of any Licensed Product, or any proposed disclosure under Section 7.2.l(a), for review in connection with preservation of Patent Rights and/or to determine whether any of such other Party's Confidential Information should be modified or deleted. Written copies of such proposed publications and presentations shall be submitted to the non-publishing Party no later than thirty (30) days before submission for publication or presentation and the non publishing Party shall provide its comments with respect to such publications and presentations within fifteen (1 5) business days of its receipt of such written copy. The review period may be extended for an additional thirty (30) days in the event the non-publishing Party can demonstrate reasonable need for such extension, including, but not limited to, the preparation and filing of patent applications. By mutual agreement, this period may be further extended. Wyeth and Trubion will each comply with standard academic practice regarding authorship of scientific publications and recognition of contribution of other parties in any publications relating to the Research Program, the Development Program and/or to the research, Development, Manufacture and/or Commercialization of any Licensed Product.

8. REPRESENTATIONS AND WARRANTIES.

8.1. Representations and Warranties of Each Party. Each or Trubion and Wyeth hereby represents and warrants to the other Party hereto as follows:

(a) it is a corporation or entity duly organized and validly existing under the laws of the state or other jurisdiction of its incorporation or formation;

(b) the execution, delivery and performance of this Agreement by such Party has been duly authorized by all requisite corporate action and does not require any shareholder action or approval;

(c) it has the power and authority to execute and deliver this Agreement and to perform its obligations and to grant the licenses granted by it to the other Party pursuant to this Agreement;

(d) the execution, delivery and performance by such Party of this Agreement and its compliance with the terms and provisions hereof does not and will not conflict with or result in a breach of any of the terms and provisions of or constitute a default under (i) any agreement or instrument binding or affecting it or the subject matter of this Agreement; (ii) the provisions of its charter or operative documents or bylaws; or (iii) any order, writ, injunction or decree of any court or governmental authority entered against it or by which any of its property is bound, except where such conflict, breach or default would not materially impact (A) the Party's ability to meet its obligations hereunder or (B) the rights granted to the other Party hereunder; and

(e) it has not granted to any Third Party any right or license which would conflict in any material respect with the rights granted by it to the other Party hereunder.

8.2. Additional Representations and Warranties of Trubion In addition to the representations and warranties made by Trubion in Section 8.1, Trubion, subject to Section 8.7, hereby represents and warrants to Wyeth that as of the Signing Date:

(a) except as disclosed in Exhibit 8.2(d) attached hereto, Trubion is the sole and exclusive owner of the Trubion Patent Rights and Trubion has not placed, or suffered to be placed, any liens, charges or encumbrances on or against the Trubion Patent Rights;

(b) Exhibit 1.129 is a true and complete list of Trubion Patent Rights that pertain to Licensed Products, *provided* that an inadvertent omission from such list may be cured by amending Exhibit 1.129;

(c) the Trubion Patent Rights are existing and, to Trubion's knowledge, no issued or granted patents within the Trubion Patent Rights are invalid or unenforceable;

(d) except as disclosed in Exhibit 8.2(d) attached hereto, Trubion has no knowledge that any Third Party has any right, title or interest in or to any of the Trubion Patent Rights;

(e) except as set forth in Exhibit 8.2(e) attached hereto, no Trubion Patent Right listed in Exhibit 1.129 attached hereto is subject to any funding agreement with any government or government agency;

(f) Trubion has received no written notice alleging infringement of a Third Party Patent Right in connection with its research and Development of SMIPs directed against a Trubion Target, and Trubion has disclosed to Wyeth all material information of which Trubion is aware as to whether the research, Development, Manufacture, use or sale of SMIPs directed against a Trubion Target, in the form that is the subject of the clinical studies ongoing as of the Signing Date, if such SMIPs were researched, Developed, Manufactured, used or sold as of the Signing Date, infringes or would infringe issued or granted patents owned by a Third Party as of the Signing Date;

(g) the Trubion Patent Rights are not subject to any litigation, judgments or settlements against or owed by Trubion, nor has Trubion received written notice of any threats of such litigation;

(h) Trubion is in compliance in all material respects with all agreements with Third Parties relating to Licensed Products that are sublicensed to Wyeth hereunder;

(i) Trubion has not knowingly used any Know-How misappropriated from a Third Party in connection with a Licensed Product to be provided for Commercialization under this Agreement, and Trubion is not aware of any claim by a Third Party that Know-How misappropriated from such Third Party has been used by Trubion in its Development of SMIPs directed against a Trubion Target; and

(j) the Trubion Patent Rights are not the subject of any interference, opposition, reissue or reexamination proceeding in the United States or, to the knowledge of Trubion, any opposition proceeding outside of the United States.

8.3. **Mutual Covenant.** Each Party covenants to the other Party that it shall at all times comply with all applicable material laws and regulations relating to its activities under this Agreement.

8.4. **Additional Covenants of Trubion.** During the term of this Agreement, Trubion will use diligent efforts not to materially breach any agreement between Trubion and a Third Party that provides Trubion Patent Rights pertaining to the research, Development, Manufacture or Commercialization of any Licensed Product, and it will provide Wyeth promptly with notice of any such alleged breach. The foregoing sentence shall not be construed to prevent the termination of any such Third-Party agreement by Trubion; *provided, however,* that Trubion shall not terminate any such Third-Party agreement without obtaining Wyeth's prior written consent, which consent shall not be unreasonably withheld or delayed. During the term of this Agreement, Trubion will not knowingly use any Know-How misappropriated from a Third Party in connection with any Licensed Product being provided for Commercialization under this Agreement.

8.5. **Representation by Legal Counsel.** Each Party hereto represents that it has been represented by legal counsel in connection with this Agreement and acknowledges that it has participated in the drafting hereof, In interpreting and applying the terms and provisions of this Agreement, the Parties agree that no presumption shall exist or be implied against the Party which drafted such terms and provisions.

8.6. **No Inconsistent Agreements.** Neither Party has in effect and after the Signing Date neither Party shall enter into any oral or written agreement or arrangement that would be inconsistent with its obligations under this Agreement.

8.7. **Disclaimer.** EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN SECTIONS 8.1, 8.2 AND 8.5, THE PARTIES MAKE NO REPRESENTATIONS AND EXTEND NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, AND PARTICULARLY THAT LICENSED PRODUCTS WILL BE SUCCESSFULLY DEVELOPED HEREUNDER, AND IF LICENSED PRODUCTS ARE DEVELOPED, WITH RESPECT TO SUCH LICENSED PRODUCTS, THE PARTIES DISCLAIM ALL IMPLIED WARRANTIES OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

9. GOVERNMENT APPROVALS; TERM AND TERMINATION.

9.1. **HSR Filing.** Each Party shall be responsible for its own costs, expenses, and filing fees associated with any HSR Filing; *provided, however,* that Wyeth shall be solely responsible for any fees (other than penalties that

may be incun-ed as a result of actions or omissions on the part of Trubion) required to be paid to any government agency in connection with making any such HSR Filing.

9.2. **Other Government Approvals.** Trubion and Wyeth will cooperate and use respectively all reasonable efforts to make all registrations, filings and applications, to give all notices and to obtain as soon as practicable all governmental or other consents, transfers, approvals, orders, qualifications authorizations, permits and waivers, if any, and to do all other things necessary or desirable for the consummation of the transactions as contemplated hereby.

9.3. **Term.** The term of this Agreement will commence on the Signing Date and shall extend, unless this Agreement is terminated earlier in accordance with this Article 9, on a Licensed Product by Licensed Product and country by country basis until such time as the Royalty Period with respect to the sale of such Licensed Product in such country expires.

9.4. **Termination Upon HSR Denial.** This Agreement shall terminate (a) at Wyeth's option, immediately upon written notice to Trubion, in the event that the United States Federal Trade Commission and/or the United States Department of Justice shall seek a preliminary injunction under the HSR Act against Trubion and Wyeth to enjoin the transactions contemplated by this Agreement, (b) at the election of either Party, immediately upon written notice to the other Party, in the event that the United States Federal Trade Commission and/or the United States Department of Justice shall obtain a preliminary injunction under the HSR Act against Trubion and Wyeth to enjoin the transactions contemplated by this Agreement, or (c) at the election of either Party, immediately upon written notice to the other Party, in the event that the HSR Clearance Date shall not have occurred on or prior to one hundred eighty (180) days after the effective date of the HSR Filing.

9.5. **Material Breach.** In the event that either Party commits a material breach of its representations, warranties or obligations under this Agreement, the other Party may terminate this Agreement (a) on a Licensed Target by Licensed Target and country by country basis, to the extent that such material breach relates to Licensed Product(s) directed against such Licensed Target(s) in such country(ies) or (b) in its entirety only if such material breach fundamentally frustrates the objectives or transactions contemplated by this Agreement taken as a whole. If a Party elects to exercise such right to terminate, it shall do so by providing written notice of the alleged breach (the "Notice of Breach") to the breaching Party. If such material breach pertains to the payment of undisputed amounts payable under this Agreement and remains uncured for thirty (30) days after the breaching Party's receipt of such Notice of Breach or, if such material breach pertains to another material breach (other than for non-payment) and

remains uncured for one hundred twcnty (120) days after the breaching Party's receipt of such Notice of Breach, then the non-breaching Party may terminate this Agreement, as and to the extent permitted in (a) or (b) above, on fifteen (15) days notice by giving a written notice of termination ("Notice of Termination") to the breaching Party; *provided, however,* that if such breach (other than for non-payment) is not susceptible to cure within the initial 120-day period and the breaching Party uses continuous, diligent, good faith efforts to cure such breach, it shall document such efforts by written notice to the non-breaching Party on or before the end of such 120-day period, and the stated cure period will be extended by an additional one hundred twenty (120) days. This Agreement shall be deemed terminated (as and to the extent permitted in (a) or (b) above) fifteen (1 5) days after the breaching Party's receipt of such Notice of Termination, unless the breaching Party has fully cured the breach prior to the expiration of such 15-day period.

In the event that Trubion is the breaching Party and fails to cure any such material breach within the applicable time period(s) set forth above, Wyeth, within sixty (60) days after the expiration 01 the cure period for such breach, may elect, in lieu of terminating this Agreement, by written notice to Trubion (a "Notice of Modification"), to modify the terms of this Agreement, as (and only to the extent) provided in Section 9.8, on a Licensed Target-by-Licensed Target and country-by-country basis (but only to the extent such material breach relates to Licensed Product(s) directed against such Licensed Target(s) in such country(ies)), in which event, Wyeth shall be deemed to have waived its right to terminate this Agreement under this Section 9.5 with respect to such Licensed Target(s) in such country(ies) only with respect to the material breach giving rise to such action under this Section 9.5. Notwithstanding the foregoing, a Party shall not be in breach of its obligations under this Agreement to the extent that such breach was caused by the other Party's failure to perform its obligations hereunder.

9.6. Termination by Wyeth.

9.6.1. Termination Without Cause. Commencing on the second anniversary of the Effective Date, Wyeth shall have the right, exercisable upon ninety (90) days prior written notice to Trubion, to terminate this Agreement either (a) in its entirety, or (b) on a Licensed Target by Licensed Target and country by country basis. Wyeth's rights under this Section 9.6.1 are separate from and in addition to its rights to terminate the Research Program under Section 3.3.2 hereof.

9.6.2. Termination for a Material Safety or Regulatory Issue. Wyeth shall have the right to terminate this Agreement, at any time, on a Licensed Target by Licensed Target basis, by giving

sixty (60) days prior written notice to Trubion in the event of any safety or regulatory issue that would have a material adverse effect on Wyeth's ability to research, Develop, Manufacture or Commercialize any Licensed Product directed against such Licensed Target, as determined in Wyeth's reasonable judgment and according to Wyeth's standard internal procedures for evaluating such safety or regulatory issues. Effects of such termination shall be as set forth in Section 9.7.4.

9.7. Effects of Termination.

9.7.1. Effect of Termination by Wyeth for Cause.

(a) Without limiting any other legal or equitable remedies that Wyeth or Trubion may have, subject to Section 11.3, if this Agreement is terminated in its entirety by Wyeth for cause under Section 9.5, the following provisions shall apply:

(i) all licenses granted by each Party to the other Party under this Agreement shall terminate (except as provided in Section 9.7.10 below);

(ii) during the one (1) year period after the effective date of such termination, Trubion shall have the right to negotiate with Wyeth an agreement which grants to Trubion a non-exclusive license (with the right to grant sublicenses) to practice, use and exploit the Wyeth Applied Technology with respect to the research, Development, Manufacture and Commercialization of Licensed Products on commercially reasonable terms. If Trubion exercises such right, Wyeth shall negotiate the terms of such license with Trubion diligently and in good faith; *provided* that, if Trubion and Wyeth negotiate, but do not enter into, such non-exclusive license, Wyeth shall not enter into any agreement granting a license to a Third Party under the Wyeth Applied Technology within one (1) year after the end of such negotiations on terms more favorable to such Third Party than those last offered by Wyeth to Trubion, without first offering Trubion, for a period of not less than sixty (60) days, the opportunity to review such terms after full disclosure thereof and enter into a non-exclusive license on such more favorable terms, and, if Trubion accepts such more favorable terms, the Parties shall promptly negotiate definitive agreements relating thereto;

(iii) during the one (1) year period after the effective date of such termination, Trubion shall have the right to negotiate with Wyeth for the transfer of Product Data and Filings to Trubion, and for the grant by Wyeth to Trubion of the right and license to use the Licensed Product-specific Trademarks and Product-specific names pertaining to the Licensed Product(s) as existing at the time of termination (collectively, "Existing Trademarks"), on commercially reasonable terms. If Trubion exercises such right, Wyeth shall negotiate the terms of such transfer and license with Trubion diligently and in good faith; *provided* that, if Trubion and Wyeth negotiate but do not enter into such an agreement, Wyeth shall not enter into any agreement granting such rights to a Third Party within one (1) year after the end of such negotiation on terms more favorable to such Third Party than those last offered by Wyeth to Trubion, without first offering Trubion, for a period of not less than sixty (60) days, the opportunity to review such terms after full disclosure thereof and enter into such an agreement on such more favorable terms, and, if Trubion accepts such more favorable terms, the Parties shall promptly negotiate definitive agreements relating thereto; and

(iv) subject to the provisions of Section 9.9, this Agreement shall be of no further force or effect.

(b) Without limiting any other legal or equitable remedies that Wyeth or Trubion may have, subject to Section 11.3, if this Agreement is terminated by Wyeth for cause under Section 9.5 with respect to a Licensed Target in all countries, but not in its entirety, the following provisions shall apply:

(i) if such Licensed Target is a Trubion Target, all of the Parties' rights and obligations under Article 3 in connection with the Research Program shall cease in their entirety; *provided* that all amounts due for research performed and costs incurred prior to the date of such termination shall remain payable in accordance with the provisions of Article 3;

(ii) if such Licensed Target is a Wyeth Target, all of the Parties' rights and obligations under Article 3 in connection with the Research Program shall continue, subject to Wyeth's option, exercisable in its sole discretion, to terminate the Research Program as

follows: Wyeth shall exercise such option to terminate the Research Program (if it so elects) by a written statement to that effect included in Wyeth's Notice of Termination (described in Section 9.5 above). If Wyeth exercises such option to terminate the Research Program, all of the Parties' rights and obligations under Article 3 in connection with the Research Program shall cease in their entirety fifteen (15) days after Trubion's receipt of such Notice of Termination; *provided* that all amounts due for research performed and costs incurred prior to the date of such termination shall remain payable in accordance with the provisions of Article 3;

(iii) if such terminated Licensed Target is the CD20 Antigen, Wyeth shall have no further obligation to reimburse Trubion under Section 4.6 with respect to expenses incurred after the effective date of termination;

(iv) all licenses granted by each Party to the other Party under this Agreement with respect to Licensed Products directed against such Licensed Target shall terminate (except as provided in Section 9.7.10 below);

(v) the provisions of Section 9.7.1(a)(ii), with such changes as are appropriate in the context of such limited termination, shall apply with respect to the Licensed Products directed against such Licensed Target; and

(vi) the provisions of Section 9.7.l(a)(iii), with such changes as are appropriate in the context of such limited termination, shall apply with respect to Product Data and Filings, and Existing Trademarks, relating to the Licensed Products directed against such Licensed Target.

(c) Without limiting any other legal or equitable remedies that Wyeth or Trubion may have, subject to Section 11.3, if this Agreement is terminated by Wyeth for cause under Section 9.5 with respect to all Licensed Targets in a country, but not in its entirety, the following provisions shall apply:

(i) if such country is a Major Market Country, all of the Parties' rights and obligations under Article 3 in

connection with the Research Program shall cease in their entirety; *provided* that all amounts due for research performed and costs incurred prior to the date of such termination shall remain payable in accordance with the provisions of Article 3;

(ii) if such country is not a Major Market Country, all of the Parties' rights and obligations under Article 3 in connection with the Research Program shall continue, subject to Wyeth's option, exercisable in its sole discretion, to terminate the Research Program as follows: Wyeth shall exercise such option to terminate the Research Program (if it so elects) by a written statement to that effect included in Wyeth's Notice of Termination (described in Section 9.5 above). If Wyeth exercises such option to terminate the Research Program, all of the Parties' rights and obligations under Article 3 in connection with the Research Program shall cease in their entirety fifteen (15) days after Trubion's receipt of such Notice of Termination; *provided* that all amounts due for research performed and costs incurred prior to the date of such termination shall remain payable in accordance with the provisions of Article 3;

(iii) all licenses granted by each Party to the other Party under this Agreement with respect to such country shall terminate (except as provided in Section 9.7.10 below); and

(iv) the term "Territory" as used in this Agreement shall thereafter exclude such country;

(v) except as provided in Section 9.9, neither Wyeth nor Trubion shall have any further obligations under this Agreement with respect to such country;

(vi) the provisions of Section 9.7.l(a)(ii), with such changes as are appropriate in the context of such limited termination, shall apply with respect to Licensed Products in such country; and

(vii) the provisions of Section 9.7.1(a)(iii), with such changes as are appropriate in the context of such limited termination, shall apply with respect to Product Data and Filings, and Existing Trademarks, relating to Licensed Products in such country.

9.7.2. Effect of Termination by Trubion for Cause

(a) Without limiting any other legal or equitable remedies that Trubion or Wyeth may have, subject to Section 11.3, if this Agreement is terminated in its entirety by Trubion for cause under Section 9.5, the following provisions shall apply:

(i) all licenses granted by each Party to the other Party under this Agreement shall terminate (except as provided in Section 9.7.10 below);

(ii) Wyeth and Trubion shall, upon Trubion's request, such request made within ninety (90) days after such termination, enter into negotiations of a non-execlusive license from Wyeth to Trubion under which Wyeth will grant to Trubion a non-exclusive license (with the right to grant sublicenses) to practice, use and exploit the Wyeth Applied Technology with respect to the research, Development, Manufacture and Commercialization of Licensed Products as constituted at the time of termination of this Agreement. The Parties hereby agree that such license shall include, inter alia, provisions whereby Trubion shall agree (A) to comply with the applicable requirements of any Third Party license to which the use or exploitation of such Wyeth Applied Technology is subject including, but not limited to the payment of royalties; (B) with respect to any CD20 Products or HER2 Products, to pay to Wyeth (I) if such termination occurs prior to BLA filing in a Major Market Country, royalties and Additional Research and Development Expense Payments in amounts equal to twenty-five percent (25%) of those amounts Wyeth would have been obligated to pay Trubion had this Agreement remained in full force and effect or (11) if such termination occurs after BLA filing in a Major Market Country, royalties and Additional Research and Development Expense Payments in amounts equal to fifty percent (50%) of those amounts Wyeth would have been obligated to pay Trubion had this Agreement remained in full force and effect; (C) with respect lo any Licensed Products other than CD20 Products and HER2 Products, to pay to Wyeth royalties and other non-royalty payments on commercially reasonable terms; and (D) that Trubion shall have no other financial obligations to Wyeth;

(iii) the provisions of Section 9.7.7 (Post-Termination Transfer of Product Data and Filings and Existing Trademarks) shall apply;

(iv) the provisions of Section 9.7.8 (Manufacturing of Licensed Products After Termination) shall apply; and

(v) subject to the provisions of Section 9.9, this Agreement shall be of no further force or effect.

(b) Without limiting any other legal or equitable remedies that Trubion or Wyeth may have, subject to Section 11.3, if this Agreement is terminated by Trubion for cause under Section 9.5 with respect to a Licensed Target in all countries, but not in its entirety, the following provisions shall apply:

(i) all of the Parties' rights and obligations under Article 3 in connection with the Research Program shall cease in their entirety; *provided* that all amounts due for research performed and costs incurred prior to the date of such termination shall remain payable in accordance with the provisions of Article 3;

(ii) if such terminated Licensed Target is the CD20 Antigen, Wyeth shall have no further obligation to reimburse Trubion under Section 4.6 with respect to expenses incurred after the effective date of termination;

(iii) all licenses granted by each Party to the other Party under this Agreement with respect to Licensed Products directed against such Licensed Target shall terminate (except as provided in Section 9.7.10 below);

(iv) the provisions of Section 9.7.2(a)(ii) (Wyeth's grant of a non-exclusive license to Trubion under Wyeth Applied Technology), with such changes as arc appropriate in the context of such limited termination, shall apply to Licensed Products directed against such Licensed Target;

(v) the provisions of Section 9.7.7 (Post-Termination Transfer of Product Data and Filings and Existing Trademarks), with such changes as are appropriate in the context of such limited termination, shall apply with respect to Product Data and Filings, and Existing Trademarks, related to Licensed Products directed against such Licensed Target; and

(vi) the provisions of Section 9.7.8 (Manufacturing of Licensed Products After Termination), with such changes as are appropriate in the context of such limited termination, shall apply with respect to Licensed Products directed against such Licensed Target.

(c) Without limiting any other legal or equitable remedies that Trubion or Wyeth may have, subject to Section 11.3, if this Agreement is terminated by Trubion for cause under Section 9.5 with respect to all Licensed Targets in a country, but not in its entirety, the following provisions shall apply:

(i) all of the Parties' rights and obligations under Article 3 in connection with the Research Program shall cease in their entirety; *provided* that all amounts due for research performed and costs incurred prior to the date of such termination shall remain payable in accordance with the provisions of Article 3;

(ii) all licenses granted by each Party to the other Party under this Agreement with respect to such country shall terminate (except as provided in Section 9.7.10 below);

(iii) the provisions of Section 9.7.2(a)(ii) (Wyeth's grant of a non-exclusive license to Trubion under Wyeth Applied Technology), with such changes as are appropriate in the context of such limited termination, shall apply to a non-exclusive license to research, Develop, Manufacture and Commercialize Licensed Products in such country;

(iv) the provisions of Section 9.7.7 (Post-Termination Transfer of Product Data and Filings and Existing Trademarks), with such changes as are appropriate in the context of such limited termination, shall apply with respect to Product Data and Filings, and Existing Trademarks, related to Licensed Products in such country; and

(v) the term "Territory" as used in this Agreement shall thereafter exclude such country.

9.7.3. Effect of Termination by Wyeth Without Cause.

(a) If this Agreement is terminated in its entirety by Wyeth under Section 9.6.1, the following provisions shall apply:

(i) all licenses granted by each Party to the other Party under this Agreement shall terminate (except as provided in Section 9.7.10 below);

(ii) the provisions of Section 9.7.2(a)(ii) (Wyeth's grant of a non-exclusive license to Trubion under Wyeth Applied Technology) shall apply;

(iii) the provisions of Section 9.7.7 (Post-Termination Transfer of Product Data and Filings and Existing Trademarks) shall apply;

(iv) the provisions of Section 9.7.8 (Manufacturing of Licensed Products After Termination) shall apply; and

(v) subject to the provisions of Section 9.9, this Agreement shall be of no further force or effect.

(b) If this Agreement is terminated by Wyeth under Section 9.6.1 with respect to a Licensed Target in all countries, but not in its entirety, the following provisions shall apply:

(i) all of the Parties' rights and obligations under Article 3 in connection with the Research Program shall cease in their entirety; *provided* that all amounts due for research performed and costs incurred prior to the date of such termination shall remain payable in accordance with the provisions of Article 3;

(ii) if such terminated Licensed Target is the CD20 Antigen, Wyeth shall have no further obligation to reimburse Trubion under Section 4.6 with respect to expenses incurred after the effective date of termination;

(iii) all licenses granted by each Party to the other Party under this Agreement with respect to Licensed Products directed against such Licensed Target shall terminate (except as provided in Section 9.7.10 below);

(iv) the provisions of Section 9.7.2(a)(ii) (Wyeth's grant of a non-exclusive license to Trubion under Wyeth Applied Technology), with such changes as are appropriate in the context of such limited termination, shall apply to a non-exclusive license to research, Develop, Manufacture and Commercialize Licensed Products directed against such Licensed Target;

(v) the provisions of Section 9.7.7 (Post-Termination Transfer of Product Data and Filings and Existing Trademarks), with such changes as are appropriate in the context of such limited termination, shall apply with respect to Product Data and Filings, and Existing Trademarks, related to Licensed Products directed against such Licensed Target; and

(vi) the provisions of Section 9.7.8 (Manufacturing of Licensed Products After Termination), with such changes as are appropriate in the context of such limited termination, shall apply with respect to Licensed Products directed against such Licensed Target.

(c) If this Agreement is terminated by Wyeth under Section 9.6.1 with respect to all Licensed Targets in a country, but not in its entirety, the following provisions shall apply:

(i) if such country is a Major Market Country, all of the Parties' rights and obligations under Article 3 in connection with the Research Program shall cease in their entirety; *provided* that all amounts due for research performed and costs incurred prior to the date of such termination shall remain payable in accordance with the provisions of Article 3; and if such country is not a Major Market Country, all of the Parties' rights and obligations under Article 3 in connection with the Research Program shall continue;

(ii) all licenses granted by each Party to the other Party under this Agreement with respect to such country shall terminate (except as provided in Section 9.7.10 below);

(iii) the provisions of Section 9.7.2(a)(ii) (Wyeth's grant of a non-exclusive license to Trubion under Wyeth Applied Technology), with such changes as are appropriate in the context of such limited termination, shall apply to a non-exclusive license to research, Develop, Manufacture and Commercialize Licensed Products in such country;

(iv) the provisions of Section 9.7.7 (Post-Termination Transfer of Product Data and Filings and Existing Trademarks), with such changes as are appropriate in the context of such limited termination, shall apply with respect to Product Data and Filings, and Existing Trademarks, related to Licensed Products in such country; and

(v) the term "Territory" as used in this Agreement shall thereafter exclude such country.

9.7.4. Effect of Termination by Wyeth for a Material Safety or Regulatory Issue. If this Agreement is terminated with respect to a Licensed Target by Wyeth under Section 9.6.2, the following provisions shall apply:

(a) all of the Parties' rights and obligations under Article 3 in connection with the Research Program shall continue;

(b) if such terminated Licensed Target is the CD20 Antigen, Wyeth shall have no further obligation to reimburse Trubion under Section 4.6 with respect to with respect to expenses incurred after the effective date of termination;

(c) all licenses granted by each Party to the other Party under this Agreement with respect to Licensed Products directed against such Licensed Target shall terminate (except as provided in Section 9.7.10 below);

(d) unless the basis of termination under Section 9.6.2 is the imposition of a. clinical hold by a Regulatory Authority, a determination by Wyeth to place a hold on further clinical studies of a Licensed Product directed against such Licensed Target (such determination to be made by Wyeth in accordance with its standard procedures of addressing such safety issues) or a withdrawal of a Licensed Product from the market for patient safety reasons, whether voluntary or otherwise, the provisions of Section 9.7.2(a)(ii) (Wyeth's grant of a non-exclusive license to Trubion under Wyeth Applied Technology), with such changes as are appropriate in the context of such limited termination, shall apply to a non-exclusive license to research, Develop, Manufacture and Commercialize Licensed Products directed against such Licensed Target;

(e) the provisions of Section 9.7.7 (Post-Termination Transfer of Product Data and Filings and Existing Trademarks), with such changes as are appropriate in the context of such limited termination, shall apply with respect to Product Data and Filings, and Existing Trademarks, related to Licensed Products directed against such Licensed Target; and

(f) unless the basis of termination under Section 9.6.2 is the imposition of a clinical hold by a Regulatory Authority, a determination by Wyeth to place a hold on further clinical studies of a Licensed Product directed against such Licensed Target (such determination to be made by Wyeth in accordance with its standard procedures of addressing such safety issues) or a withdrawal of a Licensed Product from the market for patient safety reasons, whether voluntary or otherwise, the provisions of Section 9.7.8 (Manufacturing of Licensed Products After Termination), with such changes as are appropriate in the context of such limited termination, shall apply with respect to Licensed Products directed against such Licensed Target.

9.7.5. Post-Termination Rights to Wyeth Technology and Trubion Technology. Except as otherwise expressly set forth in this Agreement, expiration or termination of this Agreement for any reason shall have no effect on Wyeth's rights with respect to the Wyeth Technology, and Trubion shall have no right, title or interest in or to any of the Wyeth Technology, and such expiration or termination shall have no effect on Trubion's rights with respect to the Trubion Technology, and Wyeth shall have no right, title or interest in or to any of the Trubion Technology.

9.7.6. Post-Termination Licenses to Wyeth Technology. In the event that Wyeth grants to Trubion a license under any Wyeth Technology pursuant to Section 9.7.1, 9.7.2, 9.7.3 or 9.7.4, such license shall include, *inter alia*, provisions whereby Trubion shall agree to comply with the applicable requirements of any Third Party license to which the use or exploitation of any such items may be subject including, but not limited to, the payment of royalties.

9.7.7. Post-Termination Transfer of Product Data and Filings and Existing Trademarks. The following provisions shall apply in the event of termination by Trubion under Section 9.5 or termination by Wyeth under Section 9.6. To the extent permitted by applicable law, Wyeth shall assign and transfer to

Trubion Wyeth's entire right, title and interest in and to Product Data and Filings, provide copies of all the Research Program Data, and license or otherwise transfer rights to Existing Trademarks that are necessary or useful for Trubion to continue to research, Develop, Manufacture or Commercialize Licensed Products as constituted at the time of termination. To the extent such Research Program Data, Product Data and Filings and other rights or items were previously transferred from Trubion to Wyeth, Wyeth shall perform such transfer at no cost to Trubion. To the extent such Research Program Data and Product Data and Filings were not previously transferred from Trubion to Wyeth, Trubion shall reimburse Wyeth for its reasonable out-of-pocket expenses in connection with such transfer, and such transfer shall be pursuant to an instrument in form and substance reasonably satisfactory to Trubion. Wyeth shall perform all other actions reasonably requested by Trubion to effect and confirm such transfer. After receipt of Trubion's request consistent with the foregoing, Wyeth shall provide to Trubion, within sixty (60) days of receipt of such request, complete copies of such Product Data and Filings, including, without limitation, relevant clinical data, INDs, additional regulatory filings with FDA or other Regulatory Authorities, supplements or amendments thereto, all written correspondence with FDA or other Regulatory Authorities regarding the regulatory filings, and all existing written minutes of meetings and memoranda of conversations between Wyeth (including, to the extent practicable, Wyeth's investigators) and FDA or other Regulatory Authorities in Wyeth's possession (or in the possession of any of Wyeth's agents and subcontractors, such as contract research organizations used by Wyeth), to the extent Wyeth has the right to access and provide to Trubion such Product Data and Filings, regarding such regulatory filings, each to the extent they relate to Licensed Products. Within thirty (30) days (or such later date as Trubion may request) after the date of receipt of Trubion's request, Wyeth shall execute and deliver a letter to the FDA or other Regulatory Authorities, in a form approved by Trubion, transferring ownership to Trubion of such regulatory filings, if any, filed in the name of Wyeth that are related to Licensed Products.

9.7.8. Manufacturing of Licensed Products After Termination. If (a) with respect to a particular Licensed Target, Trubion terminates this Agreement pursuant to Section 9.5 hereof or Wyeth terminates this Agreement pursuant to Section 9.6 hereof, and (b) Wyeth is engaged in the Manufacturing of a Licensed Product directed against such Licensed Target on the date the terminating Party gives notice of termination under Section 9.5

or Section 9.6, as the case may be, then Wyeth shall Manufacture such Licensed Product for Trubion and use Commercially Reasonable Efforts to supply Trubion with its entire requirements of such Licensed Product until (i) the three (3) year anniversary of the effective date of such termination if at the time of such notice there shall have been filed a Regulatory Approval Application for such Licensed Product or (ii) the two (2) year anniversary of the effective date of such termination if at the time of such notice there shall not have been filed a Regulatory Approval Application for such Licensed Product; *provided, however,* that (w) Wyeth shall not be required to conduct any activities to increase the scale on which it is then Manufacturing such Licensed Product, (x) Wyeth shall not be required to Manufacture or supply such Licensed Product in an amount in excess of its available capacity in the Manufacturing suite that was used by Wyeth for the Manufacture of such Licensed Product (taking into account the other uses Wyeth is making of the manufacturing suite as of the date of the Notice of Termination) or to change the location of the Manufacturing activities, (y) Wyeth shall have no obligation to maintain idle capacity in such manufacturing suite for purposes of meeting such Manufacturing obligations and (z) Wyeth may at its option assign to Trubion one or more of its Licensed Product manufacturing agreements with Third Parties, to the extent assignable, in lieu of continuing to contract directly with such Third Parties. The purchase price for such Licensed Product units actually Manufactured by Wyeth shall be at Wyeth's fully absorbed manufacturing cost plus twenty percent (20%), and Wyeth's obligations under this Section 9.7.8 shall be subject to the execution of a supply agreement and a quality agreement, each mutually acceptable to both Parties, which agreements shall contain the terms set forth in this Section 9.7.8 and such other reasonable terms as mutually agreed by the Parties.

9.7.9. Post-Termination Disposition of Inventories of Licensed Products. Following termination of this Agreement with respect to one or more Licensed Targets, Wyeth and its sublicensees shall have the right to continue to sell their existing inventories of Licensed Products directed against such Licensed Targets for a period not to exceed one hundred eighty (180) days after the effective date of such termination. Wyeth shall pay royalties and report on such sales, and maintain records thereon, in accordance with Sections 5.4, 5.5 and 5.6, which shall survive termination for such purpose.

9.7.10. Continuation of Rights and Licenses Under Sections 6.1.1 and 6.1.2. Notwithstanding anything in this Section 9.7 to the contrary, the Parties' rights and licenses set forth in Sections 6.1.1 and 6.1.2 shall survive any expiration or termination of this Agreement.

9.7.11. Continuation of Other Rights and Obligations. Except as expressly provided to the contrary in this Section 9. 7, in the event that a Party exercises any right that results in the termination of some, but not all, of the Parties' rights and obligations under this Agreement, all non-terminated rights and obligations of the Parties shall continue in full force and effect.

9.8. Modification of Agreement Terms by Wyeth. Without limiting any other legal or equitable remedies that Wyeth or Trubion may have, subject to Section 11.3, in the event that Wyeth elects to modify the terms of this Agreement as provided in Section 9.5, in lieu of terminating this Agreement under Section 9.5, with respect to one or more Licensed Targets identified by Wyeth in its Notice of Modification (the "Designated Target(s)"), the following terms shall apply:

9.8.1. except as set forth in Section 9.8.4 below, all rights and obligations of the Parties under this Agreement shall continue in full force and effect, and shall not be subject to any unilateral modification by Wyeth; *provided* that, if the Designated Target is the CD20 Antigen, Trubion shall have no further option to Co-Promote CD20 Products under Section 4.11 and the JDC and JPT shall have no further jurisdiction over Licensed Products directed against such CD20 Antigen that is such Designated Target;

9.8.2. all licenses granted by Trubion to Wyeth under this Agreement with respect to Licensed Products directed against each Designated Target shall remain in effect;

9.8.3. all of the Parties' rights and obligations under Article 3 in connection with the Research Program shall cease in their entirety; *provided* that all amounts due for research performed and costs incurred prior to the date of such termination shall remain payable in accordance with the provisions of Article 3; and

9.8.4. only in the event of (i) a material breach by Trubion of Section 2.3.1 or 2.3.2; or (ii) a material breach by Trubion of Section 8.1(e), 8.2(c) or 8.2(d); or (iii) a material breach by Trubion of Section 8.2(a) (and, in the case of a material breach by Trubion of Section 8.2(a), only where Wyeth establishes that Trubion

had knowledge, as of the Signing Date, that Trubion was not the sole and exclusive owner of the Trubion Patent Rights or that Trubion had placed, or suffered to be placed, any liens, charges or encumbrances on or against the Trubion Patent Rights); or (iv) if during the term of this Agreement, Trubion grants to a Third Party a right or license that conflicts in a material respect with Wyeth's then-existing rights under this Agreement pertaining to such Licensed Target(s), and thereby materially breaches Trubion's obligations hereunder, then:

(a) Wyeth's diligence obligations to use Commercially Reasonable Efforts under Sections 4.1 and 4.10 shall no longer apply to Licensed Products directed against such Designated Target;

(b) the amount of any Additional Research and Development Expense Payment that Wyeth thereafter becomes obligated to pay under Section 5.3 relating to Licensed Products directed against such Designated Target shall be reduced by fifty percent (50%) of such amount; and

(c) the amounts of any royalties that Wyeth thereafter becomes obligated to pay under Section 5.4 relating to Licensed Products directed against such Designated Target shall be reduced by fifty percent (50%) of such amounts.

9.9. Survival of Certain Obligations. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accrued or accruing before such expiration or termination (including situations where it becomes clear only after the time of such expiration or termination that such obligation had already accrued). The following provisions shall survive the expiration or termination of this Agreement: Article 1 (to the extent definitions are embodied in the following listed Articles and Sections); Sections 3.6.3, 3.7, 5.6, 6.1.1, 6.1.2, 9.2, 9.5, 9.6, 9.7, 9.9, 9.10.2, 12.3, 12.6, 12.8, 12.9, 12.10, 12.11 and 12.12; and Articles 7, 10 and 11. Any expiration or early termination of this Agreement shall be without prejudice to the rights of either Party against the other accrued or accruing under this Agreement before expiration or termination, including, without limitation, the obligations (1) to provide research funding and reimbursement of expenses for activities undertaken prior to such expiration or termination under and in accordance with Sections 3.6.1, 3.6.2, 4.6, 4.9, 6.1.3, 6.2.1(a), (c) and (d), 6.2.2(b) and (c), and 6.2.3(b) and (c); and (2) to pay royalties for Licensed Products sold before such expiration or termination, and, to the extent permitted under Section 9.7.9, after expiration or termination in accordance with Section 5.4 (and subject to the related obligations under Section 5.5); and (3) to pay any Additional Research and Development Expense Payments in connection with any events specified on Exhibit 5.3 that are achieved prior to such expiration or termination, but with respect to which the corresponding payments under Exhibit 5.3 were not paid prior to such expiration or termination.

9.10. Change of Control.

9.10.1. Definition. With respect to any Party, a "Change of Control" means an event in which: (a) any other person or group of persons (as the term "person" is used for purposes of Section 13(d) or 14(d) of the Exchange Act) not then beneficially owning more than fifty percent (50%) of the voting power of the outstanding securities of such Party acquires or otherwise becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of securities of such Party representing more than fifty percent (50%) of the voting power of the then outstanding securities of such Party with respect to the election of directors of such Party; or (b) such Person (i) consummates a merger, consolidation or similar transaction with another Person where the voting securities of such Party outstanding immediately preceding such transaction (or the voting securities issued with respect to the voting securities of such Party outstanding immediately preceding such transaction) represent less than fifty percent (50%) of the voting power of such Party or surviving entity, as the case may be, immediately following such transaction, (ii) sells or otherwise transfers to any Person(s) in one or more related transactions more than fifty percent (50%) of its consolidated total assets, or assets from which more than fifty percent (50%) of its consolidated operating income for its most recent financial year was derived, (iii) disposes by sale, assignment, exclusive license or otherwise of all or substantially all of its intellectual property rights, except for licenses under such intellectual property rights in the ordinary course of business and any isolated sale or assignment of specific items of intellectual property, or (iv) liquidates, dissolves or winds-up; or (c) with respect to Wyeth and with respect to Trubion, (at any time following any public offering of voting securities by Trubion), any "person" (as the term "person" is used for the purposes of Sections 13(d) or 14(d) of the Exchange Act) other than Wyeth acquires nineteen and nine-tenths percent (19.9%) or more of the voting power of the then-outstanding voting securities of such Party.

9.10.2. Change of Control of Wyeth.

(a) In the event that any transaction results in a Change of Control of Wyeth, Trubion shall be entitled to request further written assurances from the successor in interest to Wyeth (the "Successor Party") re-affirming the commitment of the Successor Party to comply with the terms and conditions of the Agreement. Such further written assurances shall be delivered within ninety (90) days of written request by Trubion. Trubion may so request at any time during the one-hundred eighty (180) day period following completion of the subject transaction. Subject to the operation of Section 9.10.2(b) below, the failure of such Successor Party to provide the requested written assurance shall be deemed to be a material breach of the Agreement.

(b) In the event that in connection with, or during the twelve (12) month period following, a Change of Control of Wyeth, Wyeth or the Successor Party is required, or voluntarily decides, to divest itself of one or more Licensed Products, Wyeth or the Successor Party, subject to any restrictions or limitations imposed by the Federal Trade Commission or other governmental agency on such divestiture, shall offer to Trubion an exclusive opportunity to negotiate the acquisition or license of all rights of Wyeth or such Successor Party, as the case may be, to such Licensed Product(s) on commercially reasonable terms. In the event that Trubion and the Successor Party, after ninety (90) days' good faith negotiations, are unable to conclude a definitive agreement regarding the acquisition or license of such Licensed Product(s), the Successor Party shall be entitled to divest itself of such Licensed Product(s) to a party other than Trubion; *provided, however,* no such divestiture to a Third Party shall take place on terms more favorable to such Third Party than those last offered by the Successor Party to Trubion, without first offering such Licensed Product(s) to Trubion on such more favorable terms. Such Third Party shall be required to assume all of the Successor Party's obligations owed to Trubion pursuant to this Agreement with respect to the Licensed Product(s) so divested.

(c) In the event of a Change of Control of Wyeth, the restrictive covenants set forth in Sections 2.3.1 and 2.3.2 (the "Exclusivity Covenants") shall apply to the Successor Party's then-existing Development and Commercialization activities that otherwise would violate the Exclusivity Covenants (the "Existing Activities"). In such event, Trubion shall have the right, exercisable upon written notice given by Trubion (an "Exercise Notice") within thirty (30) days after consummation of the Change of

Control, to require such Successor Party to engage in good faith discussions regarding the terms and conditions on which such Successor Party would pay reasonable financial consideration to Trubion with respect to such Existing Activities. If Trubion and such Successor Party do not agree on such terms and conditions within ninety (90) days after Trubion gives the Exercise Notice (or such longer period as may be agreed to by such parties), or if such Successor Party notifies Trubion in writing during such ninety (90) day period that it does not desire to engage in such discussions, Trubion shall have the right, exercisable upon written notice given by Trubion within ten (10) days (i) after the end of such ninety (90) day period (or such longer period as agreed to by such parties) or (ii) after receipt of such notice from such Successor Party, to require such Successor Party to enter into an agreement to divest to a Third Party either (a) the Existing Activities or (b) the relevant CD20 Products or HER2 Products, as the case may be (such Third Party, in the case of a divestiture of the relevant CD20 Products or HER2 Products, to be reasonably acceptable to Trubion) within one (1) year after the date of such notice by Trubion, subject to applicable governmental and regulatory approval. If such Successor Party does not enter into an agreement with a Third Party (such Third Party, in the case of a divestiture of the relevant CD20 Products or HER2 Products, to be reasonably acceptable to Trubion) to divest such Existing Activities or such Products within such one (1) year period (or if such Successor Party does enter into such an agreement but such agreement terminates after such one (1) year period and such divestiture is not consummated) or if such Successor Party notifies Trubion in writing that it does not intend to divest such Existing Activities or such Products, Trubion shall have the right, exercisable within (30) days after the end of such one (1) year period (or upon termination of such agreement, if later) to terminate, in its sole discretion, all CD20-related licenses (only where such Existing Activities relate to products directed against the CD20 Antigen which would otherwise violate Wyeth's exclusivity covenants in Section 2.3.1 hereof) and/or all HER2-related licenses (only where such Existing Activities relate to products directed against the HER2 Antigen which would otherwise violate Wyeth's exclusivity covenants in Section 2.3.2 hereof) granted to Wyeth under the Agreement, on those terms and subject to those conditions that would apply to a termination by Wyeth without cause.

9.10.3. Change of Control of Trubion. In the event of a Change of Control of Trubion where the acquiring party is a top fifteen (15) pharmaceutical company (measured by market capitalization), Wyeth shall have the right to terminate the Co-Promotion rights of Trubion provided for in Section 4.11 above by giving written notice to Trubion.

10. INDEMNIFICATION AND INSURANCE.

10.1. Indemnification by Wyeth. Wyeth will indemnify, defend and hold harmless Trubion, and each of its respective employees, officers, directors and agents (each, a "Trubion Indemnified Party") from and against any and all liability, loss, damage, expense (including reasonable attorneys' fees and expenses) and cost (collectively, "Liabilities") that the Trubion Indemnified Party may be required to pay to one or more Third Parties resulting from or arising out of:

(a) any claims of any nature pertaining to any act or omission related to performance under this Agreement by, on behalf of, or under the authority of Wyeth (other than by any Trubion Indemnified Party) including, but not limited to, research, Development, Manufacture or Commercialization of Licensed Product(s) or any violation of applicable law, rule or regulation by, on behalf of, or under the authority of Wyeth (other than by any Trubion Indemnified Party); and/or

(b) any Wyeth representation or warranty set forth herein being untrue in any material respect when made;

except in each case, to the extent caused by the negligence or willful misconduct of Trubion or any other Trubion Indemnified Party.

10.2. Indemnification by Trubion. Trubion will indemnify, defend and hold harmless Wyeth and its sublicensees, distributors and each of its and their respective employees, officers, directors and agents (each, a "Wyeth Indemnified Party") from and against any and all Liabilities that the Wyeth Indemnified Party may be required to pay to one or more Third Parties resulting from or arising out of:

(a) any claims of any nature pertaining to any act or omission related to performance under this Agreement by, on behalf of, or under the authority of Trubion (other than by any Wyeth Indemnified Party) or any violation of applicable law, rule or regulation by, on behalf of, or under the authority of Trubion (other than by any Wyeth Indemnified Party); and/or

(b) any Trubion representation or warranty set forth herein being untrue in any material respect when made;

except in each case, to the extent caused by the negligence or willful misconduct of Wyeth or any other Wyeth Indemnified Party.

10.3. **Procedure.** Each Party will notify the other in the event it becomes aware of a claim for which indemnification may be sought hereunder. In case any proceeding (including any governmental investigation) shall be instituted involving any Party in respect of which indemnity may be sought pursuant to this Article 10, such Party (the "Indemnified Party") shall promptly notify the other Party (the "Indemnifying Party") in writing within fifteen (15) days and the Indemnifying Party and Indemnified Party shall meet to discuss how to respond to any claims that are the subject matter of such proceeding. The Indemnifying Party, upon request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and shall pay the fees and expenses of such counsel related to such proceeding. The Indemnified Party agrees to cooperate fully with the Indemnifying Party in the defense of any such claim, action or proceeding, or any litigation resulting from any such claim. In any such proceeding, the Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless (a) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (b) the named parties to any such proceeding (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and representation of both Parties by the same counsel would be inappropriate due to actual or potential differing interests between them. All such fees and expenses shall be reimbursed as they are incurred. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. The Indemnifying Party shall not, without the written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which the Indemnified Party is, or arising out of the same set of facts could have been, a party and indemnity could have been sought hereunder by the Indemnified Party, unless such settlement includes an unconditional release of the Indemnified Party from all liability on claims that are the subject matter of such proceeding.

10.4. **Insurance.** Each Party shall use Commercially Reasonable Efforts to obtain and maintain, during the term of this Agreement, commercial general liability insurance, including products liability insurance, with reputable and financially secure insurance carriers to cover its indemnification obligations under Sections 10.1 or 10.2, as applicable, or self-insurance, in each case with limits of not less than Five Million Dollars ($5,000,000.00) per occurrence and in the aggregate. Insurance shall be procured with carriers having an A.M. Best Rating of A-VII or better.

11. DISPUTE RESOLUTION.

11.1. **General**. Any controversy, claim or dispute arising out of or relating to this Agreement shall be settled, if possible, through good faith negotiations between the Parties. If, however, the Parties are unable to settle such dispute after good faith negotiations, the matter shall be referred to the Executive Officers to be resolved by negotiation in good faith as soon as is practicable but in no event later than thirty (30) days after referral. Such resolution, if any, of a referred issue shall be final and binding on the Parties.

11.2. **Failure of Executive Officers to Resolve Dispute**. If the Executive Officers are unable to settle the dispute after good faith negotiation in the manner set forth above, either Party (including its successors and permitted assigns but excluding its Affiliates unless an Affiliate is a successor or permitted assign) may seek resolution of the dispute through any remedies available at law or in equity from any court of competent jurisdiction.

11.3. **Disclaimer of Consequential and Punitive Damages**. Subject to and without limiting the indemnification obligations of each Party under Article 10, under no circumstances shall either Party be liable to the other Party for consequential or punitive damages arising out of or relating to this Agreement or any breach thereof. Both Parties hereby disclaim such damages.

12. MISCELLANEOUS.

12.1. **Periodic Executive Meetings**. The Chief Executive Officer of Trubion, the Senior Vice President, Research and Development of Trubion, the Executive Vice President and General Manager of the Wyeth Pharmaceuticals Biopharma Business Unit and the Executive Vice President and Operating Officer of Wyeth's Research Division (and such other executive officers of the Parties as may be designated from time to time by the Parties) shall meet from time to time during the first five (5) years of the term of this Agreement to review and discuss the Parties' activities under this Agreement. Such meetings will be held on a quarterly basis or such other periodic basis as such executive officers decide, and will take place in locations selected by such executive officers. Such meetings may take place by telephone or video conference.

12.2. **Assignment.** Neither this Agreement nor any interest hereunder shall be assignable by either Party, without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed, except a Party may make such an assignment without the other Party's consent to Affiliates or to a successor to substantially all of the business of such Party to which this Agreement relates, whether in merger, sale of stock, sale of assets or other transaction. This Agreement shall be binding upon the successors and permitted assigns of the Parties, and the name of a Party appearing herein shall be deemed to include the names of such Party's successors and permitted assigns to the extent necessary to carry out the intent of this Agreement. In addition to the foregoing, Trubion may assign its right, in whole or part, to receive payments under this Agreement; *provided, however,* Trubion shall notify Wyeth of its intention to do so and shall provide Wyeth an opportunity for at least thirty (30) days to negotiate in good faith the purchase of any such right Trubion intends to so assign. Any assignment not in accordance with this Section 12.2 shall be void.

12.3. **Further Actions**. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of the Agreement.

12.4. **Force Majeure.** Neither Party shall be liable to the other for delay or failure in the performance of the obligations on its part contained in this Agreement if and to the extent that such failure or delay is due to circumstances beyond its control which it could not have avoided by the exercise of reasonable diligence. It shall notify the other Party promptly should such circumstances arise, giving an indication of the likely extent and duration thereof, and shall use all Commercially Reasonable Efforts to resume performance of its obligations as soon as practicable; *provided, however,* that neither Party shall be required to settle any labor dispute or disturbance.

12.5. **Non-Solicitation.** During the period between the Effective Date and the later of (a) the end of the Research Term or (b) the date on which Trubion completes the activities to be conducted by Trubion pursuant to Section 4.6, but in the case of (a) and (b) not later than the fifth anniversary of the Effective Date, neither Trubion nor the Wyeth pharmaceuticals business operating in the United States ("U.S. Wyeth Pharmaceuticals") shall solicit for employment any key or technical employee(s) of the other Party who become known to U.S. Wyeth Pharmaceuticals or Trubion, as the case may be, through the transactions contemplated by this Agreement without the other's prior written consent (which consent may be granted or denied in the other's sole discretion); *provided, however*, that nothing in this Section 12.5 shall prohibit U.S. Wyeth Pharmaceuticals or Trubion, as the case may be, from hiring any employees of the other who respond to general employment solicitations not targeted at the employees of the other, advertised employment opportunities, or hiring by the other by personnel not working on the transactions contemplated by this Agreement or who are not otherwise directly or indirectly exposed to the personnel working thereon.

12.6. Correspondence and Notices.

12.6.1. Ordinary Notices. Correspondence, reports, documentation, and any other communication in writing between the Parties in the course of ordinary implementation of this Agreement shall be delivered by hand, sent by facsimile transmission (receipt verified), or by airmail to the employee or representative of the other Party who is designated by such other Party to receive such written communication.

12.6.2. Extraordinary Notices. Extraordinary notices and other communications hereunder (including, without limitation, any notice of force majeure, breach, termination, change of address, etc.) shall be in writing and shall be deemed given if delivered personally or by facsimile transmission (receipt verified), mailed by registered or certified mail (return receipt requested), postage prepaid, or sent by nationally recognized express courier service, to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice; *provided, however,* that notices of a change of address shall be effective only upon receipt thereof):

All correspondence to Wyeth shall be addressed as follows:

Wyeth Pharmaceuticals
500 Arcola Road
Collegeville, Pennsylvania 19426
Attn: Senior Vice President, Corporate Business Development
Fax: (484) 865-6476

with a copy to:

Wyeth
5 Giralda Farms
Madison, New Jersey 07940
Attn: Executive Vice President and General Counsel
Fax: (973) 660-7156

All correspondence to Trubion shall be addressed as follows:

Trubion Pharmaceuticals, Inc.
2401 4th Avenue
Suite 1050
Seattle, Washington 98121
Attn: President & CEO
Fax: (206) 838-0503

with a copy to:

Trubion Pharmaceuticals, Inc.
Vice President, Legal Affairs
2401 4th Avenue
Suite 1050
Seattle, Washington 98121
Fax: (206) 838-0503

12.7. **Amendment**. No amendment, modification or supplement of any provision of this Agreement shall be valid or effective unless made in writing and signed by a duly authorized officer of each Party.

12.8. **Waiver**. No provision of the Agreement shall be waived by any act, omission or knowledge of a Party or its agents or employees except by an instrument in writing expressly waiving such provision and signed by a duly authorized officer of the waiving Party. The waiver by either of the Parties of any breach of any provision hereof by the other Party shall not be. construed to be a waiver of any succeeding breach of such provision or a waiver of the provision itself.

12.9. **Severability**. If any clause or portion thereof in this Agreement is for any reason held to be invalid, illegal or unenforceable, the same shall not affect any other portion of this Agreement, as it is the intent of the Parties that this Agreement shall be construed in such fashion as to maintain its existence, validity and enforceability to the greatest extent possible. In any such event, this Agreement shall be construed as if such clause of portion thereof had never been contained in this Agreement, and there shall be deemed substituted therefor such provision as will most nearly carry out the intent of the Parties as expressed in this Agreement to the fullest extent permitted by applicable law.

12.10. **Descriptive Headings**. The descriptive headings of this Agreement are for convenience only, and shall be of no force or effect in construing or interpreting any of the provisions of this Agreement.

12.11. **Governing Law**. This Agreement shall be governed by and interpreted in accordance with the substantive laws of the State of New York, without regard to conflict of law principles thereof.

12.12. **Entire Agreement of the Parties**. This Agreement constitutes and contains the complete, final and exclusive understanding and agreement of the Parties and cancels and supersedes any and all prior negotiations, correspondence, understandings and agreements, whether oral or written, among the Parties respecting the subject matter hereof and thereof, including, but not limited to, that certain Non-Disclosure Agreement of the Parties effective May 27, 2004. For the avoidance of doubt, disclosures made under such Confidentiality Agreement shall continue to be subject to the terms of this Agreement as if first disclosed pursuant hereto. Except as expressly set forth in this Agreement, neither Party shall have any other obligations, whether by implication or otherwise, with respect to the research, Development, Manufacture or Commercialization of Licensed Products.

12.13. **Independent Contractors**. Both Parties are independent contractors under this Agreement. Nothing herein contained shall be deemed to create an employment, agency, joint venture or partnership relationship between the Parties hereto or any of their agents or employees, or any other legal arrangement that would impose liability upon one Party for the act or failure to act of the other Party. Neither Party shall have any express or implied power to enter into any contracts or commitments or to incur any liabilities in the name of, or on behalf of, the other Party, or to bind the other Party in any respect whatsoever.

12.14. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which need not contain the signature of more than one Party but all such counterparts taken together shall constitute one and the same agreement. Facsimile signatures shall be binding upon the Parties and shall be treated as if originals.

IN WITNESS WHEREOF, duly authorized representatives of the Parties have duly executed this Agreement to be effective as of the Signing Date.

WYETH,
acting through its
Wyeth Pharmaceuticals Division

By 

Name:
Title:

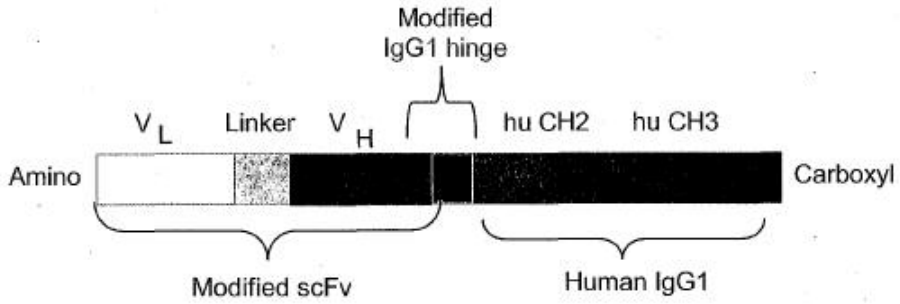
TRUBION
PHARMACEUTICALS, INC.

By /s/ Peter A. Thompson
Name: Peter A. Thompson, M.D.
Title: President & CEO

EXHIBIT 1.122
TRU-015

TRU-015 is the designation for a recombinant chimeric (murine/human) single chain protein that binds to CD20, a lineage-restricted protein present on the surface of B lymphocytes. TRU-015 is composed of three distinct domains: (1) a binding domain based on the publicly available 2H7 antibody sequence that binds to human CD20; the heavy and light chain variable regions are connected by a 15-amino acid linker; (2) a modified human IgG1 hinge domain; and (3) an IgG effector domain consisting of the CH2 and CH3 domains of human IgG1.

TRU-015 Domains



Monomeric TRU-015 contains 477 amino acid residues resulting in an approximate theoretical molecular weight of 52,161 Da and a theoretical pl of 8.36. TRU-015 exists as a dimer in solution and has a theoretical weight of 106,000 Da. It exhibits the properties of selective binding, long half-life, and effector functions. Trubion has termed this type of molecule a “small modular immunopharmaceutical”.

As of the Signing Date, TRU-015 is investigated in the Phase IIa Clinical Study.

EXHIBIT 1.129
TRUBION PATENT RIGHTS

MOLECULES FOR THERAPY OF B CELL DISEASES	United States	60/367,358	01/17/2001
RECOMBINANT SIGNALING RECEPTORS FOR TUMOR GENE THERAPY	United States	60/385,691	06/03/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	United States	10/053,530	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	United States	11/088,693	03/23/2005
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	United States	11/088,570	03/23/2005
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	United States	11/089,511	03/23/2005
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	United States	11/089,367	03/23/2005
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	United States	11/088,569	03/23/2005
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	United States	11/089,368	03/23/2005
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	United States	11/089,190	03/23/2005
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	United States	11/088,737	03/23/2005
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	United States	10/207,655	07/25/2002

BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	United States	10/627,556	07/26/2003
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	International	PCT/US02/01487	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	Australia	2002241922	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	Canada	2,433,877	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	China	02803820.7	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	Europe	02707519.1	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	Hong Kong	03109369.1	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	Israel	156,955	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	Japan	2002-557417	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	Korea	10-2003-7009474	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	Mexico	PA/a/2003/6358	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	New Zealand	527,591	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	Poland	P364623	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	Russia	2003125266	01/17/2002

BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	South Africa	2003/5098	01/17/2002
BINDING DOMAIN-IMMUNOGLOBULIN FUSION PROTEINS	International	PCT/US03/24918	07/26/2003
BINDING CONSTRUCTS AND METHODS FOR USE THEREOF	International	PCT/US03/41600	12/24/2003
BINDING DOMAIN FUSION PROTEINS (MODULAR GUIDED PROTEASE INHIBITORS (MGPI))	United States	60/600,755	08/11/2004
BINDING DOMAIN FUSION PROTEINS (MODULAR GUIDED PROTEASE INHIBITORS (MGPI))	International	PCT/US05/28496	08/10/2005
SINGLE DOSE USE OF CD20-SPECIFIC BINDING MOLECULES	United States	60/702,498	07/25/2005
SINGLE DOSE USE OF CD20-SPECIFIC BINDING MOLECULES	United States	60/702,875	07/27/2005
COMPOSITIONS AND METHODS FOR PROTEIN DEAGGREGATION	United States		07/25/2005

EXHIBIT 1.132
TRUBION THIRD PARTY AGREEMENTS

TRU-015 MANUFACTURING AND DEVELOPMENT

TRU-015 (V.l)

Manufacturing	**LONZA**	August 12, 2003 Dev. & Mfg. Agreement Amend 1 Amend 2 January 8, 2004 Dev. & Mfg. Agreement Amend 1 Amend 2 Amend 3 Amend 4 Amend 5 Amend 6 Amend 7 Amend 8 Amend 9
Formulation	**FORMATECH:** Development of formulation: liquid and Lypholized	Development Agreement Executed
Manufacturing	**CARDINAL HEALTH:** Phase II clinical manufacturing of Lypholized TRU-015 Multiple quotes	Consulting Agreement Executed Master Service Agreement
	BAROFOLD, INC.	Evaluation Agreement Executed
License Agreement	**CHASINS**	CHO Cell Lines

EXHIBIT 1.132

TRUBION THIRD PARTY AGREEMENTS — Page 2

TRU-015 MANUFACTURING AND DEVELOPMENT (continued)

TRU-015 (V.2)

Generate Commercial Cell Line	**XCELLEREX:** Tentative Start Date 2/21-2/28 Develop Commercial cell line for TRU-015 (V.2) receive plasmid with DNA from Trubion and develop through stability testing	Contract with Workplan in negotiation Development Services Agreement Executed Amend 1
Generate MCB	**BIORELIANCE** To generate MCB for Lonza 2006 runs	Completing Master Service Agreement (not yet executed)
Manufacturing Agreement	**LONZA** Manufacturing of Commercial Cell Line Technical transfer to USA site	Lonza Manufacturing Service Agreement Scale up to 5000L
License Agreement	**CHASINS**	CHO Cell Lines

EXHIBIT 1.132

TRUBION THIRD PARTY AGREEMENTS — Page 3

CLINICAL

CRO	**PHARMANET, LLC**	Master Services Agmnt. Executed
CRO	**KENDLE INTL.**	Master Services Agmnt. Executed
CRO	**I3/STRATPROBE**	Master Services Agreement Exhibit A-1 to MSA Exhibit A-2 to MSA Executed
LABORATORY	**MAYO CLINIC**	Laboratory Services Agreement Executed
TOXICOLOGY	**SNBL**	Lab Svcs. Agmnt. 01 Lab Svcs. Agmnt. 04 Lab Svcs. Agmnt. 05 Lab Svcs. Agmnt. Amend 05
	3 Primate Studies 2 In-vitro Studies	
IMMUNOHISTOCHEMISTRY	**PHENOPATH**	Laboratory Services Agreement (Master Agreement) Executed

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ANALYTICAL

ANTIBODIES BY DESIGN
(Division of Morphosys)
Neutralizing Antibodies

EXHIBIT 1.132

TRUBION THIRD PARTY AGREEMENTS — Page 4

RESEARCH

LONZA

Glutamine-Synthetase (GS) Expression System

RCT

Pichia Pastoria Expression System

XENOGEN

Transgenic Mice

SHAMROCK STRUCTURES

Crystallization and Structural Proteomics

MATERIAL TRANSFER AGREEMENT	FHCRC (Dr. Strong) 3-D Crystallization

EXHIBIT 3.2.1
TRUBION'S "MILESTONE ONE"

Milestone #1

Defined in Trubion's internal project management process, which may be modified from time to time.

The following specifications are determined:

- Scientific Rationale that supports the therapeutic potential
    - Mechanism of Action (MOA)
- Specific biochemical and therapeutic properties (targeted)
    - Binding Domain
    - Target
    - *In vivo* activity
    - Safety
    - pk
- Market rationale (preliminary) for product profile
    - Economics (COGs)
- Clinical rationale (preliminary) for product profile
- Alliance Opportunity assessment
- Intellectual property assessment

EXHIBIT 3.2.4
EXCLUDED TARGETS

GenBank Accession Number (Amino Acid Sequence)

L6 (TM4SF1)	NP_055035
CD19	NP_001761
CD28	AAF33792
CD40	NP_001241 = isoform 1 (long); NP_690593 = isoform 2 (short)
CD37	NP_001765

EXHIBIT 4.4
ADVERSE EVENT REPORTING PROCEDURES

The terms adverse event or experience (AE) and adverse drug reaction (ADR), used in this Exhibit 4.4 shall have the meanings set forth in worldwide reporting regulations. The Parties agree to comply with any and all governmental laws, regulations and orders that are applicable now and in the future in connection with product safety collection and reporting.

The Parties agree to meet after the Effective Date to establish a detailed Safety Agreement outlining the pharmacovigilance responsibilities of each Party including but not limited to: AE or ADR reporting including literature review and associated reporting; AE or ADR follow-up reporting; preparation and submission of all safety reports to the Regulatory Authorities as required by local laws and/or regulations in the Territory; maintaining the global safety database; all interactions with health authorities regarding safety; periodic submissions; labeling modifications; safety monitoring and detection; and safety measures (*e.g.*, Dear Doctor Letter, restriction on distribution). Wyeth shall maintain the global safety database for the Licensed Products.

Notwithstanding the foregoing and until such time as the Safety Agreement is executed, to the extent Trubion has or receives any information regarding any AE/ADR which may be related to the use of any Licensed Product or to Licensed Product Development, Trubion shall promptly forward such information as follows:

- Fatal or life-threatening serious AE(s)/ADR(s) judged by either the investigator and/or sponsor to be reasonably related to the Licensed Product(s) Development/protocol shall be transmitted to Wyeth within three (3) calendar days from the date received by Trubion.
- All other serious AE(s)/ADR(s) not fatal or life-threatening but judged by either the investigator and/or sponsor to be reasonably related to the Licensed Product(s) Development/protocol shall be transmitted to Wyeth within five (5) calendar days from the date received by Trubion.

AE/ADR information may be transmitted to Wyeth by:

a. Facsimile: 610-989-5544 **or**

b. Overnight courier to:

Global Safety Surveillance & Epidemiology
Wyeth Research
GSSE Triage Unit
Dock E
500 Arcola Road
Collegeville, PA 19426

EXHIBIT 5.2A
STOCK PURCHASE AGREEMENT

TRUBION PHARMACEUTICALS, INC.

COMMON STOCK PURCHASE AGREEMENT

This Common Stock Purchase Agreement (this "Agreement") is made as of December , 2005 by and between Trubion Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Wyeth, a Delaware corporation (the "Purchaser").

RECITALS

A. The Purchaser and the Company are entering into a collaboration agreement of even date herewith (the "Collaboration Agreement");

B. In connection with the Collaboration Agreement, Purchaser desires to purchase from the Company shares of its Common Stock (the "Common Stock"), concurrently with and conditioned upon the closing of the Company's initial public offering, upon the terms and conditions set forth herein;

C. The Company and the Purchaser wish to set forth the terms and conditions upon which the Company will sell the Common Stock to the Purchaser; and

D. Concurrent with the execution of this Agreement, the Company and Purchaser are entering into an amendment (the "Rights Agreement Amendment") to the Company's Amended and Restated Investor Rights Agreement (the "Rights Agreement") to provide Purchaser with certain rights and obligations thereunder upon the issuance of the Common Stock hereunder.

NOW, THEREFORE, in consideration of the premises and mutual covenants and conditions contained herein, the Company and the Purchaser hereby agree as follows:

ARTICLE 1

PURCHASE AND SALE OF SHARES

1.1 Purchase Price and Closing. Subject solely to the conditions set forth in Sections 1.2 – 1.5 and Article IV hereof, the Company will issue and sell to the Purchaser and, subject to the terms and conditions set forth in this Agreement, the Purchaser will purchase from the Company (the "Sale"), that number of shares of Common Stock (the "Shares") equal to the quotient obtained by dividing Twenty- Five Million Dollars ($25,000,000) (the "Investment Amount") by the per-share price to the public (the "IPO Price") of shares of Common Stock in the Company's first underwritten, firm commitment public offering (the "IPO") pursuant to an effective registration statement (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"). The per share price to Purchaser shall be the IPO Price. The purchase and sale will take place at a closing (the "Closing") to be held on the date, at the location and simultaneously with the closing of the IPO, subject to the satisfaction of all of the conditions to the Closing specified in Article IV herein. At the Closing the Company will issue and deliver a certificate evidencing the Shares to the Purchaser against payment of the full purchase price therefor by wire transfer of immediately available funds to an account designated by the Company.

1.2 Maximum Share Number. Notwithstanding Section 1.1 above, in the event the number of Shares would otherwise constitute more than (i) nineteen and nine-tenths percent (19.9%) of the Actual Voting Power (as defined in Section 5. l(i)) or (ii) twenty percent (20%) of the number of shares issued in the IPO (including any shares covered by a related registration statement filed pursuant to Rule 462(b) of the Securities Act but excluding any shares issued or to be issued in an overallotment option), then in either case (i) or (ii) above the Investment Amount (and correspondingly the number of shares purchased by the Purchaser) shall be reduced by the minimum dollar amount and share amount necessary to avoid either such event.

1.3 Restrictions on Transfer. Pursuant to the Rights Agreement Amendment, Purchaser agrees and acknowledges that the restrictions set forth in Sections 2.1 and 2.12 of the Rights Agreement shall apply to Purchaser and the Shares.

1.4 HSR Act. Prior to the execution of the Collaboration Agreement and this Agreement, the parties made certain filings under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"). If either party concludes in good faith that additional filings or proceedings are necessary or desirable as a result of the transactions contemplated hereby either as a result of the signing of this Agreement or in connection with the Closing or otherwise, the parties agree to promptly file such additional notices, applications and documents that may be required under the HSR Act, or any other required foreign or domestic competition law (collectively, the "Competition Laws") and all applicable additional filings fees associated therewith shall be paid by the party required to so pay such additional filing fees under the applicable Competition Law(s). In connection therewith, the Company and Purchaser each shall use their commercially reasonable efforts to take such actions as may be required to cause the expiration or early termination of the notice periods under the Competition Laws as promptly as possible and to resolve such objections, if any, as may be asserted with respect to the transactions contemplated by this Agreement under the Competition Laws; *provided, however,* that notwithstanding the foregoing, neither party shall agree to any change or amendment to this Agreement unless such change or amendment is agreed by the other party in advance. Nothing in this Agreement shall require either party or any subsidiary or affiliate of either party to sell, hold separate, license or otherwise dispose of any assets or conduct its business in a specified manner, or agree or proffer to sell, hold separate, license or otherwise dispose of any assets or conduct its business in a specified manner, or permit or agree to the sale, holding separate, licensing or other disposition of any assets of either party or any subsidiary or affiliate of either party, whether as a condition to obtaining any approval from, or to avoid potential litigation or administrative action by, a governmental entity or any other person or for any other reason.

1.5 Termination of Purchase Right and Obligation. Notwithstanding any provision of this Agreement to the contrary, Purchaser's right and obligation to purchase, and the Company's right and obligation to sell, the Shares shall terminate if the closing of the IPO has not occurred prior to the earliest to occur of the following:

(a) The termination of the Collaboration Agreement; or

(b) The Company (1) undergoes a Change of Control (as defined in Section 5. l(iv));; *provided, however,* the following shall be deemed to not be a Change of Control for purposes of this Section 1.5(b): (i) a transaction effected exclusively for the purpose of changing the domicile of the Company, or (ii) an equity financing in which the Company is the surviving corporation, or (2) engages in a merger, consolidation, reorganization or similar transaction in which the surviving entity has a class of equity securities registered under Section 12 of the Exchange Act (as defined below).

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to the Purchaser as follows:

2.1 Corporate Action. The Company has all necessary corporate power and has taken all corporate action required to enter into and perform this Agreement and the Rights Agreement Amendment (collectively, the "Financing Documents"). The Financing Documents have been duly executed and delivered, and constitute valid, legal, binding and enforceable obligations of the Company, enforceable in accordance with their terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies. The issuance, sale and delivery of the Shares in accordance with this Agreement have been duly authorized by all necessary corporate action on the part of the Company. The issuance of the Shares is not subject to preemptive rights or other preferential rights in any present stockholders of the Company that have not been waived and will not conflict with any provision of any agreement or instrument to which the Company is a party or by which it or its property is bound and to which the Company has not obtained appropriate waivers.

2.2 No Conflict. The execution and delivery of this Agreement by the Company does not, and the consummation of the transactions contemplated hereby will not, conflict with, or result in any violation of, or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation, modification or acceleration of any obligation under (i) any provision of the Certificate of Incorporation of the Company or Bylaws of the Company, (ii) any material mortgage, indenture, lease, contract or other agreement or instrument, permit, concession, or license to which the Company or any of its properties or assets is subject or (iii) any judgment, order, decree, applicable to the Company or its properties or assets. To the Company's knowledge as of the date hereof, no provision of any applicable law, rule or regulation and no judgment, order, decree or injunction applicable to the Company or its properties or assets shall prohibit the consummation of the Closing nor shall the Closing result in any violation of any such law, rule, regulation judgment, order, decree or injunction.

2.3 Status of Shares. The Shares, when issued and delivered in accordance with the terms hereof and after payment of the purchase price therefor, will be duly authorized, validly issued, fully-paid and non-assessable, issued in compliance with applicable state and federal securities laws (subject, in part, to the representations and warranties of Purchase in Article III hereof) and free of restrictions on transfer other than restrictions on transfer under the Financing Documents and applicable state and federal securities laws.

2.4 Organization, Good Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business.

2.5. Collaboration Agreement. The Collaboration Agreement has been duly authorized, executed, and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

2.6 Final Prospectus and Registration Statement. The Company, acknowledging that the Purchaser will be relying on the accuracy and completeness of the Company's disclosure in connection with the IPO, warrants to the Purchaser that the Prospectus (as defined below) used in connection with the Company's IPO will comply, at the time of filing or use, with the requirements of the Securities Act, and the Prospectus filed or used in connection with the IPO will not, at such time, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; the Registration Statement, when it becomes effective, will comply, in all material respects, with the requirements of the Securities Act; and the Registration Statement will not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein; *provided, however,* that the Company makes no warranty with respect to any statement contained in the Registration Statement or a prospectus in reliance upon and in conformity with information concerning the Purchaser that is furnished by the Purchaser expressly for use therein. "Prospectus" means the final prospectus (as such term is defined in Section 2(a)(10) of the Securities Act) as first filed with the SEC pursuant to paragraph (1) or (4) of Rule 424(b) of the Securities Act.

ARTICLE III

REPRESENTATIONS AND WARRANTIES AND COVENANTS BY PURCHASER

The Purchaser represents and warrants and covenants to the Company that:

3.1 Purchaser is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended.

3.2 Purchaser will acquire the Shares for its own account, for the purpose of investment and not with a view to distribution or resale thereof.

3.3 Purchaser has all necessary corporate power and has taken all corporate action required to enter into and perform the Financing Documents. The Financing Documents have been duly executed and delivered, and constitute valid, legal, binding and enforceable obligations of Purchaser, enforceable in accordance with their terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

3.4 Purchaser has taken no action which would give rise to any claim against the Company by any other person for any brokerage commissions, finders' fees or the like relating to this Agreement or the transactions contemplated hereby.

3.5 Purchaser has had the opportunity to ask questions of and receive answers from representatives of the Company concerning the terms of the offering of the Shares and to obtain additional information concerning the Company and its business.

3.6 The acquisition by the Purchaser of the Shares shall constitute a confirmation of these representations and warranties made by the Purchaser as of the Closing. Purchaser understands that the Shares are "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon an exemption for non-public offerings. The Purchaser further represents that it understands and agrees that, until registered under the Securities Act or transferred pursuant to the provisions of Rule 144 as promulgated by the Commission, all certificates evidencing any of the Shares, whether upon initial issuance or upon any transfer thereof, shall be subject to the transfer restrictions and bear the legends set forth in Section 2.1 of the Rights Agreement.

3.7 To the Purchaser's knowledge as of the date hereof, no provision of any applicable law, rule or regulation and no judgment, order, decree or injunction applicable to the Purchaser or its properties or assets shall prohibit the consummation of the Closing nor shall the Closing result in any violation of any such law, rule, regulation, judgment, order, decree or injunction.

ARTICLE IV

CONDITIONS TO CLOSING

4.1 Conditions of the Purchaser's Obligation. The obligation of the Purchaser to purchase and pay for the Shares at the Closing is subject to the satisfaction of the following conditions:

(a) Documentation at Closing. The Purchaser shall have received prior to or at the Closing all of the following documents or instruments, or evidence of completion thereof, each in form and substance satisfactory to the Purchaser:

(i) A copy of the Certificate of Incorporation of the Company, certified by the Secretary of State of the State of Delaware, a copy of the resolutions of the Board of Directors of the Company evidencing the approval of this Agreement, the issuance of the Shares and the other matters contemplated hereby, and a copy of the Bylaws of the Company, all of which shall have been certified by the Secretary of the Company to be true, complete and correct in every particular, and certified copies of all documents evidencing other necessary corporate or other action and governmental approvals, if any, with respect to this Agreement and the Shares.

(ii) A customary opinion of counsel to the Company covering the matters set forth in Exhibit A hereto.

(iii) A certificate of the Secretary of the Company which shall certify the names of the officers of the Company authorized to sign this Agreement, the certificate for the Shares and the other documents, instruments or certificates to be delivered pursuant to this Agreement by the Company or any of its officers, together with the true signatures of such officers.

(iv) A certificate of the President of the Company stating (A) that the representations and warranties made by the Company in this Agreement are true and correct in all material respects at the date hereof and as of the Closing with the same force and effect as though all such representations and warranties had been made as of the Closing, and (B) that all covenants and conditions required to be performed prior to or at the Closing have been performed as of the Closing.

(v) A Certificate of Good Standing for the Company from the Secretary of State of the State of Delaware, dated as of a recent date.

(b) Performance. The Company shall have performed and complied with in all material respects all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

(c) Consents, Waivers, Etc. The Company shall have obtained all consents or waivers, if any, necessary to execute and deliver this Agreement, issue the Shares and to carry out the transactions contemplated hereby and thereby and the waiting period applicable to this Agreement and the

Collaboration Agreement under the HSR Act (or any other applicable Competition Laws) shall have expired or terminated early. All corporate and other action and governmental filings necessary to effect the terms of this Agreement, the issuance of the Shares and other agreements and instruments executed and delivered by the Company in connection herewith shall have been made or taken, except for any post-sale filing that may be required under federal or state securities laws.

(d) Rights Agreement Amendment. The Rights Agreement Amendment shall have been executed by the Company and by the holders of the requisite majority of Registrable Securities (as such term is defined in the Rights Agreement); *provided, however,* the parties acknowledge that subsequent to the date hereof the Rights Agreement may be further amended in accordance with its terms; provided, further, however, Purchaser shall be required to consent to such amendment or be provided substantially equivalent rights in such amendment or another written agreement with the Company.

(e) Collaboration Agreement. The Collaboration Agreement shall have been duly authorized, executed, and delivered by the Company and constitute a valid and binding obligation of the Company, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies. The Purchaser shall not have the right to terminate the Collaboration Agreement for cause pursuant to Section 9.5 thereof *(provided, however,* if Purchaser's right to so terminate the Collaboration Agreement for cause is solely dependent on the lapsing on any applicable "cure" period pursuant to Section 9.5 thereof, solely for purposes of this Section 4.1 (e), Purchaser shall be deemed to have the right to terminate the Collaboration Agreement for cause notwithstanding the failure of any such cure period to have lapsed); and the Company shall not have given notice to the Purchaser of its intent to terminate the Collaboration Agreement.

(f) Representations and Warranties. The representations and warranties made by the Company in this Agreement shall have been true and correct in all material respects at the date hereof and as of the Closing with the same force and effect as though all such representations and warranties had been made as of the Closing.

(g) No Injunctions. No provision of any applicable law, rule or regulation and no judgment, order, decree or injunction shall prohibit the consummation of the Closing.

(h) Listing. The shares of Common Stock sold in the IPO shall be listed on the New York Stock Exchange ("NYSE") or traded on the Nasdaq National Market. .

(i) Closing of IPO. The Closing hereunder shall be concurrent with the closing of the IPO.

4.2 Conditions of the Company's Obligation. The obligation of the Company to sell the Shares at the Closing is subject to the satisfaction of the following conditions:

(a) Performance. The Purchaser shall have performed and complied with in all material respects all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

(b) Consents, Waivers, Etc. Any waiting period applicable to this Agreement and the Collaboration Agreement under the HSR Act (or any other applicable Competition Laws) shall have expired or terminated early.

(c) Rights Agreement Amendment. The Rights Agreement Amendment shall have been executed by the Purchaser.

(d) Collaboration Agreement. The Collaboration Agreement shall have been duly authorized, executed and delivered by the Purchaser and constitute a valid and binding obligation of the Purchaser, enforceable in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies. The Company shall not have the right to terminate the Collaboration Agreement for cause pursuant to Section 9.5 thereof *(provided, however,* if the Company's right to so terminate the Collaboration Agreement for cause is solely dependent on the lapsing on any applicable "cure" period pursuant to Section 9.5 thereof, solely for purposes of this Section 4.2(d), the Company shall be deemed to have the right to terminate the Collaboration Agreement for cause notwithstanding the failure of any such cure period to have lapsed; and the Purchaser shall not have given notice to the Company of its intent to terminate the Collaboration Agreement.

(e) Representations and Warranties. The representations and warranties made by the Purchaser in this Agreement shall have been true and correct in all material respects at the date hereof and as of the Closing with the same force and effect as though all such representations and warranties had been made as of the Closing.

(f) No Injunctions; Applicable Law. No provision of any applicable law, rule or regulation and no judgment, order, decree or injunction shall prohibit the consummation of the Closing nor shall the Closing result in any violation of any such law, rule, regulation, judgment, order, decree or injunction.

(g) Listing. The shares of Common Stock sold in the IPO shall be listed on the NYSE or traded on the Nasdaq National Market.

(h) Closing of IPO. The Closing hereunder shall be concurrent with the closing of the IPO.

(i) Securities Regulations. The sale of the Shares to Purchaser shall not be prohibited under state and federal securities laws and regulations.

ARTICLE V

STANDSTILL AGREEMENT

5.1. Definitions. For the purposes of this Agreement, the following words and phrases shall have the following meanings:

(i) "Actual Voting Power" means, as of the date of determination, the total number of votes attaching to the outstanding securities entitled to vote for the election of directors of the Company.

(ii) "Affiliate" shall have the meaning given it in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(iii) "Beneficial Ownership" "Beneficial Owner" and "Beneficially Own" shall have the meanings described to those terms in Rule 13d-1 under the Exchange Act.

(iv) "Change of Control" means (1) the acquisition by a Third Party of more than 50% of the Company's then outstanding Voting Securities or (2) the consummation of a merger, acquisition, consolidation or reorganization or series of such related transactions involving the Company, unless immediately after such transaction or transactions, the Beneficial Owners of the Company immediately prior to the first such transaction shall Beneficially Own at least 50% of the outstanding Voting Securities of the Company (or, if the Company would not be the surviving company in such merger, consolidation or reorganization, the Voting Securities of the surviving corporation issued in such transaction or transactions in respect of Voting Securities of the Company shall represent at least 50% of the Voting Securities of such surviving company).

(v) "Investor Group" means Purchaser and any member of a 13D Group to which the Purchaser belongs.

(vi) "Person" means an individual, corporation, partnership, association, trust, unincorporated organization or other entity

(vii) "13D Group" means any group of persons formed for the purpose of acquiring, holding, voting or disposing of Voting Securities which would be required under the Exchange Act and the rules and regulations promulgated thereunder, to file a statement on Schedule 13D with the Securities and Exchange Commission as a "person" within the meaning of Section 13(d)(3) of the Exchange Act if such group beneficially owned sufficient securities to require such a filing under the Exchange Act.

(viii) "Standstill Period" shall mean the period beginning on the Closing of the IPO and ending on the date that is one year following the Closing of the IPO.

(ix) "Threshold Percentage" means the percentage of Actual Voting Power owned by the Purchaser immediately following the closing of the IPO and the sale of Shares hereunder, which in no case shall exceed nineteen and nine-tenths percent (19.9%) of Actual Voting Power.

(x) "Third Party" means any Person or two or more Persons acting in concert, other than the Purchaser and its Affiliates or the Company and its Affiliates.

(xii) "Voting Security" means, as of the date of determination, the Common Stock of the Company, any other security generally entitled to vote for the election of directors and any outstanding convertible securities, options, warrants or other rights which are convertible into or exchangeable or exercisable for securities entitled to vote for the election of directors.

5.2. Standstill Obligations.

(a) Limitation. At any time during the Standstill Period, except with the prior written consent of the Company's Board of Directors, no member of the Investor Group shall, directly or indirectly:

(i) acquire any Voting Securities (except by way of stock splits, stock dividends or other distributions) if the effect of such acquisition or exercise would be to increase the percentage interest of the Investor Group in the Actual Voting Power to more than the Threshold Percentage; or

(ii) publicly propose (on behalf of itself or to or with a Third Party) any merger, business combination, restructuring, recapitalization or similar transaction involving the Company or its subsidiaries or the purchase, sale or other disposition outside the ordinary course of business of any material portion of the assets of the Company or any of its subsidiaries.

(b) Repurchases. Notwithstanding Section 5.2(a), no member of the Investor Group shall be obligated to dispose of any Voting Securities if the aggregate percentage ownership of the Investor Group is increased as a result of a repurchase of Voting Securities by the Company.

(c) Participation. Except with the prior written consent of the Company's Board of Directors, during the Standstill Period the Investor Group will not:

(i) solicit proxies (or powers of attorney or similar rights to vote) in respect of any Voting Securities;

(ii) become a "participant" or "participant in a solicitation", as those terms are defined in Regulation 14A of the General Rules and Regulations promulgated pursuant to the Exchange Act, in opposition to a solicitation by the Company; *provided, however,* that the Investor Group shall not be deemed to be a "participant" or to have become engaged in a solicitation hereunder solely by reason of the Company's solicitation of proxies in connection with any meeting of the stockholders of the Company;

(iii) seek to advise or intentionally influence any person or entity with respect to the voting of Voting Securities in connection with any such solicitation, in opposition to the recommendation of a majority of the Board of Directors with respect to any matter relating to a Change of Control;

(iv) initiate, propose or otherwise solicit stockholders for the approval of any stockholder proposal (as described in Rule 14a-8 under the Exchange Act or otherwise) with respect to the Company that is opposed by the Board of Directors;

(v) form or join any 13D Group for the purpose of voting, purchasing or disposing of Voting Securities or the acquisition of all or substantially all of assets of the Company;

(vi) deposit any Voting Securities in a voting trust or subject them to a voting agreement or other arrangement of similar effect, except in order to comply with Competition Laws or other legal requirements;

(vii) otherwise act, alone or in concert with others, in a manner designed or having the deliberate effect of circumventing the restrictions otherwise imposed hereunder, publicly announce any intention, plan or arrangement inconsistent with the foregoing or finance or agree to finance any other person in connection with any of the activities prohibited by this Agreement; or

(viii) publicly request, propose or otherwise seek any amendment or waiver of the provisions of this Article 5.

5.3 Exceptions. The limitations provided in Section 5.2 shall immediately terminate upon the occurrence of any of the following events:

(a) the commencement by any Person (other than a member of the Investor Group or an Affiliate thereof) of a bona fide tender or exchange offer seeking to acquire Beneficial Ownership of fifty percent (50%) or more of the outstanding shares of Voting Securities of the Company;

(b) the execution of an agreement by the Company and any Person which, if consummated, would result in either (i) a Change of Control of the Company or (ii) the sale of all or substantially all of the Company's assets; or

(c) the adoption by the Company of a plan of liquidation or dissolution with respect to the Company.

5.4 Exclusion. No action or actions taken by the Purchaser pursuant to the terms of the Collaboration Agreement or in connection with exercising or enforcing its rights thereunder shall be deemed to violate the restrictions in Section 5.2.

ARTICLE VI

MISCELLANEOUS

6.1 No Waiver. No failure or delay on the part of any party to this Agreement 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 hereunder. None of the terms, covenants and conditions of this Agreement can be waived except by the written consent of the party waiving compliance.

6.2 Publicity. The parties may, subject to compliance with the Securities Act, issue a joint press release announcing this Agreement and the transactions contemplated hereby following execution of this Agreement. Any proposed announcement, press release or other public disclosure concerning this Agreement and/or any of the transactions or relationships contemplated hereby shall be mutually approved by both parties (which approval shall not be unreasonably withheld); *provided, however,* that the restrictions contained in this Section 6.2 do not apply to disclosures required by law, the rules of the NYSE, the NASD or under U.S. generally accepted accounting principles. The Purchaser agrees and acknowledges that this Agreement and the transactions contemplated hereby shall be disclosed in, and filed as an exhibit to, the Registration Statement.

6.3 Amendments, Waivers and Consents. Any provision in this Agreement to the contrary notwithstanding, and except as hereinafter provided, changes in or additions to this Agreement may be made, and compliance with any covenant or provision set forth herein may be omitted or waived, if the party requesting such change, addition, omission or waiver shall obtain consent thereto in writing from the other party. Any waiver or consent may be given subject to satisfaction of conditions stated therein and any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Any such amendment or waiver or consent effected in accordance with this Section 6.3 shall be binding upon the parties and their respective successors and assigns.

6.4 Addresses for Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or seventy-two (72) hours after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, if such notice is addressed to the party to be notified at such party's address or facsimile number as set forth below, or as subsequently modified by written notice.

If to the Company:

Trubion Pharmaceuticals, Inc.
2401 Fourth Avenue, Suite 1050
Seattle, WA 98121
Attn: Chief Executive Officer and General Counsel
Facsimile Number: (206) 838-0503

If to the Purchaser:

Wyeth Pharmaceuticals
500 Arcola Road
Collegeville, Pennsylvania 19426
Attn: Senior Vice President, Corporate Business Development
Fax: (484) 865-6476

with a copy to:

Wyeth
5 Giralda Farms
Madison, NJ 07940
Attn: Executive Vice President and General Counsel
Facsimile: (973) 660-7156

6.5 Binding Effect: Assignment. This Agreement may not be assigned by either party without the prior written consent of the other; *provided, however,* that the Purchaser may assign its rights and delegate its duties hereunder to an Affiliate without the prior written consent of the Company; *provided, however,* Purchaser shall remain subject to Section 5 hereof regardless of any such assignment; and provided further that if the Company undergoes a Change of Control in which (a) the Company is not the surviving entity and (b) this Agreement does not terminate pursuant to Section 1.5(b) in connection with such Change of Control, the surviving entity and the Purchaser shall enter into a replacement agreement with substantially the same terms as this Agreement. Subject to the foregoing, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

6.6 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between the parties and supersede any prior understandings or agreements concerning the subject matter hereof.

6.7 Specific Performance. The parties acknowledge and agree that irreparable damage would occur in the event any of the provisions of Article V of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, it is agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of Article V of this Agreement and to enforce specifically the terms and provisions of such Article in any court of the United States or any state thereof having jurisdiction, in addition to any other remedy to which they may be entitled in law or in equity.

6.8 Severability. The provisions of this Agreement are severable and, in the event that any court of competent jurisdiction shall determine that any one or more of the provisions or part of a provision contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this. Agreement; but this Agreement, shall be reformed and construed as if such invalid or illegal or unenforceable provision, or part of a provision, had never been contained herein, and such provisions or part reformed so that it would be valid, legal and enforceable to the maximum extent possible.

6.9 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware without reference to Delaware conflicts of law provisions.

6.10 Headings. Article, Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

6.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the party actually executing the counterpart, and all of which together shall constitute one instrument.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

TRUBION PHARMACEUTICALS, INC.

By: /s/ Peter A. Thompson, MD
Name: Peter A. Thompson, MD
Title: President & CEO

WYETH

By: /s/ William M. Haskel
Name: William M. Haskel
Title: Vice President

EXHIBIT A

MATTERS TO BE COVERED BY COMPANY COUNSEL

1. The Company is a corporation validly existing under Delaware law and in good standing with the Secretary of the State of Delaware and has the corporate power to execute and deliver the Agreement and to perform its obligations thereunder.

2. The Company has duly authorized, executed and delivered the Agreement, and the Agreement constitutes the Company's valid and binding agreement enforceable against the Company in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally or by general equitable principles.

3. No consent, approval, authorization or order of, or any filing or declaration with, any court or governmental agency or body is required in connection with the execution, delivery and performance of the Agreement by the Company or in connection with the taking by the Company of any action contemplated thereby, other than as indicated in the Agreement or such as have been obtained and made and such as may be required under federal and state securities laws.

4. The execution, delivery and performance of the Agreement by the Company, and the consummation by the Company of the transactions contemplated therein do not and will not (a) violate the Certificate of Incorporation or By-Laws of the Company, (b) materially violate any judgment, ruling, decree or order known to such counsel, (c) materially violate any statute or regulation applicable to the business or properties of the Company, or (d) result in a material breach or violation of any of the terms or provisions of, or constitute a default or result in the acceleration of any obligation under any material contract to which the Company is a party or bound.

5. The Shares delivered on the date hereof have been duly authorized and validly issued and are fully paid and non-assessable shares of the Company.

EXHIBIT 5.2B

TRUBION PHARMACEUTICALS, INC.

AMENDMENT NO. 1 TO

AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

This Amendment No. 1 to the Amended and Restated Investor Rights Agreement (the "**Rights Agreement**") dated as of July 13, 2004 is entered into as of , 2005, by and among Trubion Pharmaceuticals, Inc., a Delaware corporation (the "**Company**"), Wyeth, a Delaware corporation ("**Wyeth**"), and the investors set forth on **Exhibit A** hereto (collectively the "**Investors**" and each individually an "**Investor**").

RECITALS

A. The Company and the Investors are parties to the Rights Agreement.

B. The Company and Wyeth have entered into a Common Stock Purchase Agreement dated as of December , 2005 (the "**Purchase Agreement**") pursuant to which the Company will sell to Purchaser and Purchaser will purchase from the Company shares of the Company's Common Stock concurrent with and conditioned upon the closing of the Company's initial public offering (the "**Closing**"). A condition to the Purchaser's obligations under the Purchase Agreement is that the Rights Agreement be amended in order to provide Purchaser with certain rights to register shares of the Company's Common Stock.

C. Pursuant to Section 6.5 of the Rights Agreement, the written consent of the Company and the Investors holding a majority of the Registrable Securities (the "**Requisite Holders**") is required to amend the Rights Agreement.

D. The Company and the Requisite Holders desire to induce Purchaser to enter into the Purchase Agreement by agreeing to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in this Agreement, the parties hereto agree as follows:

1. Definitions. Capitalized terms used herein without definition shall have the meaning ascribed to them in the Rights Agreement.

2. Addition of Purchaser as a Party to the Rights Agreement. Effective upon the Closing pursuant to the Purchase Agreement, the parties hereby agree to add Purchaser as a party to the Rights Agreement and Purchaser shall be deemed a "Holder" of Registrable Securities for purposes of Sections 1, 2 and 6 of the Rights Agreement and subject to all of the rights and obligations of such Sections. For purposes of clarification, Purchaser shall not be entitled to the rights or subject to the obligations set forth in Sections 3, 4 and 5 of the Rights Agreement and Purchaser shall not be deemed an "**Investor**" for purposes of the Rights Agreement.

3. Amendment to Section 1.1. The definition of "Registrable Securities" set forth in Section 1.1 is hereby amended and restated to read in its entirety as follows:

"***Registrable Securities***" means (a) Common Stock of the Company issued or issuable upon conversion of the Shares, (b) Common Stock of the Company issued to Frazier Healthcare Fund ("**Frazier**"), ARCH Venture Fund ("**Arch**") and Scott Minick ("**Minick**") pursuant to those certain Common Stock Purchase Agreements dated November 19, 2002 by and between the Company and each of Frazier, Arch and Minick, (c) Common Stock of the Company issued to Wyeth pursuant to the Purchase Agreement, and (d) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the securities described in (a), (b) and (c) above; *provided, however,* the shares referred to in clause (c) above shall not qualify as Registrable Securities for the purposes of Sections 2.2 hereof until the 15 month anniversary of the Closing. For the avoidance of doubt, in the event that the Company effects a registration under the Securities Act pursuant to Section 2.2 hereof prior to the 15 month anniversary of the Closing, in connection with such registration the Shares referred to in clause (c) above shall qualify as Registrable Securities for the purposes of Section 2.3. Notwithstanding the foregoing, Registrable Securities shall not include any securities sold by a person to the public pursuant to a registration statement or Rule 144 or sold in a private transaction in which the transferor's rights under **Section 2** of this Agreement are not assigned.

4. Amendment to Section 2.1(a)(ii). Section 2.1(a)(ii) is amended effective immediately following the expiration of the "Market Stand-Off' period set forth in Section 2.12 hereof, by deleting the last sentence thereof and substituting therefor the following:

"Subject to the other terms of this Agreement (including without limitation the restrictions on assignment of registration rights set forth in Section 2.10 and Sections 2.1(b) and (d)), it is agreed that the restrictions contained in this Section 2.1(a)(ii) shall not apply to dispositions of Shares or Registrable Securities made pursuant to Rule 144 promulgated under the Securities Act."

5. Amendment to Section 6.5. Section 6.5 is hereby amended by adding, after the final sentence thereof, the following:

Notwithstanding the foregoing, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated in any way that diminishes or eliminates the rights particular to Wyeth hereunder and in a manner different than the other holders of Registrable Securities, such action shall require the prior written consent of Wyeth.

6. Waiver of Right of Participation. Each Investor on behalf of itself and all other Investors and holders of Registrable Securities hereby waives any right of participation set forth in Section IV of the Rights Agreement with respect to the sale and issuance of the shares of Company Common Stock to Wyeth pursuant to the Purchase Agreement.

7. No Other Amendments. Except as expressly amended or waived as set forth above, the Rights Agreement shall remain in full force and effect in accordance with its terms.

8. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one document.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have executed this **AMENDMENT NO. 1 TO THE RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

"COMPANY"

TRUBION PHARMACEUTICALS, INC.
a Delaware corporation

By: /s/ Peter Thompson
Peter Thompson, M.D., FACP
President and Chief Executive officer

IN WITNESS WHEREOF, the parties hereto have executed this **AMENDMENT NO. 1 TO THE RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

"WYETH"

WYETH

By: /s/ William M. Haskel
Name: **William M. Haskel**
Its: **Vice President**

SIGNATURE PAGE TO AMENDMENT NO. 1 TO
AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this **AMENDMENT NO. 1 TO THE RIGHT AGREEMENT** as of the date set forth in the first paragraph hereof.

"INVESTOR"

Prospect Venture partners II, L.P.

By: Prospect Management Co. II, LLC,
Its General Partner

By: /s/ David Schnell
Name: David Schnell
Title: Managing Member

Prospect Associates II, L.P.

By: Prospect Management Co. II, LLC,
Its General Partner

By: /s/ David Schnell
Name: David Schnell
Title: Managing Member

IN WITNESS WHEREOF, the parties hereto have executed this **AMENDMENT NO. 1 TO THE RIGHT'S AGREEMENT** as of the date set forth in the first paragraph hereof.

"INVESTOR"

ARCH Venture Fund V, L.P.

By: ARCH Venture Partners V,L.P.
Its general partner

By: ARCH Venture Partners V, L.L.C.
Its general partner

By: _____
Title: Managing Director

ARCH V Entrepreneurs Fund, L.P.

By: ARCH Venture Partners V,L.P.
Its general partner

By: ARCH Venture Partners V, L.L.C.
Its general partner

By: _____
Title: Managing Director

Healthcare Focus Fund, L.P.

By: ARCH Venture Partners V,L.P.
Its general partner

By: ARCH Venture Partners V, L.L.C.
Its general partner

By: _____
Title: Managing Director

IN WITNESS WHEREOF, the parties here to have executed this **AMENDMENT NO. 1 TO THE RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

"INVESTOR"

Oxford Bioscience Partners IV L.P.

By: OBP Management IV L.P.

By: /s/ Mark P. Carthy
Mark P. Carthy – General Partner

mRNA Fund II L.P.

By: OBP Management IV L.P.

By: /s/ Mark P. Carthy
Mark P. Carthy – General Partner

IN WITNESS WHEREOF, the parties hereto have executed this **AMENDMENT NO. 1 TO THE RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

"INVESTOR"

Frazier Healthcare IV, L.P.

By FHM IV, LP, its general partner
By FHM IV, LLC, its general partner

By: /s/ Patrick Heron

Name: Patrick Heron

Its: authorized representative

Frazier Affiliates IV, L.P.

By FHM IV, LP, its general partner
By FHM IV**,** LLC, its general partner

By: /s/ Patrick Heron

Name: Patrick Heron

Its: authorized representative

Frazier Healthcare III, L.P.

By FHM III, LLC

By: _____

Name: _____

Its: _____

Frazier Affiliates III, L.P.

By FHM III, LLC

By: _____

Name: _____

Its: _____

IN WITNESS WHEREOF, the parties here to have executed this **AMENDMENT NO. 1 TO THE RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

"INVESTOR"

Frazier Healthcare IV, L.P.
By FHM IV, LP, its general partner
By FHM IV, LLC, its general partner

By: _____

Name: _____

Its: _____

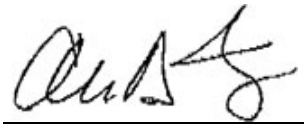
Frazier Affiliates IV, L.P.
By FHM IV, LP, its general partner
By FHM IV, LLC, its general partner

By: _____

Name: _____

Its: _____

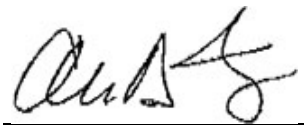
Frazier Healthcare III, L.P.
By FHM III, LLC

By: 

Name: _____

Its: _____

Frazier Affiliates III, L.P.
By FHM III, LLC

By: 

Name: _____

Its: _____

IN WITNESS WHEREOF, the parties hereto have executed this **AMENDMENT NO. 1 TO THE RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

"INVESTORS"

VENROCK PARTNERS, L.P.
by its General Partner, Venrock Partners Management, LLC

VENROCK ASSOCIATES IV, L.P.
by its General Partner, Venrock Management IV, LLC

VENROCK ENTREPRENEURS FUND IV, L.P.
by its General Partner, VEF Management IV, LLC

By: /s/ Anders D. Hove
Name: Anders D. Hove
Title: Member
Address: 30 Rockefeller Plaza
Room 5508
New York, NY 10112

IN WITNESS WHEREOF, the parties hereto have executed this **AMENDMENT NO. 1 TO THE RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

"INVESTORS"

ATP Capital, L.P.

By: ATP General Partner LLC
Its General Partner

By: _____
Jonathan Malkin, Manager

SIGNATURE PAGE TO AMENDMENT NO. 1 TO
AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have executed this **AMENDMENT NO. 1 TO THE RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

"INVESTOR"

Cascade Investments, L.L.C.

By: _____

Name: _____

Its: _____

IN WITNESS WHEREOF, the parties hereto have executed this **AMENDMENT NO. 1 TO THE RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

"INVESTOR"

_____

By: _____

Name: _____

Its:

_____

EXHIBIT 5.3
ADDITIONAL RESEARCH AND DEVELOPMENT EXPENSE PAYMENTS

A. Additional Research and Development Expense Payments for CD20 Products

Within thirty (30) days after Trubion's or Wyeth's achievement of the following events with respect to any CD20 Product (each payable one time only even if achieved with respect to more than one CD20 Product), Wyeth shall make the following payments to Trubion:

Initiation of dosing in the first Phase IIb Clinical Study for rheumatoid arthritis:	$ 5.0 million
Initiation of dosing in the first Phase III Clinical Study for the first Niche Indication:	$ 2.5 million
Initiation of dosing in the first Phase III Clinical Study for the first Major Indication:	$12.5 million
Initiation of dosing in the first Phase III Clinical Study for the second Major Indication:	$10.0 million
BLA filing and acceptance for review in the U.S. for the first Niche Indication:	$ 3.0 million
BLA filing and acceptance for review in the U.S. for the first Major Indication:	$20.0 million
BLA filing and acceptance for review in the U.S. for the second Major Indication:	$10.0 million
Committee for Medicinal Products for Human Use ("CHMP") or equivalent registration filing and acceptance for review in Europe for the first Niche Indication either in a centralized filing or a filing in France, Germany, Italy, Spain or the U.K.:	$ 1.0 million
CHMP or equivalent registration filing and acceptance for review in Europe for the first Major Indication either in a centralized filing or a filing in France, Germany, Italy, Spain or the U.K.:	$ 3.0 million

CHMP or equivalent registration filing and acceptance for review in Europe for the second Major Indication either in a centralized filing or a filing in France, Germany, Italy, Spain or the U.K.:	$ 2.0 million
Registration filing and acceptance for review in Japan for the first Niche Indication:	$ 1.0 million
Registration filing and acceptance for review in Japan for the first Major Indication:	$ 3.0 million
Registration filing and acceptance for review in Japan for the second Major Indication:	$ 2.0 million
U.S. FDA approval for the first Niche Indication:	$ 5.0 million
First Commercial Sale in the U.S. for the first Major Indication:	$40.0 million
First Commercial Sale in the U.S. for the second Major Indication:	$20.0 million
First Commercial Sale in Europe for the first Niche Indication (divided equally among France, Germany, Italy, Spain and the U.K.):	$ 2.5 million
First Commercial Sale in Europe for the first Major Indication (divided equally among France, Germany, Italy, Spain and the U.K.):	$ 6.0 million
First Commercial Sale in Europe for the second Major Indication (divided equally among France, Germany, Italy, Spain and the U.K.):	$ 4.0 million
First Commercial Sale in Japan for the first Niche Indication:	$ 2.5 million
First Commercial Sale in Japan for the first Major Indication:	$ 6.0 million
First Commercial Sale in Japan for the second Major Indication:	$ 4.0 million

The first achievement of $1.0 billion in annual Net Sales of CD20 Products in any calendar year, provided that such event occurs within ten (10) years after the first launch of a CD20 Product in a Major Indication in a Major Market Country:	$10.0 million
The first achievement of $2.5 billion in annual Net Sales of CD20 Products in any calendar year, provided that such event occurs within ten (10) years after the first launch of a CD20 Product in a Major Indication in a Major Market Country:	$25.0 million
The first achievement of $5.0 billion in annual Net Sales of CD20 Products in any calendar year, provided that such event occurs within ten (10) years after the first launch of a CD Product in a Major Indication in a Major Market Country:	$50.0 million

B. Additional Research and Development Expense Payments for HER2 Products

Within thirty (30) days after Wyeth's achievement of the following events with respect to any HER2 Product (each payable one time only even if completed or achieved with respect to more than one HER2 Product), Wyeth shall make the following payments to Trubion:

Initiation of dosing in the first Phase I Clinical Study:	$ 2.0 million
Initiation of dosing in the first Phase II Clinical Study:	$ 3.0 million
Initiation of dosing in the first Phase III Clinical Study:	$ 5.0 million
BLA filing and acceptance for review in the U.S.:	$15.0 million
CHMP or equivalent registration filing and acceptance for review in Europe either in a centralized filing or a filing in France, Germany, Italy, Spain or the U.K.:	$10.0 million
Registration filing and acceptance for review in Japan:	$ 5.0 million
First Commercial Sale in the U.S.:	$30.0 million
First Commercial Sale in Europe (divided equally among France, Germany, Italy and the U.K.):	$20.0 million

First Commercial Sale in Japan:	$10.0 million
The first achievement of $1.0 billion in annual Net Sales of HER2 Products in any calendar year, provided that such event occurs within ten (10) years after the first launch of an HER2 Product anywhere in the Territory:	$10.0 million
The first achievement of $2.5 billion in annual Net Sales of HER2 Products in any calendar year, provided that such event occurs within ten (10) years after the first launch of an HER2 Product anywhere in the Territory:	$25.0 million

C. Additional Research and Development Expense Payments for Other Products

Within thirty (30) days after Wyeth's achievement of the following events with respect to each Other Product (up to a maximum of ten (10) Other Products), Wyeth shall make the following payments to Trubion; *provided*, *however*, that: (i) in the event that any of the following events is achieved with respect to two or more Other Products that are directed against the same Wyeth Target, such payment shall be payable only with respect to the first such Other Product for which the event occurred; and (ii) in the event that an Other Product is directed against two or more Wyeth Targets, such Licensed Product shall be a Multispecific SMIP Product, the consequences of which are as described in Section D below:

Initiation of dosing in the first Phase I Clinical Study:	$ 1.0 million
Initiation of dosing in the first Phase II Clinical Study:	$ 1.5 million
Initiation of dosing in the first Phase III Clinical Study:	$ 2.5 million
BLA filing and acceptance for review in the U.S.:	$ 5.0 million
CHMP or equivalent registration filing and acceptance for review in Europe (either in a centralized filing or a filing in France, Germany, Italy, Spain and the U.K.):	$ 5.0 million
Registration filing and acceptance for review in Japan:	$ 2.0 million
First Commercial Sale in the U.S.:	$10.0 million
First Commercial Sale in Europe (divided equally among France, Germany, Italy and the U.K.):	$10.0 million
First Commercial Sale in Japan:	$ 3.0 million

D. No Additional Payments; Other Applicable Terms and Conditions

(i) Other than the payments listed in Sections A—C of this Exhibit 5.3, no Additional Research and Development Expense Payments shall be due or payable by Wyeth to Trubion for any Licensed Product, regardless of the number of Licensed Products Developed against any Trubion Target or Wyeth Target.

(ii) Each of the Additional Research and Development Expense Payments set forth above shall be payable one time only with respect to each Licensed Target (regardless of the number of times the specified event is achieved with respect to any Licensed Product(s)).

(iii) In the event that the Development of a Licensed Product directed against a particular Licensed Target hereunder (an "Initial Licensed Product") is discontinued prior to the Commercialization of such Initial Licensed Product, and Development has been initiated with respect to another Licensed Product directed against such Licensed Target (a "Replacement Licensed Product"), payments with respect to such Replacement Licensed Product shall be due under this Exhibit 5.3 only upon the achievement of those events that have not been achieved by the Initial Licensed Product.

(iv) Without limiting the foregoing, if a specified event listed in Sections A—C of this Exhibit 5.3 occurs with respect to a Licensed Product directed against two or more Licensed Targets (a "Multispecific SMIP Product"), then (a) no more than one Additional Research and Development Expense Payment shall become payable with respect to the achievement of such event for such Multispecific SMIP Product, (b) only the highest Additional Research and Development Expense Payment based on the achievement of such event that has not already become payable shall be payable, and (c) if all Additional Research and Development Expense Payments based on the achievement of such event have already become payable, then no payment shall be due with respect to such event for such Multispecific SMIP Product. By way of example only, if a BLA filing and acceptance for review in the U.S. occurs with respect to a Multispecific SMIP Product directed against the HER2 Antigen and a Wyeth Target ("Wyeth Target Q"), then: (x) if the $15.0 million Additional Research and Development Expense Payment under Section B for such event has not already become payable, only such $15.0 million amount shall become payable; (y) if such $15.0 million Additional Research and Development Expense Payment had already become payable, then the $5.0 million Additional Research and Development Expense Payment under Section C for such event shall become payable, if it has not previously become payable; and, (z) if both such $15.0 million and such $5.0 million Additional Research and Development Expense Payment had previously become payable, then no payment shall be due upon BLA filing and acceptance for review in the U.S. with respect to such Multispecific SMIP Product. To continue the same

example, if the same Multispecific SMIP Product meets the condition set forth in (x) above, and thereafter a BLA filing and acceptance for review in the U.S. occurs with respect to a separate Licensed Product directed only against such Wyeth Target Q, then upon such subsequent occurrence by such separate Licensed Product, the $5.0 million Additional Research and Development Expense Payment shall be payable with respect to such Wyeth Target Q (if such $5.0 million payment had not previously become payable in connection with Wyeth Target Q).

(v) Subject to the limitations set forth above in Sections A, B and C and in this Section D, if an Additional Research and Development Expense Payment based on a clinical study of, or Regulatory Approval filing for, a Licensed Product for a particular indication (a "Later Development Event") becomes payable before the achievement of an earlier phase clinical study event with respect to such Licensed Product for the same indication for which Additional Research and Development Expense Payments would have been payable (an "Earlier Development Event"), then the Additional Research and Development Expense Payment for the Earlier Development Event also shall become payable upon occurrence of the Later Development Event. By way of example only, if the FDA permits a BLA filing for a HER2 Product on the basis of Phase II Clinical Study results without requiring a Phase III Clinical Study, the Additional Research and Development Expense Payments for such BLA filing (when made and accepted for review) and for a Phase III Clinical Study of such HER2 Product shall become payable at the same time.

EXHIBIT 8.2(d)
THIRD PARTY RIGHTS

[Intentionally Left Blank]

EXHIBIT 8.2(e)
GOVERNMENT FUNDING AGREEMENTS

NIH Grant # 5 R01 CA90143

Project Title: Gene Therapy with MAB Derivatives Expressed on Tumors

Exhibit 10.2

CONFIDENTIAL

* **Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.**

WYETH LLC
ACTING THROUGH ITS
WYETH PHARMACEUTICALS DIVISION
500 ARCOLA ROAD
COLLEGEVILLE, PENNSYLVANIA 19426 USA

April 12, 2010

Trubion Pharmaceuticals, Inc.
2401 4th Avenue, Suite 1050
Seattle, Washington 98121

Re: Amendment No. 2 to the Collaboration and License Agreement dated as of December 19, 2005 (as previously amended, the "Agreement") by and between Trubion Pharmaceuticals, Inc. ("Trubion") and Wyeth LLC (formerly known as Wyeth), acting through its Wyeth Pharmaceuticals Division ("Wyeth")

Ladies and Gentlemen:

This letter agreement (the "Letter Agreement") constitutes Amendment No. 2 to the Agreement referred to above. Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement. Trubion and Wyeth desire to discontinue their collaborative efforts toward the research and Development of [*] and, as a result thereof, wish to amend the Agreement as set forth herein. In addition, Trubion and Wyeth desire to discontinue their collaborative efforts towards the research and Development of the following Wyeth Targets: [*] (the "Discontinued Targets"), of SMIPs directed against such Discontinued Targets (the "Discontinued SMIPs") and of Other Products containing SMIPS directed against such Discontinued Targets (the "Discontinued Other Products"). This Letter Agreement sets forth the agreement of Trubion and Wyeth with respect to such amendment.

***Confidential Treatment Requested.**

Each of Trubion and Wyeth agrees that, upon execution of this Letter Agreement, (a) all rights and licenses granted to Wyeth by Trubion under the Agreement with respect to [*] shall immediately terminate, and Wyeth shall have no further obligations to Trubion under the Agreement with respect to [*], (b) all rights and licenses granted to Wyeth by Trubion under the Agreement with respect to the Discontinued Targets, the Discontinued SMIPs or the Discontinued Other Products shall immediately terminate, and Wyeth shall have no further obligations to Trubion under the Agreement with respect to the Discontinued Targets, the Discontinued SMIPs or the Discontinued Other Products, (c) Trubion shall have no further obligations to Wyeth under the Agreement with respect to [*], the Discontinued Targets, the Discontinued SMIPs or the Discontinued Other Products, and (d) the Discontinued Targets shall be deemed Released Targets for purposes of Section 3.2.2 of the Agreement. Notwithstanding the foregoing or any provision in the Agreement to the contrary but subject to the following sentence, each of Trubion and Wyeth agrees that the Research Program shall continue in full force and effect in accordance with the terms of the Agreement with respect to Licensed Targets other than [*] and the Discontinued Targets and with respect to Products other than [*] and the Discontinued Other Products. Wyeth and Trubion agree that the Research Term hereby is extended until December 31, 2010. The following Targets remain Wyeth Targets under the Agreement: [*] (the "Remaining Wyeth Targets").

In connection with the foregoing, each of Trubion and Wyeth agree to make the following amendments to the Agreement:

1. Amendments to Article 1. Article 1 of the Agreement hereby is amended by
    a. deleting Sections 1.46 through 1.49 of Article 1 in their entirety;
    b. in Section 1.93, deleting the phrase [*] each time it appears within the definition of "Product";
    c. replacing Section 1.130 in its entirety with "'**Trubion Target**' shall mean the human CD20 Antigen"; and
    d. replacing Section 1.140 in its entirety with "'**Wyeth Targets**' shall mean the Targets designated by Wyeth under the Research Program, as described in Section 3.2 hereof. Notwithstanding anything herein to the contrary, as of April 12, 2010 the Wyeth Targets are [*] (all of which have been previously designated as Wyeth Targets pursuant to Section 3.2 hereof); any other Targets previously designated by Wyeth as Wyeth Targets pursuant to Section 3.2 are no longer Wyeth Targets for purposes of the Agreement."
2. Amendments to Article 2. Article 2 of the Agreement is hereby amended by
    a. deleting Section 2.3.2 in its entirety; and
    b. in Section 2.3.3 replacing the phrase "Sections 2.3.1 and 2.3.2" with "Section 2.3.1".
3. Amendments to Article 3. Article 3 of the Agreement is hereby amended by
    a. in Section 3.1 deleting the phrase [*] from clause (a) thereof.
4. Amendments to Article 4. Article 4 of the Agreement is hereby amended by
    a. in Section 4.5(a), deleting the phrase [*]; and
    b. deleting Section 4.5(c) in its entirety.

***Confidential Treatment Requested.**

5. Amendments to Article 5. Article 5 of the Agreement is hereby amended by

   a. deleting the reference to Section 5.4.3 from Section 5.4.1.

   b. deleting Section 5.4.3 in its entirety;

   c. deleting the second sentence of Section 5.4.6(a) in its entirety;

   d. deleting the last sentence of Section 5.5.1 in its entirety; and

   e. replacing clause (c) of Section 5.5.2 in its entirety with "(c) any adjustments (including the basis therefor) made pursuant to Sections 5.4.2(b), 5.4.2(c), 5.4.4(b), 5.4.4(c) or 5.4.6(a) to the royalty amount payable fore the sale of each Licensed Product, the applicable Marginal Royalty Rates and the CD20 Effective Royalty Rate (as the case may be) payable on Net Sales, and".

6. Amendments to Article 9. Article 9 of the Agreement is hereby amended by

   a. in the second sentence of Section 9.7.2(a)(ii), deleting the phrase [*] from each of clauses (B) and (C);

   b. in Section 9.8.4(i), deleting the phrase "or 2.3.2";

   c. in Section 9.10.2(c), replacing the phrase "the restrictive covenants set forth in Sections 2.3.1 and 2.3.2" with "the restrictive covenants set forth in Section 2.3.1", and deleting the phrase [*] each time it appears therein; and

   d. also in Section 9.10.2(c), deleting from the third sentence thereof the phrase "and/or all [*] (only where such Existing Activities relate to products directed against the [*] which would otherwise violate Wyeth's exclusivity covenants in Section 2.3.2 hereof)".

7. Amendments to Exhibit 5.3. Exhibit 5.3 of the Agreement is hereby amended by

   a. Deleting Part B of Exhibit 5.3 in its entirety.

   b. In subclauses (i) and (iv) of Part D of Exhibit 5.3, replacing "Sections A-C" with "Sections A and C".

   c. In subclause (iv) of Part D of Exhibit 5.3, replacing, in the second sentence thereof, [*] with "the human CD20 Antigen".

   d. In subclause (v) of Part D of Exhibit 5.3, deleting, from the first sentence thereof, the reference to Section B, and replacing, in second sentence thereof, [*] with "CD20 Product" each time it appears therein.

This Amendment No. 2 shall become effective as of the date of this letter set forth above. As modified by this Amendment No. 2, the Parties confirm that the Agreement is in full force and effect.

***Confidential Treatment Requested.**

Please indicate your acknowledgement of and agreement with the foregoing by having each counterpart of this Letter Agreement executed on behalf of Trubion and returning one fully executed original counterpart to me.

Very truly yours,

WYETH LLC, acting through its
WYETH PHARMACEUTICALS DIVISION

By: /s/ ROBERT J. SMITH
Name: Robert J. Smith
Title: Senior Vice President

ACKNOWLEDGED AND AGREED:

TRUBION PHARMACEUTICALS, INC.

By: /S/ MICHELLE G. BURRIS
Name: Michelle G. Burris
Title: SVP, COO
Date: 14 April 2010

Exhibit 10.3

CONFIDENTIAL
EXECUTION VERSION

WYETH LLC
ACTING THROUGH ITS
WYETH PHARMACEUTICALS DIVISION
500 ARCOLA ROAD
COLLEGEVILLE, PENNSYLVANIA 19426 USA

May 18, 2011

Emergent Product Development Seattle, LLC.
2401 4th Avenue, Suite 1050
Seattle, Washington 98121

Re: Amendment No. 3 to the Collaboration and License Agreement dated as of December 19, 2005 (as previously amended, the "Agreement") by and between Emergent Product Development Seattle, LLC (successor to Trubion Pharmaceuticals, Inc. ("Trubion")) ("EPDS") and Wyeth LLC (formerly known as Wyeth), acting through its Wyeth Pharmaceuticals Division ("Wyeth")

Ladies and Gentlemen:

This letter agreement (the "Letter Agreement") constitutes Amendment No. 3 to the Agreement referred to above. Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement. EPDS and Wyeth desire to amend the Agreement with respect to the restrictions on Development and Commercialization of CD20 Antigens and CD20 Products. This Letter Agreement sets forth the agreement of EPDS and Wyeth with respect to such amendment.

Each of EPDS and Wyeth agrees as follows:

1. Amendments to Article 1. Article 1 of the Agreement is hereby amended by inserting the following new definitions in alphabetical order therein:

'"**Biosimilar Combination Product**' shall mean any product containing as active ingredients both (a) a CD 20 Biosimilar Product and (b) one or more other pharmaceutically active compounds or substances."

'"**Biosimilar Product**' shall mean a biological product other than a SMIP which, through reference to a biological product that has already received approval from the applicable regulatory authority (the "reference product"), is eligible for approval pursuant to an abbreviated follow-on biological approval pathway established by either the US FDA, the EMEA (currently Similar Biological Medicinal Product as described in CHMP/437/04, issued 30 October 2005, as amended from time to time) or the Pharmaceuticals and Medical Devices Agency (PMDA) of Japan, as such regulations may be amended from time to time. A product which qualifies as a Biosimilar Product under the regulatory pathway of any one such jurisdiction shall constitute a Biosimilar Product for purposes of this Agreement in all jurisdictions, even if the marketing approval for such product in other jurisdictions requires a more restrictive regulatory pathway."

'"**CD20 Biosimilar Product**' shall mean a Biosimilar Product with respect to which Development or Commercialization is first commenced or conducted by Wyeth during the CD20 Biosimilar Product Applicability Period, and such Biosimilar Product contains a protein directed against or that Specifically Binds to the CD20 Antigen or any portion thereof. A CD20 Biosimilar Product shall not be considered to be a CD20 Product for the purposes of this Agreement."

'"**CD20 Biosimilar Product Applicability Period**' shall mean any time that occurs both (a) during the term of this Agreement and (b) prior to the later of (i) the date which is ninety (90) days after the date of expiration or termination of Wyeth's obligations under Section 2.3.1 of this Agreement and (ii) May 26, 2012."

'"**CD20 Biosimilar Royalty Period**' shall mean the period of time beginning on the date of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product anywhere in the Territory and ending on the seventh (7th) anniversary of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product in any Major Market Country; provided, however, that if the first commercial sale by Wyeth or any sublicense of the first CD20 Biosimilar Product in a Major Market Country occurs in a Major Market Country that is not the United States, then (a) the "CD20 Biosimilar Royalty Period" for all countries in the Territory other than the United States shall end on the seventh (7th) anniversary of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product in such Major Market Country and (b) the "CD20 Biosimilar Royalty Period" for the United States shall end on the seventh (7th) anniversary of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product in the United States. For the avoidance of doubt, if the first commercial sale by Wyeth or any sublicense of the first CD20 Biosimilar Product in a Major Market Country occurs in the United States, then the "CD20 Biosimilar Royalty Period" for all countries in the Territory shall end on the on the seventh (7th) anniversary of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product in the United States."

'"CD20 Biosimilar Product Net Sales' shall mean the gross amounts charged for sales of CD20 Biosimilar Products by Wyeth or its sublicensees to Third Parties, less the sum of (a) and (b) where (a) is a provision, determined under Generally Accepted Accounting Principles in the United States and in accordance with Wyeth's customary and usual accrual procedures, consistently applied, for the accrual of (i) trade, cash, quantity and wholesaler discounts or rebates (other than price discounts granted at the time of sale), if any, allowed or paid, (ii) credits or allowances given or made for rejection or return of, previously sold CD20 Biosimilar Products or for retroactive price reductions (including Medicaid, managed care and similar types of rebates), (iii) taxes, duties or other governmental charges levied on or measured by the billing amount (excluding income and franchise taxes), as adjusted for rebates and refunds, and (iv) charges for packing, freight, and shipping to the extent included in the invoice price and (b) is a periodic adjustment (positive or negative, as applicable), determined under Generally Accepted Accounting Principles in the United States and in accordance with Wyeth's customary and usual adjustment procedures, consistently applied, of the provision determined in (a) to reflect amounts actually incurred for (i), (ii), (iii) and (iv) based on amounts actually invoiced or as separately set forth in agreements with Third Parties or as deducted or paid as required by applicable law or regulations. (The deductions described in (i), (ii), (iii) and (iv) are also referred to herein as "Permitted Deductions.") In the case of any sale of CD20 Biosimilar Products for consideration other than cash, CD20 Biosimilar Product Net Sales shall be calculated on the fair market value of the consideration received.

Notwithstanding the foregoing, if a CD20 Biosimilar Product is sold as a Biosimilar Combination Product (also a "Combination Sale"), the Net Sales for such Biosimilar Combination Product shall be the portion of such Combination Sale allocable to the CD20 Biosimilar Product determined as follows:

Except as provided below, the CD20 Biosimilar Product Net Sales amount for a Combination Sale shall equal the gross amount invoiced for the Combination Sale, reduced by the Permitted Deductions (also the "Net Combination Sale Amount"), multiplied by the fraction A/(A+B), where:

A is the invoice price, in the country where such Combination Sale occurs, of the CD20 Biosimilar Product contained in the Biosimilar Combination Product, if sold as a separate product in such country by Wyeth or its sublicensees, as the case may be, and B is the aggregate of the invoice price or prices, in such country, of products which collectively contain as their respective sole active ingredient such other pharmaceutically active compounds or substances, as the case may be, included in the Biosimilar Combination Product, if sold separately in such country by Wyeth or its sublicensees, as applicable.

In the event that Wyeth or its sublicensees sell the CD20 Biosimilar Product included in a Biosimilar Combination Product as a separate product in a country, but do not separately sell all of the other pharmaceutically active compounds or substances, as the case may be, included in such Biosimilar Combination Product in such country, the calculation of the CD20 Biosimilar Product Net Sales amount for such Combination Sale shall be determined by multiplying the Net Combination Sale Amount by the fraction A/C where:

A is the average wholesale price, in such country, charged by Wyeth or its sublicensees, as the case may be, for the CD20 Biosimilar Product contained in such Biosimilar Combination Product, when sold as a separate product by Wyeth or its sublicensees, as applicable, and C is the average wholesale price, in such country, charged by Wyeth or its sublicensees, as applicable, for the entire Biosimilar Combination Product.

In the event that Wyeth or its sublicensees do not sell the CD20 Biosimilar Product included in a Biosimilar Combination Product as a separate product in a country where such Combination Sale occurs, but do separately sell products which collectively contain as their respective sole active ingredient all of the other pharmaceutically active compounds or substances, as the case may be, included in the Biosimilar Combination Product in such country, the calculation of CD20 Biosimilar Product Net Sales resulting from such Combination Sale shall be determined by multiplying the Net Combination Sale Amount by the fraction (C-D)/C, where:

C is the average wholesale price, in such country, charged by Wyeth or its sublicensees, as the case may be, for the entire Biosimilar Combination Product, and D is the average wholesale price charged by Wyeth or its sublicensees, as the case may be, for the products which collectively contain as their sole active ingredient such other pharmaceutically active compounds or substances, as the case may be, included in the Biosimilar Combination Product.

Where active ingredient portions of a Biosimilar Combination Product are sold separately as other products but in different dosage strengths than are in the Biosimilar Combination Product, the calculation of the Net Sales amount for such Biosimilar Combination Product shall be based on appropriate proration of the amounts of each active ingredient component included therein when applying the formulas set forth above.

Where the calculation of CD20 Biosimilar Product Net Sales resulting from a Combination Sale in a country cannot be determined by any of the foregoing methods, the calculation of CD20 Biosimilar Product Net Sales for such Combination Sale shall be that portion of the Net Combination Sale Amount reasonably determined in good faith by the Parties as properly reflecting the value of the CD20 Biosimilar Product included in the Biosimilar Combination Product.

Notwithstanding the foregoing, CD20 Biosimilar Product Net Sales shall not include any reimbursement received by Wyeth or its sublicensees in respect of the use of a CD20 Biosimilar Product in a country solely as part of a clinical trial prior to the receipt of marketing authorization required to commence commercial sales of such CD20 Biosimilar Product in such country."

2. Amendment to Section 2.3.1. Section 2.3.1 of the Agreement is hereby amended by adding the following new paragraph at the end thereof:

"The foregoing provisions of this Section 2.3.1 shall not, and shall not be deemed to, prohibit Wyeth from Developing or Commercializing any CD20 Biosimilar Product. For clarity, no rights or licenses are granted to Wyeth under the Trubion Technology with respect to any CD20 Biosimilar Products."

3. Amendment to Section 5.4. In partial consideration for EPDS agreeing to amend Section 2.3.1 of the Amendment as set forth above, Section 5.4 of the Agreement is hereby amended by adding the following new Section at the end thereof:

"5.4.7. **CD20 Biosimilar Product Payments.** Wyeth shall pay to Trubion an amount equal to two and one-half percent (2.5%) multiplied by the aggregate CD20 Biosimilar Product Net Sales collectively obtained by Wyeth and its sublicensees from the sale of CD20 Biosimilar Products during each calendar year. Such payments shall be made during the CD20 Biosimilar Royalty Period. Sections 5.5 (excluding clause (c) of Section 5.5.2) and 5.6 shall apply to the payments to be made pursuant to this Section 5.4.7 on CD20 Biosimilar Products.

4. Amendment to Section 9.7.10. In further consideration for Trubion agreeing to amend Section 2.3.1 of the Agreement as set forth above, Section 9.7.10 of the Agreement is hereby amended and replaced by the following text:

"9.7.10. **Continuation of Certain Rights and Licenses.**

(a) Notwithstanding anything in this Section 9.7 to the contrary, the Parties' rights and licenses set forth in Sections 6.1.1 and 6.1.2 shall survive any expiration or termination of this Agreement.

(b) Notwithstanding anything in this Section 9.7 to the contrary, Trubion's right to receive CD20 Biosimilar Product Payments in accordance with Section 5.4.7 shall survive any expiration or termination of this Agreement and continue until the end of the CD20 Biosimilar Royalty Period."

5. Amendment Payment. Wyeth shall pay to EPDS Two Million Five Hundred Thousand Dollars ($2,500,000.00) within thirty (30) days after the effective date set forth below, which payment shall be non-refundable and non-creditable.

6. Assignment. Wyeth hereby assigns the Agreement, as amended hereby, and all of its rights, obligations and interests thereunder, to Pfizer Inc. Pfizer Inc. hereby accepts such assignment and assumes the rights, obligations and interests of Wyeth under the Agreement.

7. Continuity of Royalty Obligation. In the event that Wyeth or Pfizer Inc. sells, transfers, licenses or otherwise assigns its rights and interests in any CD20 Biosimilar Product for which royalties are or will become due and payable as provided for in the amendments to the Agreement set forth in Paragraph 3 above, Pfizer Inc. shall remain responsible for the obligation to pay such royalties with respect to such CD20 Biosimilar Product unless the successor to such rights and interests confirms in writing to EPDS that such successor assumes the obligations to pay such royalties to EPDS.

8. Notice.

(a) On or prior to January 15, 2012 and thereafter on or prior to each January 15 and July 15 that occurs during the CD20 Biosimilar Product Applicability Period, Wyeth or Pfizer Inc. shall provide EPDS with a written report with respect to whether the Development or Commercialization of any CD20 Biosimilar Product was first commenced or conducted by Wyeth since the date of the last such report.

(b) Wyeth or Pfizer Inc. shall provide EPDS with notice of the consummation of any transaction contemplated pursuant to Section 7 of this Letter Agreement within thirty (30) days after consummation thereof and such notice shall indicate whether the obligations set forth in Section 7 remain with Pfizer Inc or were transferred to the successor.

This Letter Agreement shall be deemed entered into and effective as of May 26, 2011. As modified by this Amendment No. 3, the Parties confirm that the Agreement is in full force and effect.

Please indicate your acknowledgement of and agreement with the foregoing by having each counterpart of this Letter Agreement executed on behalf of EPDS and returning one fully executed original counterpart to me.

Very truly yours,

WYETH LLC, acting through its
WYETH PHARMACEUTICALS DIVISION

By: /s/ Mikael Dolsten
Name: Mikael Dolsten
Title: President Worldwide Research and Development

PFIZER INC.

By: /s/ Mikael Dolsten
Name: Mikael Dolsten
Title: President Worldwide Research and Development

ACKNOWLEDGED AND AGREED:

EMERGENT PRODUCT DEVELOPMENT SEATTLE, LLC

By: /s/ Kyle W. Keese
Name: Kyle W. Keese
Title:
Date: 18 May 11

Exhibit 10.4

CONFIDENTIAL
EXECUTION VERSION

WYETH LLC
ACTING THROUGH ITS
WYETH PHARMACEUTICALS DIVISION
500 ARCOLA ROAD
COLLEGEVILLE, PENNSYLVANIA 19426 USA

May 18, 2011

Emergent Product Development Seattle, LLC.
2401 4th Avenue, Suite 1050
Seattle, Washington 98121

Re: Amendment No. 3 to the Collaboration and License Agreement dated as of December 19, 2005 (as previously amended, the "Agreement") by and between Emergent Product Development Seattle, LLC (successor to Trubion Pharmaceuticals, Inc. ("Trubion")) ("EPDS") and Wyeth LLC (formerly known as Wyeth), acting through its Wyeth Pharmaceuticals Division ("Wyeth")

Ladies and Gentlemen:

This letter agreement (the "Letter Agreement") constitutes Amendment No. 3 to the Agreement referred to above. Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement. EPDS and Wyeth desire to amend the Agreement with respect to the restrictions on Development and Commercialization of CD20 Antigens and CD20 Products. This Letter Agreement sets forth the agreement of EPDS and Wyeth with respect to such amendment.

Each of EPDS and Wyeth agrees as follows:

1. Amendments to Article 1. Article 1 of the Agreement is hereby amended by inserting the following new definitions in alphabetical order therein:

'"Biosimilar Combination Product' shall mean any product containing as active ingredients both (a) a CD 20 Biosimilar Product and (b) one or more other pharmaceutically active compounds or substances."

'"Biosimilar Product' shall mean a biological product other than a SMIP which, through reference to a biological product that has already received approval from the applicable regulatory authority (the "reference product"), is eligible for approval pursuant to an abbreviated follow-on biological approval pathway

established by either the US FDA, the EMEA (currently Similar Biological Medicinal Product as described in CHMP/437/04, issued 30 October 2005, as amended from time to time) or the Pharmaceuticals and Medical Devices Agency (PMDA) of Japan, as such regulations may be amended from time to time. A product which qualifies as a Biosimilar Product under the regulatory pathway of any one such jurisdiction shall constitute a Biosimilar Product for purposes of this Agreement in all jurisdictions, even if the marketing approval for such product in other jurisdictions requires a more restrictive regulatory pathway."

"'CD20 Biosimilar Product' shall mean a Biosimilar Product with respect to which Development or Commercialization is first commenced or conducted by Wyeth during the CD20 Biosimilar Product Applicability Period, and such Biosimilar Product contains a protein directed against or that Specifically Binds to the CD20 Antigen or any portion thereof. A CD20 Biosimilar Product shall not be considered to be a CD20 Product for the purposes of this Agreement."

"'CD20 Biosimilar Product Applicability Period' shall mean any time that occurs both (a) during the term of this Agreement and (b) prior to the later of (i) the date which is ninety (90) days after the date of expiration or termination of Wyeth's obligations under Section 2.3.1 of this Agreement and (ii) May 26, 2012."

"'CD20 Biosimilar Royalty Period' shall mean the period of time beginning on the date of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product anywhere in the Territory and ending on the seventh (7th) anniversary of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product in any Major Market Country; provided, however, that if the first commercial sale by Wyeth or any sublicense of the first CD20 Biosimilar Product in a Major Market Country occurs in a Major Market Country that is not the United States, then (a) the "CD20 Biosimilar Royalty Period" for all countries in the Territory other than the United States shall end on the seventh (7th) anniversary of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product in such Major Market Country and (b) the "CD20 Biosimilar Royalty Period" for the United States shall end on the seventh (7th) anniversary of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product in the United States. For the avoidance of doubt, if the first commercial sale by Wyeth or any sublicense of the first CD20 Biosimilar Product in a Major Market Country occurs in the United States, then the "CD20 Biosimilar Royalty Period" for all countries in the Territory shall end on the on the seventh (7th) anniversary of the first commercial sale by Wyeth or any sublicensee of the first CD20 Biosimilar Product in the United States."

"'CD20 Biosimilar Product Net Sales' shall mean the gross amounts charged for sales of CD20 Biosimilar Products by Wyeth or its sublicensees to Third Parties, less the sum of (a) and (b) where (a) is a provision, determined under Generally Accepted Accounting Principles in the United States and in accordance with Wyeth's customary and usual accrual procedures, consistently applied, for the accrual of (i) trade, cash, quantity and wholesaler discounts or rebates (other than price discounts granted at the time of sale), if any, allowed or paid, (ii) credits or allowances given or made for rejection or return of, previously sold CD20 Biosimilar Products or for retroactive price reductions (including Medicaid, managed care and similar types of rebates), (iii) taxes, duties or other governmental charges levied on or measured by the billing amount (excluding income and franchise taxes), as adjusted for rebates and refunds, and (iv) charges for packing, freight, and shipping to the extent included in the invoice price and (b) is a periodic adjustment (positive or negative, as applicable), determined under Generally Accepted Accounting Principles in the United States and in accordance with Wyeth's customary and usual adjustment procedures, consistently applied, of the provision determined in (a) to reflect amounts actually incurred for (i), (ii), (iii) and (iv) based on amounts actually invoiced or as separately set forth in agreements with Third Parties or as deducted or paid as required by applicable law or regulations. (The deductions described in (i), (ii), (iii) and (iv) are also referred to herein as "Permitted Deductions.") In the case of any sale of CD20 Biosimilar Products for consideration other than cash, CD20 Biosimilar Product Net Sales shall be calculated on the fair market value of the consideration received.

Notwithstanding the foregoing, if a CD20 Biosimilar Product is sold as a Biosimilar Combination Product (also a "Combination Sale"), the Net Sales for such Biosimilar Combination Product shall be the portion of such Combination Sale allocable to the CD20 Biosimilar Product determined as follows:

Except as provided below, the CD20 Biosimilar Product Net Sales amount for a Combination Sale shall equal the gross amount invoiced for the Combination Sale, reduced by the Permitted Deductions (also the "Net Combination Sale Amount"), multiplied by the fraction A/(A+B), where:

A is the invoice price, in the country where such Combination Sale occurs, of the CD20 Biosimilar Product contained in the Biosimilar Combination Product, if sold as a separate product in such country by Wyeth or its sublicensees, as the case may be, and B is the aggregate of the invoice price or prices, in such country, of products which collectively contain as their respective sole active ingredient such other pharmaceutically active compounds or substances, as the case may be, included in the Biosimilar Combination Product, if sold separately in such country by Wyeth or its sublicensees, as applicable.

In the event that Wyeth or its sublicensees sell the CD20 Biosimilar Product included in a Biosimilar Combination Product as a separate product in a country, but do not separately sell all of the other pharmaceutically active compounds or substances, as the case may be, included in such Biosimilar Combination Product in such country, the calculation of the CD20 Biosimilar Product Net Sales amount for such Combination Sale shall be determined by multiplying the Net Combination Sale Amount by the fraction A/C where:

A is the average wholesale price, in such country, charged by Wyeth or its sublicensees, as the case may be, for the CD20 Biosimilar Product contained in such Biosimilar Combination Product, when sold as a separate product by Wyeth or its sublicensees, as applicable, and C is the average wholesale price, in such country, charged by Wyeth or its sublicensees, as applicable, for the entire Biosimilar Combination Product.

In the event that Wyeth or its sublicensees do not sell the CD20 Biosimilar Product included in a Biosimilar Combination Product as a separate product in a country where such Combination Sale occurs, but do separately sell products which collectively contain as their respective sole active ingredient all of the other pharmaceutically active compounds or substances, as the case may be, included in the Biosimilar Combination Product in such country, the calculation of CD20 Biosimilar Product Net Sales resulting from such Combination Sale shall be determined by multiplying the Net Combination Sale Amount by the fraction (C-D)/C, where:

C is the average wholesale price, in such country, charged by Wyeth or its sublicensees, as the case may be, for the entire Biosimilar Combination Product, and D is the average wholesale price charged by Wyeth or its sublicensees, as the case may be, for the products which collectively contain as their sole active ingredient such other pharmaceutically active compounds or substances, as the case may be, included in the Biosimilar Combination Product.

Where active ingredient portions of a Biosimilar Combination Product are sold separately as other products but in different dosage strengths than are in the Biosimilar Combination Product, the calculation of the Net Sales amount for such Biosimilar Combination Product shall be based on appropriate proration of the amounts of each active ingredient component included therein when applying the formulas set forth above.

Where the calculation of CD20 Biosimilar Product Net Sales resulting from a Combination Sale in a country cannot be determined by any of the foregoing methods, the calculation of CD20 Biosimilar Product Net Sales for such Combination Sale shall be that portion of the Net Combination Sale Amount reasonably determined in good faith by the Parties as properly reflecting the value of the CD20 Biosimilar Product included in the Biosimilar Combination Product.

Notwithstanding the foregoing, CD20 Biosimilar Product Net Sales shall not include any reimbursement received by Wyeth or its sublicensees in respect of the use of a CD20 Biosimilar Product in a country solely as part of a clinical trial prior to the receipt of marketing authorization required to commence commercial sales of such CD20 Biosimilar Product in such country."

2. Amendment to Section 2.3.1. Section 2.3.1 of the Agreement is hereby amended by adding the following new paragraph at the end thereof:

"The foregoing provisions of this Section 2.3.1 shall not, and shall not be deemed to, prohibit Wyeth from Developing or Commercializing any CD20 Biosimilar Product. For clarity, no rights or licenses are granted to Wyeth under the Trubion Technology with respect to any CD20 Biosimilar Products."

3. Amendment to Section 5.4. In partial consideration for EPDS agreeing to amend Section 2.3.1 of the Amendment as set forth above, Section 5.4 of the Agreement is hereby amended by adding the following new Section at the end thereof:

"5.4.7. **CD20 Biosimilar Product Payments.** Wyeth shall pay to Trubion an amount equal to two and one-half percent (2.5%) multiplied by the aggregate CD20 Biosimilar Product Net Sales collectively obtained by Wyeth and its sublicensees from the sale of CD20 Biosimilar Products during each calendar year. Such payments shall be made during the CD20 Biosimilar Royalty Period. Sections 5.5 (excluding clause (c) of Section 5.5.2) and 5.6 shall apply to the payments to be made pursuant to this Section 5.4.7 on CD20 Biosimilar Products.

4. Amendment to Section 9.7.10. In further consideration for Trubion agreeing to amend Section 2.3.1 of the Agreement as set forth above, Section 9.7.10 of the Agreement is hereby amended and replaced by the following text:

"9.7.10. **Continuation of Certain Rights and Licenses.**

(a) Notwithstanding anything in this Section 9.7 to the contrary, the Parties' rights and licenses set forth in Sections 6.1.1 and 6.1.2 shall survive any expiration or termination of this Agreement.

(b) Notwithstanding anything in this Section 9.7 to the contrary, Trubion's right to receive CD20 Biosimilar Product Payments in accordance with Section 5.4.7 shall survive any expiration or termination of this Agreement and continue until the end of the CD20 Biosimilar Royalty Period."

5. Amendment Payment. Wyeth shall pay to EPDS Two Million Five Hundred Thousand Dollars ($2,500,000.00) within thirty (30) days after the effective date set forth below, which payment shall be non-refundable and non-creditable.

6. Assignment. Wyeth hereby assigns the Agreement, as amended hereby, and all of its rights, obligations and interests thereunder, to Pfizer Inc. Pfizer Inc. hereby accepts such assignment and assumes the rights, obligations and interests of Wyeth under the Agreement.

7. Continuity of Royalty Obligation. In the event that Wyeth or Pfizer Inc. sells, transfers, licenses or otherwise assigns its rights and interests in any CD20 Biosimilar Product for which royalties are or will become due and payable as provided for in the amendments to the Agreement set forth in Paragraph 3 above, Pfizer Inc. shall remain responsible for the obligation to pay such royalties with respect to such CD20 Biosimilar Product unless the successor to such rights and interests confirms in writing to EPDS that such successor assumes the obligations to pay such royalties to EPDS.

8. Notice.

(a) On or prior to January 15, 2012 and thereafter on or prior to each January 15 and July 15 that occurs during the CD20 Biosimilar Product Applicability Period, Wyeth or Pfizer Inc. shall provide EPDS with a written report with respect to whether the Development or Commercialization of any CD20 Biosimilar Product was first commenced or conducted by Wyeth since the date of the last such report.

(b) Wyeth or Pfizer Inc. shall provide EPDS with notice of the consummation of any transaction contemplated pursuant to Section 7 of this Letter Agreement within thirty (30) days after consummation thereof and such notice shall indicate whether the obligations set forth in Section 7 remain with Pfizer Inc or were transferred to the successor.

This Letter Agreement shall be deemed entered into and effective as of May 26, 2011. As modified by this Amendment No. 3, the Parties confirm that the Agreement is in full force and effect.

Please indicate your acknowledgement of and agreement with the foregoing by having each counterpart of this Letter Agreement executed on behalf of EPDS and returning one fully executed original counterpart to me.

Very truly yours,

WYETH LLC, acting through its
WYETH PHARMACEUTICALS DIVISION

By: /s/ Mikael Dolsten
Name: Mikael Dolsten
Title: President-Worldwide Research and Development

PFIZER INC.

By: /s/ Mikael Dolsten
Name: Mikael Dolsten
Title: President-Worldwide Research and Development

ACKNOWLEDGED AND AGREED:

EMERGENT PRODUCT DEVELOPMENT SEATTLE, LLC

By: _____
Name: _____
Title: _____
Date: _____

Please indicate your acknowledgement of and agreement with the foregoing by having each counterpart of this Letter Agreement executed on behalf of EPDS and returning one fully executed original counterpart to me.

Very truly yours,

WYETH LLC, acting through its
WYETH PHARMACEUTICALS DIVISION

By: _____
Name: _____
Title: _____

PFIZER INC.

By: _____
Name: _____
Title: _____

ACKNOWLEDGED AND AGREED:

EMERGENT PRODUCT DEVELOPMENT SEATTLE, LLC

By: /s/ Kyle W. Keese
Name: Kyle W. Keese
Title: _____
Date: 18 May 11

Exhibit 10.5

Dr Mary Collins
CSO/VP Immunology & Autoimmunity
Pfizer Inc
200 Cambridge Park Drive
Cambridge, MA 02140

June 6, 2011

Emergent Product Development Seattle, LLC.
2401 4th Avenue, Suite 1050
Seattle, Washington 98121

Re: Amendment No. 4 to the Collaboration and License Agreement dated as of December 19, 2005 (as previously amended, the "Agreement") by and between Emergent Product Development Seattle, LLC (successor to Trubion Pharmaceuticals, Inc. ("Trubion")) and Wyeth LLC (formerly known as Wyeth), acting through its Wyeth Pharmaceuticals Division ("Wyeth")

Ladies and Gentlemen:

This letter agreement (the "Letter Agreement") constitutes Amendment No. 4 to the Agreement referred to above. Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement. Wyeth is now a wholly-owned subsidiary of Pfizer Inc. Emergent Product Development Seattle, LLC, successor entity to Trubion, is a wholly-owned subsidiary of Emergent BioSolutions Inc.

Trubion and Wyeth desire to discontinue their collaborative efforts towards the research and Development of the following Wyeth Targets: Il-21, IL-22 and P40 (the "Discontinued Targets"), of SMIPs directed against such Discontinued Targets (the "Discontinued SMIPs") and of Other Products containing SMIPS directed against such Discontinued Targets (the "Discontinued Other Products"). This Letter Agreement sets forth the agreement of Trubion and Wyeth with respect to such amendment.

Each of Trubion and Wyeth agrees that, upon execution of this Letter Agreement, (a) all rights and licenses granted to Wyeth by Trubion under the Agreement with respect to the Discontinued Targets, the Discontinued SMIPs or the Discontinued Other Products shall immediately terminate, and Wyeth shall have no further obligations to Trubion under the Agreement with respect to the Discontinued Targets, the Discontinued SMIPs or the Discontinued Other Products, (b) Trubion shall have no further obligations to Wyeth under the Agreement with respect to Discontinued Targets, the Discontinued SMIPs or the Discontinued Other Products, and (c) the Discontinued Targets shall be deemed Released Targets for purposes of Section 3.2.2 of the Agreement. The following Targets remain Wyeth Targets under the Agreement: IL-4 and IL-13 (the "Remaining Wyeth Targets").

In connection with the foregoing, each of Trubion and Wyeth agree to make the following amendments to the Agreement:

1. Amendments to Article 1. Article 1 of the Agreement hereby is amended by

a. replacing Section 1.140 in its entirety with **"Wyeth Targets"** shall mean the Targets designated by Wyeth under the Research Program, as described in Section 3.2 hereof. Notwithstanding anything herein to the contrary, as of May 12, 2011 the Wyeth Targets are IL-4 and IL-13 (all of which have been previously designated as Wyeth Targets pursuant to Section 3.2 hereof); any other Targets previously designated by Wyeth as Wyeth Targets pursuant to Section 3.2 are no longer Wyeth Targets for purposes of the Agreement."

This Amendment No. 4 shall become effective as of the date of this letter set forth above. As modified by this Amendment No. 4, the Parties confirm that the Agreement is in full force and effect.

Please indicate your acknowledgement of and agreement with the foregoing by having each counterpart of this Letter Agreement executed on behalf of Trubion and returning one fully executed original counterpart to me.

Very truly yours,

WYETH LLC,

By: /s/ Mary Collins, Ph.D.
Name: Mary Collins, Ph.D.
Title: CSO/VP, Immunology & Autoimmunity

ACKNOWLEDGED AND AGREED:
EMERGENT PRODUCT DEVELOPMENT SEATTLE, LLC

By: /s/ W. James Jackson
Name: W. James Jackson
Title: Vice President
Date: June 7, 2011

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: August 14, 2020

By: /s/ Marvin White

Marvin 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, Jeff Lamothe, 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: August 14, 2020

By: /s/ Jeff Lamothe

Jeff Lamothe
Senior Vice President, Chief Financial Officer, and Treasurer

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 Annual Report of Aptevo Therapeutics Inc. on Form 10-Q for the period ending June 30, 2020 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: August 14, 2020

By: /s/ Marvin White
Marvin 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 Annual Report of Aptevo Inc. on Form 10-Q for the period ending June 30, 2020 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: August 14, 2020

By: /s/ Jeff Lamothe

Jeff Lamothe
Senior Vice President, Chief Financial Officer, and Treasurer

"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."