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 September 30, 2017

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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	☐ (Do not check if a smaller reporting company)	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 7(a)(2)(B) of the Securities Act). Yes ☐ No ☒

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 November 6, 2017, the number of shares of Registrant's common stock outstanding was 21,428,468.

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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)

ASSETS	September 30, 2017	December 31, 2016
Current assets:		
Cash and cash equivalents	$ 75,830	$ 9,676
Restricted cash	10,400	400
Short-term investments	20,946	44,849
Accounts receivable	528	307
Inventories	1,237	461
Current assets held for sale	—	10,155
Prepaid expenses and other current assets	6,381	5,566
Total current assets	115,322	71,414
Property and equipment, net	6,163	5,910
Intangible assets, net	6,287	6,910
Long-term assets held for sale	—	7,624
Other long-term assets	3,250	—
Total assets	$ 131,022	$ 91,858
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 7,512	$ 10,518
Accrued compensation	3,815	4,009
Sales rebates and discounts	378	278
Due to acquirer of discontinued operations	878	—
Deferred revenue, current portion	—	811
Other short-term liabilities	2,287	—
Current liabilities held for sale	—	3,928
Total current liabilities	14,870	19,544
Deferred revenue, net of current portion	—	2,896
Long-term debt, net	17,484	18,383
Other liabilities	8,358	469
Total liabilities	40,712	41,292
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; 21,426,731 and 20,271,737 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	21	20
Additional paid-in capital	154,257	151,271
Accumulated other comprehensive loss	(10)	(33)
Contribution receivable from former parent	—	(20,000)
Accumulated deficit	(63,958)	(80,692)
Total stockholders' equity	90,310	50,566
Total liabilities and stockholders' equity	$ 131,022	$ 91,858

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 September 30,		For the Nine Months Ended September 30,	
	2017	2016 Restated	2017	2016 Restated
Revenues:				
Product sales	$ 2,506	$ 2,816	$ 8,131	$ 7,050
Collaborations	3,666	—	3,709	153
Total revenues	6,172	2,816	11,840	7,203
Costs and expenses:				
Cost of product sales	1,872	4,110	3,114	7,387
Research and development	7,175	7,077	19,835	22,759
Selling, general and administrative	7,473	11,141	26,019	27,950
Impairment of goodwill and intangible assets	—	71,013	—	71,013
Loss from operations	(10,348)	(90,525)	(37,128)	(121,906)
Other income (expense):				
Other expense, net	(436)	(492)	(1,356)	(417)
Total other expense, net	(436)	(492)	(1,356)	(417)
Loss before income taxes	(10,784)	(91,017)	(38,484)	(122,323)
Benefit from income taxes	13,768	17,608	15,587	18,590
Net income (loss) from continuing operations	2,984	(73,409)	(22,897)	(103,733)
Discontinued operations (Note 2):				
Income from discontinued operations, before income taxes	56,140	3,959	62,706	9,514
Income tax expense	(21,257)	(2,291)	(23,076)	(3,250)
Income from discontinued operations	34,883	1,668	39,630	6,264
Net income (loss)	$ 37,867	$ (71,741)	$ 16,733	$ (97,469)
Basic net income (loss) per share:				
Net loss from continuing operations	$ 0.14	$ (3.63)	$ (1.08)	$ (5.13)
Net income from discontinued operations	$ 1.63	$ 0.08	$ 1.87	$ 0.31
Net income (loss)	$ 1.77	$ (3.55)	$ 0.79	$ (4.82)
Weighted-average shares used to compute per share calculation	21,385,381	20,235,987	21,138,332	20,231,910
Diluted net income (loss) per share:				
Net loss from continuing operations	$ 0.14	$ (3.63)	$ (1.08)	$ (5.13)
Net income from discontinued operations	$ 1.61	$ 0.08	$ 1.87	$ 0.31
Net income (loss)	$ 1.75	$ (3.55)	$ 0.79	$ (4.82)
Weighted-average shares used to compute per share calculation	21,672,269	20,235,987	21,138,332	20,231,910

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

Aptevo Therapeutics Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands, unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss)	$ 37,867	$ (71,741)	$ 16,733	$ (97,469)
Other comprehensive loss:				
Unrealized losses on available-for-sale investments, net	(24)	(17)	(10)	(17)
Total comprehensive income (loss)	$ 37,843	$ (71,758)	$ 16,723	$ (97,486)

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 Nine Months Ended September 30,	
	2017	2016
Operating Activities		
Net income (loss)	$ 16,733	$ (97,469)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	3,829	2,067
Depreciation and amortization	2,991	2,912
Gain on sale of Hyperimmune Business	(52,538)	—
Impairment of goodwill and intangible assets	—	55,702
Income taxes	7,489	(506)
Change in fair value of contingent consideration	—	(261)
Changes in operating assets and liabilities:		
Accounts receivable	(221)	3,497
Inventories	(776)	8,748
Income taxes	—	1,376
Prepaid expenses and other current assets	(815)	(1,475)
Accounts payable, accrued compensation and other liabilities	(1,941)	(1,155)
Change in assets and liabilities held for sale	2,700	—
Due to Soal	4	—
Sales rebates and discounts	100	(208)
Deferred revenue	(3,707)	(3,425)
Net cash used in operating activities	(26,152)	(30,197)
Investing Activities		
Cash proceeds from sale of Hyperimmune Business	60,477	—
Proceeds from the maturity of investments	53,218	—
Purchases of property and equipment	(1,105)	(1,933)
Purchases of investments	(29,291)	(49,802)
Net cash provided by (used in) investing activities	83,299	(51,735)
Financing Activities		
Transfer from former parent, prior to spin-off	—	45,000
Settlement of contribution receivable from former parent	20,000	25,549
Proceeds from long-term debt, net of issuance costs	—	18,038
Debt issuance costs	(150)	—
Proceeds from the exercise of stock options	—	2
Payments for taxes related to net share settlement of equity awards	(843)	—
Restricted cash	(10,000)	(400)
Net cash provided by financing activities	9,007	88,189
Increase cash and cash equivalents	66,154	6,257
Cash and cash equivalents at beginning of period	9,676	4,637
Cash and cash equivalents at end of period	$ 75,830	$ 10,894

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

Note 1. Nature of Business and Significant Accounting Policies

Organization and Basis of Presentation

Aptevo Therapeutics Inc. (Aptevo, or the Company) is a biotechnology company focused on novel oncology (cancer) and hematology (blood disease) therapeutics to meaningfully improve patients' lives. Our core technology is the ADAPTIR™ (modular protein technology) platform. We currently have one revenue-generating product in the area of hematology, as well as various investigational stage product candidates in the area of immuno-oncology.

On September 28, 2017, Aptevo completed the sale of its hyperimmune business which consisted of the following products: WinRho® SDF for autoimmune platelet disorder and hemolytic disease of the newborn; HepaGam B® for the prevention of Hepatitis B following liver transplantation and for treatment following hepatitis B exposure; and VARIZIG® for treatment following exposure to varicella zoster virus for individuals with compromised immune systems (Hyperimmune Business). As of September 30, 2017, the Hyperimmune Business met all the conditions to be classified as a discontinued operation since the sale of Hyperimmune Business represented a strategic shift that will have a major effect on the Company's operations and financial results. The Company will not have further significant involvement in the operations of the discontinued Hyperimmune Business. The operating results of the Hyperimmune Business are reported as income from the discontinued operations, both pre-tax and net of tax, in the condensed consolidated statements of operations for all periods presented. The gain recognized on the sale of the Hyperimmune Business is presented in income (loss) from discontinued operations, both pre-tax and net of tax, in the condensed consolidated statement of operations. In addition, the consolidated and condensed balance sheets as of December 31, 2016, the assets and liabilities held for sale have been presented separately. See Note 2 - Sale of Hyperimmune Business for additional information.

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

On August 6, 2015, Emergent BioSolutions Inc., (Emergent or former parent), announced a plan to separate into two independent publicly traded companies. To accomplish this separation, Emergent created Aptevo Therapeutics Inc. or Aptevo, to be the parent company for the development-based biotechnology business focused on novel oncology and hematology therapeutics. Aptevo was incorporated in Delaware in February 2016 as a wholly owned subsidiary of Emergent. To effect the separation, Emergent made a pro rata distribution of Aptevo's common stock to Emergent's stockholders on August 1, 2016. We are currently trading on the NASDAQ Global Market under the symbol "APVO."

Prior to August 1, 2016, the consolidated financial statements were prepared on a "carve-out" basis for the purpose of presenting Aptevo's financial position, results of operations, and cash flows, and were derived from Emergent's consolidated financial statements and accounting records. Aptevo did not operate as a standalone entity in the past and accordingly the selected financial data presented herein is not necessarily indicative of Aptevo's future performance and does not reflect what Aptevo's performance would have been had Aptevo operated as an independent publicly-traded company prior to August 1, 2016. The consolidated financial statements reflect Aptevo's financial position, results of operations, and cash flows as a separately operated business in conformity with GAAP post the August 1, 2016 spin-off.

Prior to August 1, 2016, the consolidated financial statements included an allocation of certain assets and liabilities that have historically been held at the Emergent corporate level but which were specifically identifiable or allocable to Aptevo. All Aptevo intracompany transactions and accounts have been eliminated. All intercompany transactions between Aptevo and Emergent are considered to be effectively settled in the consolidated financial statements at the time the transaction was recorded. The total net effect of the settlement of these intercompany transactions is reflected in the consolidated statement of cash flows as a financing activity and in the consolidated balance sheet as a net investment from Emergent. As of August 1, 2016, in connection with the separation and distribution, Emergent's investment in the Company's business was redesignated as stockholder's equity and allocated between common stock and additional paid-in capital based on the number of shares issued at the distribution date.

Prior to August 1, 2016, Aptevo's consolidated financial statements included an allocation of expenses related to certain Emergent corporate functions, including senior management, legal, human resources, finance, information technology, and quality assurance. These expenses were allocated to Aptevo based on direct usage or benefit where identifiable, with the remainder allocated on a pro rata basis of expenses, headcount, square footage, or other measures. Aptevo considers the expense allocation methodology and results to be reasonable for all periods presented. However, the allocations may not be indicative of the actual expense that would have been incurred had Aptevo operated as an independent, publicly-traded company for the periods presented.

Prior to August 1, 2016, the income tax amounts in these consolidated financial statements were calculated based on a separate return methodology and presented as if Aptevo's operations were a standalone taxpayer in each of its tax jurisdictions.

Use of Estimates

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.

Accounts Receivable

Aptevo records accounts receivable net of an allowance for doubtful accounts based upon its assessment of collectability, and of applicable discounts. Aptevo performs ongoing credit evaluations of its customers and generally does not require collateral. As a result of its sale of its Hyperimmune Business in September 2017, accounts receivable net of an allowance for doubtful accounts has been revised to reflect the removal of its allowance for doubtful accounts, as the prior balance solely related to the Hyperimmune Business. See Note 2, Sale of Hyperimmune Business for additional information on the divestiture.

Revenue Recognition

We recognize revenue if four basic criteria have been met: (1) there is persuasive evidence of an arrangement, (2) delivery has occurred or services have been rendered, (3) the fee is fixed or determinable, and (4) collectability is reasonably assured. Where the revenue recognition criteria are not met, we defer the recognition of revenue by recording deferred revenue until such time as all criteria are met.

Income Taxes

Aptevo recognized a tax impact due to the restatement of our tax liability (see Note 10 – Restatement), as well as the exception to the Intraperiod Tax Allocation rules in accordance with ASC 740-20-45-7. The exception required that all items (including discontinued operations) be considered in determining the amount of the tax benefit resulting from the loss in continuing operations.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), an updated standard on revenue recognition. ASU 2014-09 provides enhancements to the quality and consistency of how revenue is reported by companies while also improving comparability in the financial statements of companies reporting using International Financial Reporting Standards or GAAP. The main purpose of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, which deferred the effective date of the new revenue standard for periods beginning after December 15, 2016 to December 15, 2017, with early adoption permitted but not earlier than the original effective date. Accordingly, the updated standard is effective for Aptevo in the first quarter of fiscal 2018. Aptevo has assembled a cross functional team to identify the population of contracts with customers and evaluate them under the provisions of ASU No. 2014-09. Aptevo intends to adopt the new standard on a modified retrospective basis. Under this implementation method, Aptevo will recognize the cumulative effect of initially applying the new guidance as an adjustment to the opening retained earnings balance for the annual reporting period of initial application. While Aptevo is continuing its assessment of all the potential impacts of the new standard, it does not expect the implementation of the standard to have a material impact on Aptevo's consolidated financial position, results of operations or cash flow.

In August 2014, the FASB issued ASU No.2014-15 Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern. Under the new guidance, management is required to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. The provisions of this standard are effective for annual periods ending after December 31, 2016, and for annual and interim periods thereafter. Aptevo adopted this guidance for the year ended December 31, 2016 and management believes that Aptevo's existing cash, cash equivalents and short-term investments will be sufficient to fund its operations for twelve months from the date of this filing. Aptevo is required to reassess this position on a quarterly basis and future facts and circumstances may yield a different conclusion.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short term leases) at the commencement date. Lessor accounting under ASU 2016-02 is largely unchanged. ASU 2016-02 is effective for annual and interim periods beginning on or after December 15, 2018 and early adoption is permitted. Under ASU 2016-02, lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Lessees and lessors may not apply a full retrospective transition approach. The ASU will be effective for the Company starting on January 1, 2019. Aptevo is continuing to evaluate the impact of the application of this ASU on our consolidated financial statements and disclosures. We expect to recognize right of use assets and lease liabilities.

In March 2016, the FASB issued ASU 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies the accounting for share-based payment award transactions including the financial statement presentation of excess tax benefits and deficiencies, classification of awards as either equity or liabilities, accounting for forfeitures and classification on the statement of cash flows. Aptevo adopted this standard effective January 1, 2017. Upon adoption of the standard, excess tax benefits and deficiencies resulting from stock-based compensation awards vesting and exercises are now recognized as discrete items in the statement of operations. Aptevo has elected to maintain its current forfeitures policy and will continue to include an estimate of forfeitures when recognizing stock-based compensation expense. Additionally, cash paid by Aptevo when directly withholding shares for tax withholding purposes will continue to be classified as a financing activity in the condensed consolidated statement of cash flows as required by the standard. The adoption of this standard did not have a material impact on Aptevo's consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which clarifies the classification and presentation of eight specific cash flow issues in the statement of cash flows. This standard is effective beginning January 1, 2018, with early adoption permitted. The new standard requires a retrospective transition. Aptevo is aware the adoption of this standard will have an impact for restricted cash, and evaluating further impacts on its consolidated financial statements.

Note 2. Sale of Hyperimmune Business

On August 31, 2017, Aptevo entered into a sale agreement with Saol International Limited (Saol) whereby Aptevo agreed to sell its Hyperimmune Business. The sale was completed on September 28, 2017.

At the closing of the sale, Saol paid an amount equal to $65.0 million, including $3.3 million which was deposited in an escrow account for the purposes of satisfying any indemnification claims brought by Saol pursuant to the LLC sale agreement. In addition, Aptevo may receive (1) an additional potential milestone payment totaling up to $7.5 million related to the achievement of certain gross profit milestones and (2) up to $2.0 million related to collection of certain accounts receivable after the closing.

The net gain on sale of the Hyperimmune Business totaling, $52.5 million, was calculated as the difference between the fair value of the consideration received for the Hyperimmune Business, the carrying value of the net assets transferred to Saol, less the transaction costs incurred and a working capital adjustment. The net gain on sale of the business may be adjusted in future periods by the contingent consideration based upon the achievement of certain gross profit milestones and collection of certain outstanding accounts receivable.

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

Cash payment received	$	61,750
Escrow receivable		3,250
Total consideration		65,000
Less:		
Net carrying value of assets transferred to Saol		10,315
Transaction costs		1,273
Working capital adjustment		874
Net gain on sale of business	$	52,538

As a result of Aptevo's decision to sell the Hyperimmune Business, the condensed consolidated balance sheets for the year ended December 31, 2016, the condensed consolidated statements of operations for the three and nine months ended September 30, 2016 and September 30, 2017, have been revised to reflect the results from the sale of the Hyperimmune Business, and related assets and liabilities, as discontinued operations. The amounts calculated for the discontinued operations include certain allocations that management believes fairly reflect the Hyperimmune Business operations.

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

	December 31, 2016
ASSETS	
Accounts receivable	$ 3,977
Inventories	6,178
Total current assets, held for sale	10,155
Intangible assets, net	7,624
Total assets held for sale	$ 17,779
LIABILITIES	
Accounts payable and other accrued liabilities	$ 3,928
Total current liabilities	$ 3,928

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Product sales	$ 6,380	$ 6,589	$ 18,886	$ 20,462
Total revenues	6,380	6,589	18,886	20,462
Costs and expenses:				
Cost of product sales	2,586	2,053	7,730	8,848
Research and development	3	37	44	92
Selling, general and administrative	189	540	944	2,008
Income from operations	3,602	3,959	10,168	9,514
Gain on sale of Hyperimmune Business	52,538	—	52,538	—
Income from discontinued operations, before income taxes	56,140	3,959	62,706	9,514
Income tax expense	(21,257)	(2,291)	(23,076)	(3,250)
Income from discontinued operations	$ 34,883	$ 1,668	$ 39,630	$ 6,264

Amortization for the Hyperimmune Business was $0.3 million and $0.9 million for the three and nine months ended September 30, 2017 and September 30, 2016, respectively. There was no depreciation, capital expenditures or other significant operating or investing non-cash items for the three and nine months ended September 30, 2017 and 2016.

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. This product candidate is built on our novel ADAPTIR platform, which is designed to expand on the utility and effectiveness of therapeutic antibodies. Under this Collaboration Agreement, Alligator also granted to Aptevo a time-limited option to enter into a second agreement with Alligator for the joint development of a separate bispecific antibody candidate simultaneously targeting 4-1BB (CD137) and 5T4 a tumor antigen that Aptevo R&D and Alligator will collaboratively select.

In accordance with the terms of the Collaboration Agreement, the parties intend to develop the lead bispecific antibody candidate targeting 4-1BB (CD137) and 5T4 through the completion of Phase II clinical trials in accordance with an agreed upon development plan and budget. Subject to certain exceptions for Aptevo's manufacturing and platform technologies, the parties will jointly own intellectual property generated in the performance of the development activities under the Collaboration Agreement.

Following the completion of the anticipated development activities under the Collaboration Agreement, the parties intend to seek a third-party commercialization partner for this product candidate, or, in certain circumstances, may elect to enter into a second agreement granting rights to either Aptevo R&D or Alligator to allow such party to continue the development and commercialization of this product candidate. Under the terms of this Collaboration Agreement, the parties intend to share revenue received from a third-party commercialization partner equally, or, if the development costs are not equally shared under this Collaboration Agreement, in proportion to the development costs borne by each party.

The Collaboration Agreement also contains several points in development at which either party may elect to "opt-out" (i.e., terminate without cause) and, following a termination notice period, cease paying development costs for this product candidate, which would be borne fully by the continuing party. Following an opt-out by a party, the continuing party will be granted exclusive rights to continue the development and commercialization of the product candidate, subject to a requirement to pay a percentage of revenue received from any future commercialization partner for this product, or, if the continuing party elects to self-commercialize, tiered royalties on the net sales of the product by the continuing party ranging from the low to mid-single digits, based on the point in development at which the 'opt-out' occurs. The parties have also agreed on certain technical criteria or 'stage gates' related to the development of this product candidate that, if not met, will cause an automatic termination and wind-down of this Collaboration Agreement and the activities thereunder, provided that the parties do not agree to continue.

The Collaboration Agreement contains industry standard termination rights, including for material breach following a specified cure period, and in the case of a party's insolvency.

MorphoSys

In August 2014, Aptevo entered into a collaboration agreement with MorphoSys AG (MorphoSys Agreement) for the joint development of MOR209/ES414, a targeted immunotherapeutics protein, which activates host T-cell immunity specifically against cancer cells expressing prostate specific membrane antigen, an antigen commonly overexpressed on prostate cancer cells. Effective August 31, 2017, MorphoSys terminated the MorphoSys Agreement. As a result of the termination, Aptevo has no ongoing obligation related to this agreement and therefore recognized the total remaining deferred revenue balance of $3.7 million as Collaborations revenue in the third quarter of 2017.

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.

The Company's financial assets measured at fair value consisted of the following as of September 30, 2017 and December 31, 2016:

	September 30, 2017			
(in thousands)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Money market funds	$ 16,778	$ —	$ —	$ 16,778
Corporate bonds	—	8,973	—	8,973
US government and agency debt securities	—	11,973	—	11,973
Total assets	$ 16,778	$ 20,946	$ —	$ 37,724

	December 31, 2016			
(in thousands)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Money market funds	$ 5,215	$ —	$ —	$ 5,215
Corporate bonds	—	9,951	—	9,951
US government and agency debt securities	—	34,898	—	34,898
Total assets	$ 5,215	$ 44,849	$ —	$ 50,064

If quoted market prices in active markets for identical assets are not available to determine fair value, then the Company uses quoted prices of similar instruments and other significant inputs derived from observable market data obtained from third-party data providers. These investments are included in Level 2 and consist of debt securities of U.S government agencies and corporate bonds. There were no transfers between Levels 1 and 2 during the three and nine months ended September 30, 2017.

Cash held in demand deposit accounts of $69.1 million and $4.4 million is excluded from our fair-value hierarchy disclosure as of September 30, 2017 and December 31, 2016, respectively. The carrying amounts for receivables, accounts payable and other current monetary assets and liabilities approximate fair value because of the immediate or short-term maturity of these financial instruments.

Note 5. Investments

Investments are classified as available-for-sale securities and are carried at fair value with unrealized temporary holding gains and losses excluded from net income or loss and reported in other comprehensive income or loss and also as a net amount in accumulated other comprehensive income or loss until realized. Available-for-sale securities are written down to fair value through income whenever it is necessary to reflect other than temporary impairments. The Company determined that the unrealized losses on its investments as of September 30, 2017 and December 31, 2016 were temporary in nature. The Company currently has the ability but does not intend to sell these investments before recovery of their amortized cost basis. All short-term investments are limited to a final maturity of less than one year from the reporting date.

	September 30, 2017			
(in thousands)	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding (Losses)	Estimated Fair Value
Cash equivalents:				
Money market fund	$ 16,778	$ —	$ —	$ 16,778
Total cash equivalents	$ 16,778	$ —	$ —	$ 16,778
Short-term investments:				
Corporate bonds	$ 8,978	$ —	$ (5)	$ 8,973
US government and agency debt securities	11,978	—	(5)	11,973
Total short-term investments	$ 20,956	$ —	$ (10)	$ 20,946

	December 31, 2016			
(in thousands)	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding (Losses)	Estimated Fair Value
Cash equivalents:				
Money market fund	$ 5,215	$ —	$ —	$ 5,215
Total cash equivalents	$ 5,215	$ —	$ —	$ 5,215
Short-term investments:				
Corporate bonds	$ 9,959	$ 1	$ (9)	$ 9,951
US government and agency debt securities	34,923	—	(25)	34,898
Total short-term investments	$ 44,882	$ 1	$ (34)	$ 44,849

Note 6. Inventories

Inventories consist of the following:

(in thousands)	September 30, 2017	December 31, 2016(1)
Raw materials and supplies	$ 240	$ 260
Work-in-process	57	4
Finished goods	940	197
Total inventories	$ 1,237	$ 461

(1) The 2016 inventory balances have been updated to reflect the impact of the sale of the Hyperimmune Business. See Note 2 -Sale of Hyperimmune Business

Due to the sale of Aptevo's Hyperimmune Business, the remaining inventory is solely related to IXINITY. CMC ICOS Biologics, Inc. (CMC) is the sole manufacturer of the bulk drug substance for our IXINITY product. During 2015, we ordered nine manufacturing lots of bulk drug substance from CMC and only one of those lots was successfully manufactured and released in 2015. On October 4, 2016, we provided a Notice of Interruption in Manufacturing, or Notice, to the U.S. Food and Drug Administration (FDA), notifying the FDA of a potential interruption in the supply of IXINITY due to the ongoing manufacturing challenges with the manufacturer of the bulk drug substance. On March 15, 2017, we announced the successful manufacture of a new bulk drug substance batch of IXINITY, providing new supply of IXINITY for the commercial market in May 2017.

On June 17, 2017, the Company and CMC entered into a new non-exclusive Amended and Restated Commercial Supply, or Restated Supply Agreement, for the commercial development and manufacture of IXINITY. Pursuant to the terms of the Restated Supply Agreement, CMC agreed to manufacture IXINITY in the quantity of batches provided to CMC on a twenty-four month rolling forecast. Beginning 2018, the minimum and maximum batches will be four and ten, respectively, in a calendar year. Multiple batches ordered in succession with no changeover to another product between batches, or a campaign, shall receive an incremental discounted price.

In accordance with the Restated Supply Agreement, a $7.0 million reserve held by CMC will be applied to, at a minimum, the next seven batches manufactured through the end of 2017 as a price concession. As a result, at least the next seven batches will have reduced raw materials or other related CMC costs associated with the inventory. Aptevo will also see an impact on the Company's statement of operations due to a lower costs of goods sold associated with this inventory, which will also result in higher gross margins as sales are recognized. Any portion of the $7.0 million reserve held by CMC that remains unutilized as of December 25, 2017 shall be paid to the Company in cash on or before December 31, 2017. As of September 30, 2017, $2.6 million has been applied against the reserve and recorded as a reduced cost to inventory. The Restated Supply Agreement has a five-year term renewable with twenty-four months' prior notice before the expiry of the term for successive two-year terms.

Note 7. Debt

Credit Facility

On August 4, 2016, we entered into a $35.0 million Credit and Security Agreement (the Credit Agreement) with MidCap Financial Trust. The Credit Agreement, prior to the amendments described below, provided us with up to $35.0 million of available borrowing capacity, available (subject to certain conditions) in two tranches of $20.0 million and $15.0 million. Amounts drawn under the Credit Agreement bear interest at a rate of LIBOR plus 7.60% per annum. The first tranche of $20.0 million was funded on the closing date of the Credit Agreement with the second tranche of $15.0 million to become available (subject to certain conditions) following the date Aptevo and its subsidiaries: (1) achieve net commercial product revenue of $40.0 million on a trailing twelve-month basis, and (2) receive an additional $20.0 million in cash from Emergent. Emergent made this payment on January 13, 2017.We paid debt issuance costs of $1.9 million of which $1.5 million remains unamortized at September 30, 2017. The loan repayment included interest (no principal) through August 2018 and was set to transition to principal and interest as of August 2018 and to be repaid in full on February 1, 2021 (54 months). Amounts drawn under the Credit Agreement bear interest at a rate of LIBOR plus 7.60% per annum.

The Credit Agreement contained financial covenants that require us and our subsidiaries to maintain increasing minimum net commercial product revenue for each twelve-month period ending on the last day of each calendar quarter, commencing with the twelve-month period ending September 30, 2016. As of March 31, 2017, the Company's net minimum revenue did not meet the required minimum for the twelve months ended March 31, 2017.

As a result, on May 11, 2017, we and MidCap Financial Trust entered into an amendment to the Credit Agreement to, among other things, waive the existing event of default and revise the financial covenants pertaining to the minimum required commercial product revenue for the twelve months ended March 31, 2017 and future rolling twelve month periods. As a result of the amendment, the Company was in compliance with the modified minimum net revenue covenant for the three and six months ended June 30, 2017. As such, amounts owed under the Credit Facility are classified based on their contractual maturities.

This first amendment revised the provisions of the Credit Agreement to: (1) extend the time period through which the Company could draw the second tranche from August 2017 to March 2018, (2) increase the exit fee of 5.75% of the aggregate principal amount under the Credit Agreement for repayment or prepayment other than scheduled amortization payments and the final payment of principal to 6.75% and (3) permit MidCap Financial Trust to obtain an affirmative lien on the intellectual property of the Company, upon the earlier of (i) the Company's draw down of the second tranche or (ii) the Company's cash, cash equivalents, and short-term investments balance descend below a minimum cash threshold of $25 million.

On September 28, 2017, the Company entered into a second amendment of the Credit Agreement (Amendment No. 2) in order to permit the sale under the LLC purchase agreement described in Note 2 Sale of Hyperimmune Business, and to reflect changes in the remaining business as a result of such sale.

Pursuant to the Amendment No. 2, the agent and the lenders consented to the LLC purchase agreement and the consummation of the sale transaction, released the agent's liens on the assets transferred to Venus Bio Therapeutics Sub LLC (Venus) prior to the sale, and agreed that no prepayment of the term loans under the credit agreement would be required as a result the sale.

In addition, as part of the Amendment No. 2, the agent and the lenders agreed that: (i) the commitments of the lenders to make the remaining $15 million tranche of loans under the credit agreement were terminated, (ii) the covenant levels set forth in the minimum net commercial product revenue covenant were revised, (iii) a new covenant was added requiring the Company to maintain a minimum $10.0 million unrestricted cash balance, and (iv) the date on which the term loans begin to amortize will be extended to February 1, 2019 if the Company achieves net commercial product revenues of $16 million for the twelve month period ending June 30, 2018 and maintains such level of net commercial product revenues for each quarter prior to February 1, 2019 thereafter.

Note 8. Net Income (Loss) per Share

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

Prior to the spin-off, Aptevo did not operate as a separate entity and as a result did not have any common stock outstanding other than 1,000 shares held by Emergent. The calculation of basic and diluted net loss per share assumes that the 20,229,849 ordinary shares issued to Aptevo stockholders in connection with the spin-off were outstanding from the beginning of the periods presented.

Common stock equivalents include stock options and unvested RSUs.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016 Restated	2017	2016 Restated
Net income (loss)	$ 37,867	$ (71,741)	$ 16,733	$ (97,469)
Basic net income (loss) per share:				
Net loss from continuing operations	$ 0.14	$ (3.63)	$ (1.08)	$ (5.13)
Net income from discontinued operations	$ 1.63	$ 0.08	$ 1.87	$ 0.31
Net income (loss)	$ 1.77	$ (3.55)	$ 0.79	$ (4.82)
Weighted-average shares used to compute per share calculation	21,385,381	20,235,987	21,138,332	20,231,910
Diluted net income (loss) per share:				
Net loss from continuing operations	$ 0.14	$ (3.63)	$ (1.08)	$ (5.13)
Net income from discontinued operations	$ 1.61	$ 0.08	$ 1.87	$ 0.31
Net income (loss)	$ 1.75	$ (3.55)	$ 0.79	$ (4.82)
Weighted-average shares used to compute per share calculation	21,672,269	20,235,987	21,138,332	20,231,910

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:

	For the Nine Months Ended September 30,	
(in thousands, except for per share amounts)	2017	2016
Outstanding options to purchase common stock	2,989	2,053
Unvested RSUs	1,256	3,324

Note 9. Equity

Capitalization Upon Spin-off

On August 1, 2016, in connection with the spin-off of the Company from Emergent, we issued 20.2 million shares to Emergent stockholders and recorded a contribution from Emergent of $71.2 million. The transactions recorded in 2016 included a one-time payment of $45.0 million, and a working capital reimbursement for outstanding payments of $1.4 million, a noncash transfer of an intangible asset of $0.7 million, and a net transfer of cash from Emergent of $24.2 million. In addition, in the first quarter of 2017 we received $20.0 million as payment for a promissory note issued at the time of the spin-off.

Converted Equity Awards Incentive Plan

The Company had no stock-based compensation plans of its own prior to the spin-off from Emergent; however certain Aptevo employees participated in Emergent's stock-based compensation plans (Emergent Plans), which provided for the grants of stock options and restricted stock units (RSUs). The expense associated with Aptevo employees who participated in the Emergent Plans was allocated to the Company in the accompanying Statements of Operations for the associated periods prior to the spin off.

In connection with the spin-off the Company 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. There was no significant incremental stock-based compensation expense recorded as a result of the equity award conversion. A total of 1.3 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 the Company'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 3.1 million shares of Aptevo common stock have been authorized for issuance under the 2016 SIP in the form of incentive 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 Global 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 an eighteen-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 1.3 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. The Restated 2016 Plan became effective immediately upon stockholder approval at the Annual Meeting.

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 September 30,		For the Nine Months Ended September 30,	
(in thousands)	2017	2016	2017	2016
Research and development	$ 555	$ 1,027	$ 1,791	$ 1,761
Selling, general and administrative	485	306	2,028	306
Total stock-based compensation expense	$ 1,040	$ 1,333	$ 3,819	$ 2,067

The Company accounts for stock-based compensation by measuring the fair value of the award as of the grant date, recognizing the compensation expense for that fair value, reduced for an estimate of forfeitures, over the vesting period.

Stock Options

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

	For the Nine Months Ended September 30,	
	2017	2016
Expected dividend yield	0.00%	0.00%
Expected volatility	75.00%	75.00%
Risk-free interest rate	1.91%	1.00%
Expected average life of options	6 years	3 years

Management applied an estimated forfeiture rate of 10%.

The following is a summary of option activity for the nine months ended September 30, 2017:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Term	Aggregate Intrinsic Value
Balance at December 31, 2016	2,085,214	$ 2.57		$ 164,767
Granted	993,339	2.07		—
Forfeited	89,245	2.35		4,769
Outstanding at September 30, 2017	2,989,308	$ 2.41	6.88	$ 328,052
Exercisable at September 30, 2017	1,292,727	$ 2.42	4.58	$ 110,082

As of September 30, 2017, we had $1.7 million of unrecognized compensation expense related to options expected to vest over a weighted average period of 2.1 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 September 30, 2017 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 September 30, 2017. The amount of aggregate intrinsic value will change based on the price of Aptevo's common stock.

Restricted Stock Units

The following is a summary of RSU activity for the nine months ended September 30, 2017:

	Number of Units	Weighted Average Fair Value per Unit	Aggregate Fair Value
Balance at December 31, 2016	3,034,195	$ 2.88	$ —
Granted	19,803	2.00	—
Vested	(1,555,217)	2.84	—
Forfeited	(243,271)	2.94	—
Outstanding at September 30, 2017	1,255,510	$ 2.91	$ 2,875,118
Expected to Vest	1,181,266	$ 2.91	$ 2,705,100

As of September 30, 2017, we had $1.5 million of unrecognized compensation expense related to RSUs expected to vest over a period of 0.8 years. The weighted average remaining contractual life of unvested RSUs is 2.5 years.

The fair value of each RSU has been determined to be the closing trading price of the Company's common shares on the date of grant as quoted in NASDAQ Global Market.

Note 10. Restatement

Restatement Background

Our December 31, 2015 financial statements include $41.8 million of intangible assets which resulted from the acquisition of in process research and development (IPR&D) programs related to TRU-016, a novel CD37-directed therapy for B-cell malignancies, such as chronic lymphocytic leukemia and non-Hodgkin's lymphoma. This amount was deemed to be an indefinite-lived asset, to remain as an indefinite-lived asset on the balance sheet until completion or abandonment of the associated research and development efforts. Following the spin-off of the Company in August 2016, the Company conducted an internal review of all deferred tax assets and liabilities acquired and it was determined that a deferred tax liability should have been recorded associated with the difference between the book basis and the tax basis of the asset as a part of the acquisition in 2010. The error has no effect on the net assets distributed in the spin-off.

Impact of Restatement

The Company has restated its statements of operations for the quarterly and nine month periods ended September 30, 2016. The restatement resulted in the recognition of a $15.3 million benefit from income taxes equal to the amount of the deferred tax liability recorded associated with the TRU-016 IPR&D asset when the $41.8 million was impaired. The restatement also resulted in an increase in the impairment expense recognized in the third quarter of 2016 due to the impairment of all goodwill, by the amount that goodwill would have been increased. These two restated captions on the statements of operations have the effect of offsetting each other, resulting in no impact to net loss for the quarter and nine months ended September 30, 2016. The restatement adjustment did not impact the consolidated statement of operations for any periods prior to the third quarter of 2016.

The impact of the restatement on the Company's consolidated statements of operations, including the impact of discontinued operations, is reflected and quantified for interim periods affected, as applicable, in the below tables.

	Three Months Ended			Nine Months Ended		
(in thousands)	September 30, 2016 (As previously reported)	Restatement Adjustment	September 30, 2016 (Restated)	September 30, 2016 (As previously reported)	Restatement Adjustment	September 30, 2016 (Restated)
Impairment expense	$ 55,702	$ 15,311	$ 71,013	$ 55,702	$ 15,311	$ 71,013
Loss from operations	(71,254)	(19,271)	(90,525)	(97,081)	(24,825)	(121,906)
Loss before income taxes	(71,747)	(19,270)	(91,017)	(97,498)	(24,825)	(122,323)
Benefit from income taxes	6	17,602	17,608	29	18,561	18,590
Net loss	$ (71,741)	$ (1,668)	$ (73,409)	$ (97,469)	$ (6,264)	$ (103,733)

The following table sets forth our unaudited quarterly consolidated statement of operations data for the three and nine months ended September 30, 2016:

(in thousands, except per share amounts)	Three Months Ended September 30, (Restated)(1)	Nine Months Ended September 30, (Restated)(1)
Revenue	$ 2,816	$ 7,203
Loss from operations	(90,525)	(121,906)
Loss before income taxes	(91,017)	(122,323)
Benefit from income taxes	17,608	18,590
Net loss	$ (73,409)	$ (103,733)
Net loss per share - basic and diluted	$ (3.55)	$ (4.82)

(1) These amounts reflect a benefit from income taxes after giving effect to the goodwill and deferred tax liability restatement discussed above. The impairment of the Company's IPR&D in the quarter ended September 30, 2016 resulted in a benefit from income taxes of $15.3 million related to the reversal of the associated deferred tax liability in that quarter. The Company's interim financial statements included in Form 10-Q for the quarter ended September 30, 2016 did not reflect this benefit from income taxes or the increase in impairment of goodwill.

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 report.

Restatement

The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to the restatement adjustments made to the previously reported consolidated financial statements that are discussed in Note 10- Restatement in the accompanying financial statements.

Overview

We are a biotechnology company focused on novel oncology (cancer) and hematology (blood disease) therapeutics to meaningfully improve patients' lives. Our core technology is the ADAPTIR™ (modular protein technology) platform. We currently have one revenue-generating product in the areas of hematology, as well as various investigational stage product candidates in immuno-oncology and autoimmune and inflammatory diseases.

In August 2015, Emergent BioSolutions Inc., or Emergent, announced a plan to separate into two independent publicly traded companies, one a biotechnology company focused on novel oncology and hematology therapeutics to meaningfully improve patients' lives and the other a global specialty life sciences company focused on providing specialty products for civilian and military populations that address intentional and naturally emerging public health threats. To accomplish this separation, Emergent created a new company, Aptevo Therapeutics Inc., or Aptevo, to be the parent company for the development-based biotechnology business focused on novel oncology, hematology, and autoimmune and inflammatory therapeutics. We were incorporated in Delaware in February 2016 as a wholly owned subsidiary of Emergent. To effect the separation, Emergent made a pro rata distribution of Aptevo's common stock to Emergent's stockholders on August 1, 2016.

In connection with the separation, we received certain assets from Emergent's biosciences division, including commercial products and development programs, as well as the ADAPTIR platform technology. Certain historical operations that were included by Emergent in its biosciences segment have been reallocated to Emergent's continuing operations, and as a result the financial statements and discussion and analysis contained herein differ from Emergent's historically reportable biosciences segment.

Our historical consolidated financial statements for the periods prior to August 1, 2016 have been prepared on a standalone basis and are derived from Emergent's consolidated financial statements and accounting records. The consolidated financial statements reflect our financial position, results of operations, and cash flows as our business was operated as part of Emergent prior to the separation, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

The consolidated financial statements include the allocation of certain assets and liabilities that have historically been held at the Emergent corporate level but which are specifically identifiable or allocable to us. Cash and cash equivalents held by Emergent were not allocated to us unless the cash was held by an entity that was transferred to us in the distribution. All of our intracompany transactions and accounts for the periods prior to August 1, 2016 have been eliminated. Most intercompany transactions between us and Emergent for the periods prior to August 1, 2016 were considered to be effectively settled in the consolidated financial statements at the time the transaction was recorded but for those transition related services. The total net effect of the settlement of these intercompany transactions is reflected in the consolidated statement of cash flows as payment from former parent upon spin-off, net of receivable and net transfer from former parent, prior to spin-off as a financing activity and in the consolidated balance sheet as former parent investment in subsidiary.

The historical financial statements do not necessarily include all of the expenses that would have been incurred had we been a separate, standalone entity and may not necessarily reflect our results of operations, financial position and cash flows had we been a standalone company during the periods presented. Our consolidated financial statements for the periods prior to August 1, 2016 include an allocation of expenses related to certain Emergent corporate functions, including senior management, legal, human resources, finance, information technology, and quality assurance. These expenses have been allocated to us based on direct usage or benefit where identifiable, with the remainder allocated on a pro rata basis of expenses, headcount, square footage, or other measures. We consider the expense allocation methodology and results to be reasonable for all periods presented. However, the allocations may not be indicative of the actual expense that would have been incurred had we operated as an independent, publicly traded company for the periods presented.

On August 31, 2017, we entered into an LLC purchase agreement with Saol International Limited (Saol) whereby we agreed to sell our Hyperimmune Business, which consisted of the following products: WinRho® SDF for autoimmune platelet disorder and hemolytic disease of the newborn; HepaGam B® for the prevention of Hepatitis B following liver transplantation and for treatment following hepatitis B exposure; and VARIZIG® for treatment following exposure to varicella zoster virus for individuals with compromised immune systems.

On September 28, 2017, the Company announced that it completed the sale of its Hyperimmune Business to Saol for total consideration of up to $74.5 million. At the closing of the acquisition, Saol paid us an upfront payment totaling $65 million, including $3.25 million which was deposited in an escrow account for the purposes of satisfying any indemnification claims brought by Saol pursuant to the LLC purchase agreement. In addition, we may receive (1) an additional potential milestone payment totaling up to $7.5 million related to the achievement of certain gross profit milestones and (2) up to $2.0 million related to collection of certain accounts receivable after the closing. As a result of the sale of our Hyperimmune Business, we anticipate that our future product revenue will decline and that we may experience a reduction in expenses and overhead.

Net income for the three months ended September 30, 2017, was $37.9 million and the net loss for the three months ended September 30, 2016 was $71.7 million. Net income for the nine months ended September 30, 2017, was $16.7 million and the net loss for the nine months ended September 30, 2016 was $97.5 million. We had an accumulated deficit of $64.0 million as of September 30, 2017. For the nine months ended September 30, 2017, net cash provided by our operating activities was $26.2 million. Although we expect our existing cash and cash equivalents will be sufficient to fund our operations for at least fifteen months from the date of this filing, if we are unable to obtain additional financing when needed, we may have to delay, reduce the scope of, suspend or eliminate one or more of our research and development programs. Following the sale of the Hyperimmune Business, our sole marked product is IXINITY®, and therefore IXINITY will be our only source of product revenue. As such, our results of operations will be highly dependent on IXINITY sales unless or until we develop any of our development stage product candidates. 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.

Pipeline Highlights

We have one marketed product, IXINITY coagulation factor IX (recombinant), indicated in adults and children 12 years of age and older with Hemophilia B for control and prevention of bleeding episodes, and management of bleeding during operations.

We also have numerous investigational stage product candidates based on our ADAPTIR™ (modular protein technology) platform. The ADAPTIR platform technology can produce monospecific and multispecific immunotherapeutic proteins that specifically bind to one or more targets, for example, bispecific therapeutic molecules, which may have structural and functional

advantages over monoclonal antibodies. The structural differences of ADAPTIR molecules over monoclonal antibodies allow for the development of other ADAPTIR immunotherapeutics that engage immune effector cells and disease targets in a novel manner to produce unique signaling responses and ultimately kill tumors or modulate the immune system to kill tumors. We are skilled at product candidate generation, validation and subsequent preclinical and clinical development using the ADAPTIR platform. We have the ability to progress ADAPTIR molecules from concept to commercialization by way of our protein engineering, preclinical development and process development capabilities, cGMP manufacturing oversight and clinical development capabilities. We also have the ability to launch, market and commercialize these product candidates upon approval.

Our investigational stage product candidates are:

- APVO414 (formerly known as MOR209/ES414), a bispecific immunotherapeutic ADAPTIR protein, currently in Phase 1, that simultaneously targets prostate specific membrane antigen, or PSMA, an enzyme that is expressed on the surface of prostate cancer cells and, CD3, a component of the T-cell receptor complex expressed on all T-cells. The mechanism of action of APVO414 is redirected T-cell cytotoxicity (RTCC), We are developing this candidate for metastatic castration-resistant prostate cancer, which is advanced prostate cancer that has spread to other organs and no longer responds to hormone blocking therapies.
- otlertuzumab, a monospecific ADAPTIR protein therapeutic that is currently in Phase 2 clinical development for chronic lymphocytic leukemia, or CLL.
- APVO436, a bispecific ADAPTIR protein therapeutic currently in preclinical development targeting CD123, a cell surface receptor highly expressed on several hematological malignancies and CD3. APVO436 utilizes redirected RTCC to redirect T-cells to specifically kill tumor bearing CD123.
- APVO210, a bispecific ADAPTIR protein therapeutic the employs targeted cytokine delivery. This candidate targets monomeric IL-10 to CD86 expressing cells (primarily antigen presenting cells) and is currently in pre-clinical development for inflammatory bowel disease and other autoimmune and inflammatory diseases.
- ALG.APV-527 a bispecific antibody candidate, featuring a novel mechanism of action designed to simultaneously target 4-1BB (CD137) and 5T4, a tumor antigen widely expressed on several solid tumors.
- an immunotherapeutic protein targeting ROR1, an antigen found on several solid tumors and hematologic, or blood-related, malignancies. One pair of binding domains bind to ROR1 on tumors; the other pair of binding domains bind to CD3.
- Other therapeutic protein product candidates primarily targeting cancer based on mechanisms of action that modulate the immune system (immuno-oncology based mechanism of action).

Collaboration with Alligator Bioscience AB

On July 20, 2017, our wholly owned subsidiary, Aptevo Research and Development LLC, or Aptevo R&D, entered into a collaboration and option 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. This product candidate is built on our novel ADAPTIR platform, which is designed to expand on the utility and effectiveness of therapeutic antibodies. Under this collaboration agreement, Alligator also granted to Aptevo R&D a time-limited option to enter into a second agreement with Alligator for the joint development of a separate bispecific antibody candidate simultaneously targeting 4-1BB (CD137) and a different tumor antigen.

In accordance with the terms of this Collaboration Agreement, the parties intend to develop the lead bispecific antibody candidate targeting 4-1BB (CD137) through the completion of Phase II clinical trials in accordance with an agreed upon development plan and budget. Subject to certain exceptions for Aptevo R&D’s manufacturing and platform technologies, the parties will jointly own intellectual property generated in the performance of the development activities under the Collaboration Agreement.

Following the completion of the anticipated development activities under the Collaboration Agreement, the parties intend to seek a third-party commercialization partner for this product candidate, or, in certain circumstances, may elect to enter into a second agreement granting rights to either Aptevo R&D or Alligator to allow such party to continue the development and commercialization of this product. Under the terms of the Collaboration Agreement, the parties intend to share revenue received from a third-party commercialization partner equally, or, if the development costs are not equally shared under the Collaboration Agreement, in proportion to the development costs borne by each party.

The Collaboration Agreement also contains several points in development at which either party may elect to "opt-out" (i.e., terminate without cause) and, following a termination notice period, cease paying development costs for this product candidate, which would be borne fully by the continuing party. Following an opt-out by a party, the continuing party will be granted exclusive rights to continue the development and commercialization of this product candidate, subject to a requirement to pay a percentage of revenue received from any future commercialization partner for this product, or, if the continuing party elects to self-commercialize, tiered royalties on the net sales of this product by the continuing party ranging from the low to mid-single digits, based on the point in development at which the 'opt-out' occurs. The parties have also agreed on certain technical criteria or 'stage gates' related to the development of this product that, if not met, will cause an automatic termination and wind-down of the Collaboration Agreement and the activities thereunder, provided that the parties do not agree to continue.

The Collaboration Agreement contains industry standard termination rights, including for material breach following a specified cure period, and in the case of a party's insolvency.

IXINITY

IXINITY® is our commercial product. It is a coagulation factor IX (recombinant) therapeutic indicated in adults and children 12 years of age and older with hemophilia B for control and prevention of bleeding episodes, and management of bleeding during operations. CMC ICOS Biologics, Inc., or CMC, is the sole manufacturer of bulk drug substance for IXINITY. Patheon UK Limited, acquired by Thermo Fischer Scientific, is currently the sole source fill-finish service manufacturer for IXINITY.

On October 4, 2016, we provided a Notice of Interruption in Manufacturing, or Notice, to the FDA, notifying the FDA of a potential interruption in the supply of IXINITY due to the ongoing manufacturing challenges associated with the manufacturer of the bulk drug substance. On March 15, 2017, we announced the successful manufacture of a new bulk drug substance batch of IXINITY, providing new supply of IXINITY for the commercial market in May 2017.

On June 17, 2017, we entered into a new non-exclusive Amended and Restated Commercial Supply, or Restated Supply Agreement, with CMC for the commercial development and manufacture of IXINITY. Pursuant to the terms of the Restated Supply Agreement, CMC agreed to manufacture IXINITY in the quantity of batches provided to CMC on a twenty-four month rolling forecast. Beginning 2018, the minimum and maximum batches will be four and ten, respectively in a calendar year. Multiple batches ordered in succession with no changeover to another product between batches, or a campaign, shall receive an incremental discounted price.

In accordance with the Restated Supply Agreement, a $7.0 million reserve held by CMC will be will be applied to, at a minimum, the next seven batches manufactured through the end of 2017 as a price concession. As a result, at least the next seven batches will have reduced raw materials or other related CMC costs associated with the inventory. We will also see an impact onour statement of operations due to a lower costs of goods sold associated with this inventory, which will also result in higher gross margins as sales are recognized. Any portion of the $7 million reserve held by CMC that remains unutilized as of December 25, 2017 shall be paid to us in cash on or before December 31, 2017. As of September 30, 2017, $2.6 million has been applied against the reserve and recorded as a reduced cost to inventory. The Restated Supply Agreement has a five-year term renewable with twenty-four months' prior notice before the expiry of the term for successive two-year terms.

While we do not currently anticipate or foresee a supply shortage or supply interruption occurring, any supply shortage interruption of IXINITY would adversely affect its sales and could adversely affect its market position, commercial viability and the trading price of our common stock.

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

Comparison of the three and nine months ended September 30, 2017 and September 30, 2016

Financial Summary

We recognized total net income of $37.9 million for the three months ended September 30, 2017 and a net loss of $71.7 million for the three months ended September 30, 2016, and net income of $16.7 million for the nine months ended September 30, 2017 and a net loss of $97.5 million for the nine months ended September 30, 2017. The increase in net income for the three and nine month periods was primarily attributable to the proceeds from the Hyperimmune Business. We recognized net income from continuing operations of $3.0 million for the three months ended September 30, 2017 and a net loss from continuing operations of $73.4 million for the three months ended September 30, 2016. We recognized a net loss from continuing operations of $22.9 million for the nine months ended September 30, 2017 and a net loss from continuing operations of $103.7 million for the nine months ended September 30, 2016. The increase in net income (or decrease in net loss) during the 2017 periods was primarily attributable to an impairment of goodwill and intangible assets charge of $71.0 million during the three and nine months ended September 30, 2016. Our income from discontinued operations for the three months ended September 30, 2017 was $34.9 million, compared to income from discontinued operations for the three months ended September 30, 2016 of $1.7 million. Our income from discontinued operations for the nine months ended September 30, 2017 was $39.6 million, compared to income from discontinued operations for the nine months ended September 30, 2016 of $6.3 million. The increase during the 2017 periods was primarily attributable to the proceeds from the Hyperimmune Business.

Revenue

Product sales of IXINITY decreased by $0.3 million, to $2.5 million for the three months ended September 30, 2017 from $2.8 million for the three months ended September 30, 2016. This decrease was primarily related to decreased volumes shipped in the third quarter of 2017 as customers increased stock levels with increased orders in the second quarter of 2017 when additional IXINITY product came back to market.

Product sales of IXINITY increased by $1.0 million, to $8.1 million for the nine months ended September 30, 2017 from $7.1 million for the nine months ended September 30, 2016. This increase was primarily related to the expansion of our current Hemophilia B patient base.

In addition to product sales in the third quarter 2017, we recognized $3.7 million of deferred collaboration revenue due to the termination of our collaboration agreement with MorphoSys. Previously we recognized this revenue as services that were performed. As a result of the termination of the collaboration agreement with MorphoSys, we will not recognize any additional revenue under such agreement in any future periods.

Cost of Product Sales

The primary expense we incur to deliver IXINITY, our sole marketed products to our customers is manufacturing costs consisting of fixed and variable costs. Variable product costs consist primarily of costs for materials and personnel-related expenses for direct and indirect manufacturing support staff, contract manufacturing and filling operations. Fixed product costs include facilities, utilities and amortization of intangible assets. We determine the cost of product sales for products sold during a reporting period based on the average cost per unit.

The following table provides information regarding our cost of products sales, including gross margin for the three months and nine months ended September 30, 2017 and 2016:

	For the Three Months Ended September 30,			
	2017	2016	Change	Percent
Product sales	$ 2,506	$ 2,816	$ (310)	-11%
Cost of product sales	1,872	4,110	(2,238)	-54%
Gross profit	$ 634	$ (1,294)	$ 1,928	
Gross margin percent	25%	-46%		

	For the Nine Months Ended September 30,			
	2017	2016	Change	Percent
Product sales	$ 8,131	$ 7,050	$ 1,081	15%
Cost of product sales	3,114	7,387	(4,273)	-58%
Gross profit	$ 5,017	$ (337)	$ 5,354	
Gross margin percent	62%	-5%		

Cost of product sales decreased by $2.2 million, or 54%, to $1.9 million for the three months ended September 30, 2017 from $4.1 million for the three months ended September 30, 2016 and decreased by $4.3 million, or 58%, to $3.1 million for the nine months ended September 30, 2017 from $7.4 million for the nine months ended September 30, 2016. The decrease the three-month period was due to a $2.9 million third quarter 2016 write-off of unsaleable IXINITY product. The year-to-date decrease is due to a one-time $3.0 million settlement in the first six months of 2017 related to a dispute between Aptevo and CMC in regards to certain IXINITY batches from 2015 that did not meet manufacturing specifications. Under the terms of the settlement agreement, Aptevo will not pay any additional amounts to CMC for the batches in question, as this was settled for non-cash consideration. This settlement satisfies the monies owed by Aptevo under a 2015 invoice and resolves any claims.

Due to the ongoing challenges with the manufacture of our IXINITY product that meets release specifications for the final drug product, in the third quarter of 2016, we wrote off approximately $2.9 million in unsaleable IXINITY inventory that was in process of being manufactured. This cost is included in cost of product sales.

Research and Development Expenses

We expense research and development costs as incurred. These expenses consist primarily of the costs associated with our research and discovery 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 primarily consist of:

- 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 (CRO’s) and investigative sites;
- manufacturing material expense for third-party manufacturing;
- overhead costs such as rent, utilities and depreciation

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

Our principal research and development expenses by program for the three and nine months ended September 30, 2017 and 2016 are shown in the following table:

(in thousands)	For the Three Months Ended September 30, 2017	2016	Change
Clinical programs:			
APVO414	$ 1,425	$ 562	$ 863
otlertuzumab	334	16	318
Total clinical programs	1,759	578	1,181
Preclinical program, general research and discovery	5,135	5,365	(230)
IXINITY	281	1,134	(853)
Total	$ 7,175	$ 7,077	$ 98

(in thousands)	For the Nine Months Ended September 30, 2017	2016	Change
Clinical programs:			
APVO414	$ 2,792	$ 2,572	$ 220
otlertuzumab	999	1,294	(295)
Total clinical programs	3,791	3,866	(75)
Preclinical program, general research and discovery	14,326	13,627	699
IXINITY	1,718	5,266	(3,548)
Total	$ 19,835	$ 22,759	$ (2,924)

Research and development expenses did not change meaningfully between the three months ended September 30, 2016 and 2017 and decreased by $2.9 million, or 13%, to $19.8 million for the nine months ended September 30, 2017 from $22.8 million for the nine months ended September 30, 2016. This decrease was primarily comprised of:

- a decrease in expense for otlertuzumab related to the timing of clinical trial activities; and
- a decrease in expense for IXINITY, our commercial product, resulting from decreased manufacturing process development activities and the timing of clinical trial activities; offset in part by
- an increase in expense for APVO414 primarily due to the timing of manufacturing activities; and
- an increase in the expenses for our preclinical program, general research and discovery programs is primarily related to research and development activities as new pipeline product candidates or programs are being evaluated.

Selling, General and Administrative Expenses

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

For the three months ended September 30, 2017 selling, general and administrative expenses decreased by $3.6 million, or 33%, to $7.5 million for 2017 from $11.1 million for 2016. This decrease was primarily due to decreased personnel costs in the period.

For the nine months ended September 30, 2017 selling, general and administrative expenses decreased by $1.9 million, or 7%, to $26.0 million for 2017 from $27.9 million for 2016. This decrease was primarily due to lower marketing costs for IXINITY and reduced personnel costs.

Other Income (Expense), net

Other income (expense), net, consists primarily of interest on debt financing. For the three months ended September 30, 2017, other income (expense) remained flat at an expense of $0.4 million, and for the nine months ended September 30, 2017, increased by $0.9 million, both due to the interest on the loan entered into with Midcap Financial Trust in the last half of 2016.

Income Taxes

Benefit from income taxes decreased for the three months ended September 30, 2017 to $13.8 million from $17.6 million for the three months ended September 30, 2016, and decreased to $15.6 million in the nine months ended September 30, 2017 from $18.6 million in the nine months ended September 30, 2016. This tax impact is due to the restatement of our tax liability (see Note 10 – Restatement), as well as the exception to the Intraperiod Tax Allocation rules in accordance with ASC 740-20-45-7. The exception requires that all items (including discontinued operations) be considered in determining the amount of the tax benefit that results for the loss in continuing operations. This deferred tax liability was released to benefit from income taxes upon the impairment of the related IPR& D.

Income tax expense increased to $21.3 million for the three months ended September 30, 2017, from $2.3 million for the three months ended September 30, 2016, and increased to $23.1 million in the nine months ended September 30, 2017 from $3.3 million in the nine months ended September 30, 2016. This income tax expense is due to the impact of the sale of our Hyperimmune Business (see Note 2 – Sale of Hyperimmune Business) and is expected to be reversed in the fourth quarter of 2017.

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 consolidated financial statements:

- Revenue recognition;
- Collaborations;
- Research and development; and
- Stock-based compensation

For a detailed discussion of these critical accounting policies and significant judgments and estimates, refer to "Critical Accounting Policies and Significant Judgments and Estimates" within "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2016 that was filed with the SEC on March 31, 2017. There have not been any material changes in our critical accounting policies and significant judgments and estimates as disclosed in our Annual Report Form 10-K for the year ended December 31, 2016.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2017.

Liquidity and Capital Resources

Sources of Liquidity

As of September 30, 2017, we had cash, cash equivalents and investments in the amount of $96.8 million.

On August 1, 2016, in connection with the spin-off of the Company from Emergent, we issued 20.2 million shares of our common stock to Emergent stockholders and recorded a contribution from Emergent of $71.2 million. The transactions recorded in 2016 included a one-time payment of $45.0 million, and a working capital reimbursement for outstanding payments of $1.4 million, a noncash transfer of an intangible asset of $0.7 million, and a net transfer of cash from Emergent of $24.2 million. In addition, in the first quarter of 2017 we received $20.0 million as payment for a promissory note issued at the time of the spin-off.

In addition, on August 4, 2016, we entered into a $35.0 million Credit and Security Agreement (Credit Agreement), with MidCap Financial Trust. The original Credit Agreement provided us with up to $35.0 million of available borrowing capacity composed of two tranches of $20.0 million and $15.0 million. The first tranche of $20.0 million was made available to us, and drawn,

on the closing date of the Credit Agreement and the second tranche of $15.0 million to become available (subject to certain conditions) following the date we: (1) achieve net commercial product revenue of $40.0 million on a trailing twelve-month basis, and (2) receive payment of the additional $20.0 million in cash committed by Emergent. Emergent's promise to pay such $20.0 million in cash was evidenced by a non-negotiable, unsecured promissory note issued to us and was paid in the first quarter of 2017. Once drawn, interest would be paid monthly while principal would have been paid on a monthly basis commencing in August 2018. The credit agreement will mature on February 1, 2021. Amounts drawn under the Credit Agreement accrue interest at a rate of LIBOR plus 7.60% per annum.

The Credit Agreement covenants require us and our subsidiaries to maintain increasing minimum net commercial product revenue for each twelve-month period ending on the last day of each calendar quarter. An event of default could result in the acceleration of the amounts owed under the Credit Agreement, and we may not have sufficient funds or 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.

On May 11, 2017, we and MidCap Financial Trust entered into an amendment to the Credit Agreement to, among other things, waive the existing event of default and revise the financial covenants pertaining to the minimum required commercial product revenue. The amendment revises the following covenants of the Credit Agreement to: (1) extend the time period through which we can draw the second tranche from August 2017 to March 2018, (2) increase the exit fee of 5.75% of the aggregate principal amount under the Credit Agreement for repayment or prepayment other than scheduled amortization payments and the final payment of principal to 6.75% and (3) permit MidCap Financial Trust to obtain an affirmative lien on our intellectual property, upon the earlier of (i) our draw down of the second tranche or (ii) our cash balance descending below a minimum cash threshold of $25 million.

On September 28, 2017, we and MidCap Financial Trust entered into a second amendment to the Credit Agreement in order to permit the sale under the LLC purchase agreement, and to reflect changes in the remaining business as a result of such sale. Pursuant to the second Amendment, the agent and the lenders consented to the LLC purchase agreement and the consummation of the sale transaction, released the agent's liens on the assets transferred to one of our subsidiaries prior to the sale, and agreed that no prepayment of the term loans under the credit agreement would be required as a result the sale. As part of the second amendment, the agent and the lenders agreed that: (i) the commitments of the lenders to make the remaining $15.0 million tranche of loans under the credit agreement were terminated, (ii) the covenant levels set forth in the minimum net commercial product revenue covenant were revised, (iii) a new covenant requiring us to maintain a minimum $10.0 million unrestricted cash balance, and (iv) the date on which the term loans begin to amortize will be extended to February 1, 2019 if we achieve net commercial product revenues of $16.0 million for the twelve month period ending June 30, 2018 and maintains such level of net commercial product revenues for each quarter prior to February 1, 2019 thereafter.

On September 28, 2017, Saol paid us an upfront payment totaling $65.0 million, including $3.3 million which was deposited in an escrow account for the purposes of satisfying any indemnification claims brought by Saol pursuant to the LLC purchase agreement.

Capital Requirements

We expect to incur losses from operations for the foreseeable future primarily due to research and development expenses, including expenses related to conducting clinical trials. The Company's future capital requirements will depend on a number of factors, including:

- the level, timing and cost of product sales;
- the collection of accounts receivable from customers;
- the extent to which we invest in products or technologies;
- capital improvements to new or existing facilities;
- the payment obligations under any future indebtedness;
- the scope, progress, results and costs of our development activities; and
- the costs of commercialization activities, including product marketing, sales and distribution;

We expect our cash, cash equivalents and investments will support our operations for the next twelve months, at least, based on current operating plans and financial forecasts.

Cash Flows

The following table provides information regarding our cash flows for the nine months ended September 30, 2017 and 2016:

(in thousands)	For the Nine Months Ended September 30, 2017	2016
Net cash provided by (used in):		
Operating activities	(26,152)	(30,197)
Investing activities	83,299	(51,735)
Financing activities	9,007	88,189
Increase in cash and cash equivalents	$ 66,154	$ 6,257

Net cash used in operating activities of $26.2 million for the nine months ended September 30, 2017 was primarily due to the gain on sale of the Hyperimmune Business. Net cash used in operating activities of $30.2 million for the nine months ended September 30, 2016 was primarily due to our net loss of $97.5 million, which included a one-time impairment of goodwill and intangible assets of $71.0 million.

Net cash provided by investing activities was primarily due to the cash proceeds from the sale of the Company's Hyperimmune Business and the maturity and redemption of investments of $53.2 million, offset by investment purchases of $29.3 million in the nine months ended September 30, 2017. For the nine months ended September 30, 2016, the largest component of the cash used in investing was $49.8 million in purchases of corporate bonds and US government and agency debt securities.

Net cash provided by financing activities for the nine months ended September 30, 2017 includes the net proceeds received from Emergent at the time of the spin-off in support of a promissory note to support the operations of the Company, offset by $10.0 million in restricted cash in accordance with loan agreement. The net cash provided by financing activities for the nine months ended September 30, 2016 includes $18.0 million in proceeds from long-term debt, as well as $70.5 million for two contributions from Emergent.

Contractual Obligations

Our future minimum contractual commitments and obligations were reported in our Annual Report on Form 10-K for the year ended December 31, 2016 that was filed with the SEC on March 14, 2017. Our future minimum contractual obligations and commitments have not changed materially from the amounts previously reported.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our exposure to market risk is primarily confined to our investment securities and notes payable. The primary objective of our investment activities is to preserve our capital to fund operations. We also seek to maximize income from our investments without assuming significant risk. To achieve our objectives, we maintain a portfolio of investments in high-credit-quality securities. In accordance with our investment policy, we invest funds in highly liquid, investment-grade securities. These securities in our investment portfolio are not leveraged and are classified as available-for-sale. We currently do not hedge interest rate exposure. Because of the short-term maturities of our investments, we do not believe that an increase in market rates would have a material negative impact on the realized value of our investment portfolio. We actively monitor changes in interest rates and, with our current portfolio of short term investments, we are not exposed to potential loss due to changes in interest rates.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Based on the evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934, or the Exchange Act) required by Rules 13a-15(b) or 15d-15(b) under the Exchange Act, our Chief Executive Officer and our Chief Financial Officer have concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective at a reasonable assurance level.

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 September 30, 2017, 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 Aptevo's 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.

Our historical consolidated financial data prior to August 1, 2016 was prepared on a "carve-out" basis from the financial information of Emergent and shows that had we been a standalone company, we would have had a history of losses, and we may be unable to achieve profitability going forward.

Although for the three and nine months ended September 30, 2017, we had net income of $37.9 million and $16.7 million, respectively this net income was the result of our receipt of proceeds from the sale of the Hyperimmune Business in September 2017. We have experienced net losses in all other periods since our spinout from Emergent and as of September 30, 2017, we had an accumulated deficit of $64.0 million as of September 30, 2017. If we cannot achieve profitability or generate positive cash from operating activities, our business operations may be adversely impacted and the trading value of our common stock may decline.

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

As of September 30, 2017, we had cash, cash equivalents and investments in the amount of $96.8 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. Our future capital requirements will depend on many factors, including:

- the level, timing and cost of product sales;
- the collection of accounts receivable from customers;
- the extent to which we invest in products or technologies;
- the ability to satisfy the payment obligations and covenants under such credit facility;
- the ability to secure partnerships and/or collaborations that generate additional cash;
- capital improvements to new or existing facilities;
- the payment obligations under our current or any future indebtedness;
- the scope, progress, results and costs of our development activities;
- the costs of commercialization activities, including product marketing, sales and distribution;
- the ongoing costs associated with the separation from Emergent and performance under agreements with Emergent;

- the ongoing costs associated with replicating or outsourcing from other providers' certain facilities, systems, operational and administrative infrastructure, including information technology infrastructure, and personnel, to which we no longer have access after our separation from Emergent; and
- the ability to collect the milestone payments totaling up to $7.5 million related to the achievement of certain gross profit milestones and up to $2.0 million related to collection of certain accounts receivable from Saol.

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, a sale of commercial assets, collaboration and licensing arrangements or other strategic transactions. 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.

Current economic conditions 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 business depends on the continued success of IXINITY.

We currently have only one revenue-generating product, IXINITY, following the sale of our three hyperimmune products, WinRho SDF, HepaGam B and VARIZIG. We expect revenues from our product sales to continue to account for a portion of our revenue. The commercial success of IXINTY depends upon:

- the continued acceptance by regulators, physicians, patients and other key decision-makers of IXINITY as safe, therapeutic and cost-effective options;
- our ability to further develop IXINITY and obtain marketing approval for their use in additional patient populations and the clinical data we generate to support expansion of the product label;
- the ability of CMC ICOS Biologics Inc. and our third-party service providers to provide us with sufficient saleable quantities of IXINITY;
- the impact of competition from existing competitive products and from competitive products that may be approved in the future;
- the continued safety and efficacy IXINITY;
- to what extent and in what amount government and third-party payors cover or reimburse for the costs IXINITY; and
- our success and the success of our third-party distributors in selling and marketing IXINITY.

The failure to maximize the financial contribution of IXINITY could have a material adverse effect on our business, financial condition, results of operations and growth prospects. We may choose to increase the price of IXINITY, and these price adjustments may negatively affect our sales volumes. In addition, our product sales may fluctuate significantly from quarter to quarter, depending on the number of patients receiving treatment, the availability of supply to meet the demand for IXINITY, the dosing requirements of treated patients and other factors. If sales of IXINTY were to decline, we could be required to make an allowance for excess or obsolete inventory, increase our provision for product returns, or we could incur other costs related to operating our business, each of which could negatively impact our results of operations and our financial condition. We are constantly evaluating commercial and strategic transactions to generate revenue that include any current collaborations and collaborations or a sale of assets in the future.

We may not be able to engage in certain corporate transactions.

To preserve the tax-free treatment of the distribution related to the separation, together with certain related transactions, we are restricted under the tax matters agreement that we entered into with Emergent, from taking any action that prevents such transactions from being tax-free for U.S. federal income tax purposes. In particular, for a period of two years following the separation, we are restricted from taking certain actions (including restrictions on share issuances, business combinations, sales of assets, amendments to organizational documents and similar transactions) that could cause the distribution, together with certain related transactions, to fail to qualify as a tax-free transaction for U.S. federal income tax purposes. These restrictions may limit our ability to pursue certain strategic transactions or engage in other transactions that might increase the value of our business, including use of our common stock to make acquisitions and equity capital market transactions. In addition, under the tax matters agreement, we are required to indemnify Emergent against any tax liabilities and related expenses arising from the failure of the distribution, together with certain related transactions, to be tax-free to the extent such failure is attributable to actions, events or transactions relating to our stock, assets or business, including the acquisition of our stock even if we did not participate in or otherwise facilitate the acquisition.

We may not achieve profitability in future periods or on a consistent basis.

Although for the three and nine months ended September 30, 2017, we had net income of $37.9 million and $16.7 million, respectively, this net income was the result of our receipt of proceeds from the sale of our three hyperimmune products in September 2017. Our ability to become profitable in future periods will be substantially dependent on our product sales revenues from the sales of IXINITY and revenues from any current collaboration and licensing arrangements and any arrangements entered into in the future. Accordingly, our ability to become profitable may be adversely affected as we progress through various stages of ongoing or planned clinical trials for our product candidates. We may not be able to achieve profitability. We anticipate needing to generate greater revenue in future periods from IXINITY or our product candidates in development. If we are unable to generate greater revenue, we may not achieve profitability in future periods, and may not be able to maintain any profitability we do achieve. If we are unable to generate sufficient revenues, we will not become profitable and may be unable to continue operations without additional funding.

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

On August 4, 2016, 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 its subsequent amendments, 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, indebtedness, liens, dividends and other distributions, repayment of subordinated indebtedness, mergers, dispositions, investments (including licensing), acquisitions, transactions with affiliates and modification of organizational documents or certain other agreements;
- not complying with affirmative covenants including payment, reporting and revenue 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.

As of March 31, 2017, our net commercial product revenue did not meet the required minimum for the twelve months ended March 31, 2017. As a result, on May 11, 2017, we and MidCap Financial Trust entered into an amendment to the Credit Agreement to, among other things, waive the existing event of default and revise the financial covenants pertaining to the minimum required commercial product revenue. The amendment revises the following covenants of the Credit Agreement to: (1) extend the time period through which we can draw the second tranche from August 2017 to March 2018 (2) increase the exit fee of 5.75% of the aggregate principal amount under the Credit Agreement for repayment or prepayment other than scheduled amortization payments and the final payment of principal to 6.75% and (3) permit MidCap Financial Trust to obtain an affirmative lien on our intellectual property, upon the earlier of (i) our draw down of the second tranche or (ii) our cash balance descending below a minimum cash threshold of $25 million.

On September 28, 2017, we entered into a second amendment of the Credit Agreement (Amendment No. 2) in order to permit the sale of the Hyperimmune Business under the LLC purchase agreement (described in Note 2 - Sale of Hyperimmune Business, in the notes to the financial statements), and to reflect changes in the remaining business as a result of such sale.

Pursuant to the amendment, the agent and the lenders consented to the LLC purchase agreement and the consummation of the sale transaction, released Midcap Financial Trust's liens on the assets transferred to Venus BioTherapeutics Sub LLC (Venus), one of our subsidiaries, prior to the sale, and agreed that no prepayment of the term loans under the credit agreement would be required as a result the sale.

As part of the amendment, the agent and the lenders agreed that: (i) the commitments of the lenders to make the remaining $15.0 million tranche of loans under the credit agreement were terminated, (ii) the covenant levels set forth in the minimum net commercial product revenue covenant were revised, (iii) a new covenant requiring us to maintain minimum unrestricted cash balances was added to the credit agreement, and (iv) the date on which the term loans begin to amortize will be extended to February 1, 2019 if we achieve commercial product revenues of $16.0 million for the twelve month period ending June 30, 2018 and maintain such level of net commercial product revenues for each quarter prior to February 1, 2019 thereafter.

We may not have sufficient funds or be able to obtain additional financing to pay the amounts due under any future borrowings under the Credit Agreement. In addition, failure to comply with the covenants, including but not limited to the revenue 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.

Our results of operations and liquidity needs could be materially negatively affected by market fluctuations and economic downturns.

Our results of operations could be materially negatively affected by general economic conditions, both in the United States and elsewhere around the world. Continuing concerns over inflation, energy costs, geopolitical issues, and the availability and cost of credit have contributed to increased volatility and diminished expectations for the economy and the markets going forward. Domestic and international equity markets continue to experience heightened volatility and turmoil. These events and the continuing market upheavals may have an adverse effect on us. In the event of a continuing market downturn, our results of operations could be adversely affected by those factors in many ways, including making it more difficult for us to raise funds, if necessary, and our stock price may further decline.

The way that we account for our operational and business activities is based on estimates and assumptions that may differ from actual results.

The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, our management evaluates its critical estimates and judgments, including, among others: those related to revenue recognition, including product rebates, chargeback and return accruals; inventory; clinical research costs; business combinations; intangible assets and impairment; income taxes; stock-based compensation; and contingent consideration. Those critical estimates and assumptions are based on our historical experience, future projections, our observance of trends in the industry, and various other factors that are believed to be reasonable under the circumstances, and they form the basis for making judgments about the carrying values and fair values of assets and liabilities that may not be readily apparent from other sources. If actual results differ from these estimates as a result of unexpected conditions or events occurring which cause us to have to reassess our assumptions, there could be a material adverse impact on our financial results and the performance of our stock.

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 sale of IXINITY, any other product candidates that we successfully develop and the testing of our product candidates in clinical trials. Product liability claims might be made by patients in clinical trials, consumers, health care providers or pharmaceutical companies or others that sell our products. 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 commercial sale or study. We cannot predict the frequency, outcome or cost to defend any such claims.

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

- decreased demand or withdrawal of a product;
- 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;
- 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 products liability litigation or other proceeding, even if resolved in our favor, could be substantial. Uncertainties resulting from the initiation and continuation of products 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 our products and/or product candidates, withdrawal of clinical trial participants and potential termination of clinical trial sites or entire clinical programs, and could cause our stock price to fall.

Product recalls may be issued at our discretion or at the discretion of our suppliers, government agencies and other entities that have regulatory authority for pharmaceutical sales. Any recall of IXINITY could materially adversely affect our business by rendering us unable to sell IXINITY for some time and by adversely affecting our reputation. A recall could also result in product liability claims by individuals and third-party payors. In addition, product liability claims could result in an investigation of the safety or efficacy of IXINITY, our manufacturing processes and facilities, or our marketing programs conducted by the FDA, the European Medicines Agency, or EMA, or the competent authorities of the EU Member States. Such investigations could also potentially lead to a recall of IXINITY or more serious enforcement actions, limitations on the indications for which they may be used, or suspension, variation, or withdrawal of approval. Any such regulatory action by the FDA, the EMA or the competent authorities of the EU Member States could lead to product liability lawsuits as well.

We rely significantly on information technology systems and any failure, inadequacy, interruption or security lapse of that technology, including any cyber security incidents, could harm our ability to operate our business effectively or result in data leakage of proprietary and confidential business and employee information.

Our business is increasingly dependent on critical, complex and interdependent information technology systems, including Internet-based systems, to support business processes as well as internal and external communications. The size and complexity of our computer systems make them potentially vulnerable to interruption, invasion, computer viruses, destruction, malicious intrusion and additional related disruptions, which may result in the impairment of production and key business processes.

In addition, our systems are potentially vulnerable to data security breaches—whether by employee error, malfeasance or other disruption—which may expose sensitive 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, clinical trial patients, customers and others. A significant business disruption or a breach in security resulting in misappropriation, theft or sabotage with respect to our proprietary and confidential business and employee information could result in financial, legal, business or reputational harm to us, any of which could adversely affect our business, financial condition and operating results.

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, and our Chief Medical Officer, Scott C. Stromatt, or other key employees, our ability to implement our business strategy could be materially harmed. Our industry has experienced a high rate of turnover of management personnel in recent years. We face intense competition for qualified employees from biotechnology companies, research organizations and academic institutions. Attracting, retaining or replacing these personnel on acceptable terms may be difficult and time-consuming given the high demand in our industry for similar personnel. We believe part of being able to attract, motivate and retain personnel is our ability to offer a competitive compensation package, including equity incentive awards. If we cannot offer a competitive compensation package or otherwise attract and retain the qualified personnel necessary for the continued development of our business, we may not be able to maintain our operations or grow our business.

We are 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.

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 additional products or product candidates.

In order for us to achieve our long-term business objectives, we will need to successfully discover and/or develop and commercialize additional products or 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. Drug discovery and development is a complex, time-consuming and expensive process that is fraught with risk and a high rate of failure. 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, autoimmune disease 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 IXINITY, 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 U.S. Food and Drug Administration, or the FDA, or equivalent foreign regulatory bodies more rapidly than we may obtain approval for our products. Our competitors may devote greater resources to market or sell 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 hematology/oncology, inflammation and transplantation markets include: AbbVie Inc., Affirmed, Amgen Inc., Astellas Pharma Inc., Baxalta US Inc., Bayer AG, Biogen Idec Inc., Boehringer Ingelheim GmbH, CSL Behring, a subsidiary of CSL Limited, Dendron Corp., Genentech Inc. (a subsidiary of F. Hoffmann-La Roche Ltd.), Genmab A/S, Gilead Sciences, Inc., GlaxoSmithKline plc, Grifols USA LLC, ImmunoGen, Inc., Janssen BioTech Inc., Johnson & Johnson, Macrogenics, Inc., Novartis International AG, Pfizer Inc., Sanofi-Adventis US LLC, Takeda Pharmaceuticals U.S.A., Inc., Xencor, Inc. and Zymeworks Biopharmaceuticals, Inc. We compete, in the case of IXINITY, and expect to compete, in the cases of our product candidates in development, 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 our products, 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.

In addition, many of our competitors are able to deploy more personnel to market and sell their products than we do. We currently have a relatively small number of sales representatives compared with the number of sales representatives of most other biotechnology companies with marketed products. Each of our sales representatives is responsible for a territory of significant size. The continued growth of IXINITY and the launch of any future products may require expansion of our sales force and sales support organization internationally, and we may need to commit significant additional funds, management and other resources to the growth of our sales organization. We may not be able to achieve any necessary growth in a timely or cost-effective manner or realize a positive return on our investment, and we may not have the financial resources to achieve the necessary growth in a timely manner or at all. We also have to compete with other biotechnology and life sciences companies to recruit, hire, train and retain sales and marketing personnel, and turnover in our sales force and marketing personnel could negatively affect sales IXINITY. If our specialty sales force and sales organization are not appropriately-sized to adequately promote any current or potential future products, the commercial potential of IXINITY and any future products may be diminished. We compete with a significant number of pharmaceutical and life sciences companies with extensive sales, marketing and promotional experience in the hematology/oncology markets, and our failure to compete effectively in this area could negatively affect our sales of IXINITY.

IXINITY and our product candidates may also compete in the future with new products currently under development by others. Any products that we develop are likely to be in a highly competitive market, and many of our competitors may succeed in developing products before we do or in developing products that may render our products obsolete or noncompetitive.

IXINITY may face risks of competition from biosimilar manufacturers.

Competition for IXINITY, may be affected by follow-on biologics, or biosimilars, in the United States and other jurisdictions. Biologics are medical products made from a variety of natural sources (human, animal or microorganism) intended to prevent, diagnose or treat diseases and medical conditions.

In the United States, biosimilars are biologics that are highly similar to licensed reference biological products, notwithstanding minor differences in clinically inactive components, and for which there are no clinically meaningful differences between the biosimilar and the reference product in terms of safety, purity and potency. Regulatory and legislative activity in the United States and other countries may make it easier for our competitors to manufacture and sell biosimilars of IXINITY, which might affect our results of operations or commercial viability of our IXINITY. Under the Biologics Price Competition and Innovation Act of 2010, the FDA cannot approve an application for a biosimilar until the 12-year exclusivity period for the reference product has expired. Thus, if a competitor were to seek regulatory approval for a biosimilar product citing IXINITY as the reference product, such approval could not be granted until April 2027.

Regulators in the EU review biosimilar products using a similar regulatory process. IXINITY has not received marketing authorization by the European Medicines Agency, or EMA, and is not sold in Europe.

If a biosimilar version of IXINTY is approved, it could have a material adverse effect on the sales and gross profits of IXINTY and could adversely affect our business and operating results.

The commercial success of IXINITY and any of our product candidates will depend upon the degree of market acceptance by physicians, patients, third-party payors and others in the medical community.

The success of IXINITY and 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 IXINITY or 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.

If IXINITY and our product candidates do not gain or maintain market acceptance, or do not become widely accepted, by physicians, patients, third-party payors and other members of the medical community, our business, financial condition and operating results could be materially and adversely affected.

Changes in health care systems and payor reimbursement policies could result in a decline in our potential sales and a reduction in our expected revenue from IXINITY and our product candidates.

The revenues and profitability of biotechnology companies like ours may be affected by the continuing efforts of government payors, including Medicare and Medicaid, and other third-party payors to contain or reduce the costs of health care through various means. For example, in certain foreign markets, the pricing or profitability of therapeutic and other pharmaceutical products is subject to governmental control. In the United States, there have been, and we expect that there will continue to be, a number of federal and state proposals to implement similar governmental control. Recent U.S. legislation, rules and regulations instituted significant changes to the U.S. healthcare system that could have a material adverse effect on our business, financial condition and results of operations. The trend toward managed health care in the United States, as well as the implementation of the Patient Protection and Affordable Care Act (as amended by the Health Care and Education Reconciliation Act), collectively referred to as the Affordable Care Act, and the concurrent growth of organizations such as managed care organizations, accountable care organizations and integrated delivery networks, may result in increased pricing pressures for pharmaceutical products, including any products that may be offered by us in the future. Cost-cutting measures that health care providers are instituting, and the implementation of health care reform, could adversely affect our ability to sell any drug products that are successfully developed by us. We cannot predict what effects, if any, this legislation might have on our company and IXINITY and our product candidates as this legislation continues to be further implemented over the next few years, nor can we predict whether additional legislative or regulatory proposals may be adopted.

In the United States and internationally, sales of IXINITY and our ability to generate revenues on such sales are dependent, in significant part, on the availability and level of reimbursement from third-party payors, including state and federal governments and private insurance plans. Insurers have implemented cost-cutting measures and other initiatives to enforce more stringent reimbursement standards and likely will continue to do so in the future. These measures include the establishment of more restrictive formularies and increases in the out-of-pocket obligations of patients for such products. Third-party payors are also increasingly challenging the prices charged for medical products and services. Third-party payors may limit access to biotechnology products through the use of prior authorizations and step therapy. Any reimbursement granted may not be maintained, or limits on reimbursement available from third parties, may reduce the demand for or negatively affect the price and potential profitability of those products. If these payors do not provide sufficient coverage and reimbursement for IXINITY or any future drug product we may market, these products may be too costly for general use, and physicians may prescribe them less frequently. Our ability to successfully commercialize our products and product candidates and the demand for our products depends, in part, on the extent to which reimbursement and access is available from such third-party payors.

In addition, particularly in the United States and increasingly in other countries, we are required to provide discounts and pay rebates to state and federal governments and agencies in connection with purchases IXINITY that are reimbursed by such entities. Various provisions of the Affordable Care Act increased the levels of rebates and discounts that we have to provide in connection with sales of IXINITY that are paid for, or reimbursed by, certain state and federal government agencies and programs. It is possible that future legislation and regulatory changes in the United States and other jurisdictions could be enacted, which could potentially impact the reimbursement rates for IXINITY and also could further impact the levels of discounts and rebates we are required to pay to state and federal government entities.

Certain government pricing programs, including Medicare Part B, the Medicaid rebate program, the 340B/PHS drug pricing program and Federal Supply Schedule, affect the revenues that we derive from IXINITY and product candidates. Any future legislation or regulatory actions altering these programs or imposing new ones could have an adverse impact on our business. There have been, and we expect there will continue to be, a number of legislative and regulatory actions and proposals to control and reduce health care costs. These measures may, among other things: negatively impact the level of reimbursement for pharmaceutical products; require higher levels of cost-sharing by beneficiaries; change the discounts required to be provided to government payors and/or providers; extend government discounts to additional government programs and/or providers; or reduce the level of reimbursement for health care services and other non-drug items. Any such measures could indirectly affect demand for pharmaceutical products because they can cause payors and providers to apply heightened scrutiny and/or austerity actions to their entire operations, including pharmacy budgets.

Our revenues also depend on the availability outside the United States of adequate pricing and reimbursement from third-party payors for IXINITY and future drug products, if any.

Outside the United States, certain countries, including a number of EU Member States, set prices and reimbursement for pharmaceutical products, or medicinal products as they are commonly referred to in the EU, with limited participation from the marketing authorization holders. We cannot be sure that these prices and reimbursement will be acceptable to us or our collaborative partners. If the regulatory authorities in these foreign jurisdictions set prices or reimbursement that are not commercially attractive for us or our collaborative partners, our revenues from sales, and the potential profitability of our drug products, in those countries would be negatively affected. An increasing number of countries are taking initiatives to attempt to reduce large budget deficits by focusing cost-cutting efforts on pharmaceuticals for their state-run health care systems. These international price control efforts have impacted all regions of the world, but have been most drastic in the EU.

An inability to convince hospitals and managed care organizations to include IXINITY on their approved formulary lists, may result in our failure to meet revenue expectations.

Hospitals and managed care organizations establish formularies, which are lists of drugs approved for use in the hospital or under a managed care plan. If a drug is not included on the formulary, the ability of our engagement partners and engagement managers to promote and sell the drug may be limited or denied. If we fail to secure and maintain formulary inclusion for IXINITY on favorable terms or are significantly delayed in doing so, we may have difficulty achieving market acceptance of IXINITY and our business, results of operations and financial condition could be materially adversely affected.

If we are unable to negotiate and maintain satisfactory arrangements with group purchasing organizations our financial condition could be adversely affected.

Our ability to sell IXINITY, to hospitals and clinics in the United States depends in part on our relationships with group purchasing organizations, or GPOs. GPOs negotiate pricing arrangements and contracts, sometimes on an exclusive basis, with medical supply manufacturers and distributors. These negotiated prices are then made available to a GPO's affiliated hospitals and clinics and other members. If we are not one of the providers selected by a GPO, affiliated hospitals, clinics and other members may be less likely to purchase IXINITY, and if the GPO has negotiated a strict sole source, market share compliance or bundling contract for another manufacturer's products, we may be precluded from making sales to members of the GPO for the duration of the contractual arrangement. Our failure to renew contracts with GPOs may cause us to lose market share and could have a material adverse effect on our sales, financial condition and results of operations. We cannot assure you that we will be able to renew these contracts on the current or substantially similar terms. If we are unable to keep our relationships and develop new relationships with GPOs, our competitive position may suffer.

We rely on third parties to distribute IXINITY ***and those third parties may not perform.***

We rely on the sales and marketing strength of these distributors and the distribution channels through which they operate for a portion of our revenues. If third parties do not successfully carry out their contractual duties, or if there is a delay or interruption in the distribution of our products, it could negatively impact our revenues from product sales.

The loss of any of our sole source manufacturers, or delays or problems in the manufacture of IXINITY ***or our product candidates, could result in product shortages and loss in revenue or delays in clinical development.***

We do not have manufacturing capabilities and do not plan to develop such capacity in the foreseeable future. We depend on a limited number of sole source third-party manufacturers, including CMC ICOS Biologics, Inc., for our products and product candidates. Accordingly, our ability to develop and deliver products in a timely and competitive manner depend on our third-party manufacturers being able to continue to meet our ongoing commercial and clinical trial needs and perform their contractual obligations. We have a limited ability to control the manufacturing process or costs related to the manufacture of IXINITY and our product candidates. Increases in the prices we pay our manufacturers, interruptions in the supply of raw materials or IXINITY themselves or lapses in quality could adversely impact our margins, profitability, cash flows and prospects.

If, for any reason, CMC, sole manufacturer of bulk drug substance for our IXINITY product, does not continue to supply us with IXINITY in a timely fashion and in compliance with applicable quality and regulatory requirements, or otherwise fails or refuses to comply with its obligations to us under our manufacturing arrangement, we may not have adequate remedies for any breach of contract, and its failure to supply us could result in a shortage of IXINITY, which could lead to lost revenue and otherwise adversely affect our business, financial condition, results of operations and growth prospects. In addition, if CMC fails or refuses to supply us for any reason, we may be forced to consider entering into additional manufacturing arrangements with other third-party manufacturers. In each case, we will incur significant costs and time in obtaining the regulatory approvals for these third-party facilities and in taking the necessary steps to prepare these third parties for the manufacture of IXINITY. Because of contractual restraints and the lead-time necessary to obtain FDA approval of a new manufacturer, replacement of any of these manufacturers may be expensive and time consuming and may cause interruptions in our supply of IXINITY to our customers or an inability to manufacture.

For example, during 2015, we ordered nine manufacturing lots of bulk drug substance from CMC and only one of those lots was successfully manufactured and released in 2015. During 2016, we ordered five manufacturing lots of bulk drug substance from CMC and none of these lots satisfied product release specifications.

On October 4, 2016, we provided a Notice of Interruption in Manufacturing, or Notice, to the FDA, notifying the FDA of a potential interruption in the supply of IXINITY due to the ongoing manufacturing challenges associated with the manufacturer of the bulk drug substance. On March 15, 2017, we announced the successful manufacture of a new bulk drug substance batch of IXINITY, providing new supply of IXINITY for the commercial market in May 2017.

On June 17, 2017, we entered into a new non-exclusive Amended and Restated Commercial Supply, or Restated Supply Agreement, with CMC for the commercial development and manufacture of IXINITY. Pursuant to the terms of the Restated Supply Agreement, CMC agreed to manufacture IXINITY in the quantity of batches provided to CMC on a twenty-four month rolling forecast. Beginning 2018, the minimum and maximum batches will be four and ten, respectively in a calendar year. Multiple batches ordered in succession with no changeover to another product between batches, or a campaign, should receive an incremental discounted price.

In accordance with the Restated Supply Agreement, a $7.0 million reserve held by CMC will be will be applied to, at a minimum, the next four batches manufactured through the end of 2017 as a price concession in the form of no raw materials or other related costs associated with the inventory. As this reserve is utilized, Aptevo will also see an impact on the Company's income statement due to a lower costs of goods sold associated with this inventory, which will also result in higher gross margins as sales are recognized. Any remaining reserve amount outstanding as of December 25, 2017 shall be paid to the Company on or before December 31, 2017. The Restated Supply Agreement has a five-year term renewable with twenty-four months' prior notice before the expiry of the term for successive two-year terms.

While we do not currently anticipate or foresee a supply shortage or supply interruption occurring, any supply shortage or supply interruption of IXINITY would adversely affect its sales and could adversely affect its market position, commercial viability and the trading price of our common stock.

Manufacturing biologic products, especially in large quantities, is complex and time consuming.

IXINITY and all of our current product candidates are biologics. IXINITY and 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.

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 APVO414, APVO210, otlertuzumab, 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. 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 IXINITY and 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 IXINITY and 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. If we are not able to establish or maintain agreements relating to IXINITY and our product candidates in development, our results of operations would be materially and adversely affected.

Third parties may not perform their contractual obligations as expected. The amount and timing of resources that third parties devote to developing, manufacturing and commercializing our products candidates are not within our control. Our collaborative partners may develop, manufacture or commercialize, either independently or with others, products and services that are similar to or competitive with the products that are the subject of the collaboration with us. Furthermore, our interests may differ from those of third parties that manufacture or commercialize our products. Our collaborative partners may reevaluate their priorities from time to time, including following mergers and consolidations, and change the focus of their development, manufacturing or commercialization efforts. Disagreements that may arise with these third parties could delay or lead to the termination of the development or commercialization of our product candidates, or result in litigation or arbitration, which would be time consuming and expensive.

If any third-party that manufactures or supports the development or commercialization of IXINITY and our product candidates breaches or terminates its agreement with us, or fails to commit sufficient resources to our collaboration or conduct its activities in a timely manner, or fails to comply with regulatory requirements, such breach, termination or failure could delay or otherwise adversely impact the manufacturing, development or commercialization of IXINITY, our products in development or any additional products or product candidates that we may develop; require us to seek a new collaborator or undertake unforeseen additional responsibilities or devote unforeseen additional resources to the manufacturing, development or commercialization IXINITY and our product candidates; or result in the termination of the development or commercialization of IXINITY and our product candidates.

If we are unable to successfully develop our business infrastructure and operations, our ability to generate future product revenue will be adversely affected.

To manage our existing and planned future growth, including our ability to support the sales and marketing of IXINITY and our product candidates in the United States and globally, and the increasing breadth and complexity of our activities, we need to properly invest in personnel, infrastructure, information management systems and other operational resources. Developing our business infrastructure and operations may be more difficult, more expensive or take longer than we anticipate. We may also need to revise our strategy for developing the proper infrastructure and operations periodically.

We are subject to a number of risks and uncertainties associated with our international activities and operations.

We currently have limited operations outside of the United States. However, we have manufacturing, collaboration, clinical trial and other relationships outside the United States, and our products are marketed internationally through collaborations. We may seek to grow our international operations significantly over the next several years. Our future results of operations will depend in part on our ability to grow our product sales in foreign markets, particularly in Europe. Our foreign operations subject us to additional risks and uncertainties, particularly because we have limited experience in marketing, servicing and distributing our products or otherwise operating our business outside of the United States and Canada. These risks and uncertainties include: political and economic determinations that adversely impact pricing or reimbursement policies; our customers' ability to obtain reimbursement for procedures using our products in foreign markets; export licensing requirements, political and economic instability, trade restrictions, and changes in tariffs and difficulties in staffing and managing foreign operations; cross border restrictions on the movement of cash funds and repatriation of earnings; foreign currency fluctuations; longer accounts receivable collection times; reduced protection of intellectual property rights in some foreign countries; the interpretation of contractual provisions governed by foreign laws in the event of a contract dispute; and compliance with foreign or U.S. laws, rules and regulations, including data privacy requirements, labor relations laws, tax laws, anti-competition regulations, anti-bribery/anti-corruption laws, including but not limited to the U.S. Foreign Corrupt Practices Act, or FCPA, and the U.K. Bribery Act of 2010, which could subject us to investigation or prosecution under such U.S. or foreign laws.

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 preclinical, 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 III safety and efficacy trials conducted in patients with the disease or condition being targeted.

The process of obtaining these regulatory approvals is expensive, often takes many years if approval is obtained at all, and can vary substantially based upon the type, complexity and novelty of the product candidate involved. Changes in the regulatory approval process during the development period, changes in or the enactment of additional statutes or regulations, or changes in the regulatory review for a submitted product application may cause delays in the approval or rejection of an application.

The FDA has substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient to support approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of a product candidate.

We have a pipeline of clinical and preclinical stage product candidates, including:

- APVO414, a bispecific immunotherapeutic ADAPTIR protein, currently in Phase 1, targeting prostate specific membrane antigen, or PSMA, an enzyme that is expressed on the surface of prostate cancer cells and, a component of the T-cell receptor complex expressed on all T-cells. The mechanism of action of APVO414 is RTCC;
- APVO210, a bispecific ADAPTIR protein therapeutic the employs targeted cytokine delivery. This candidate targets monomeric IL-10 to CD86 expressing cells (primarily antigen presenting cells) and is currently in pre-clinical development for inflammatory bowel disease and other autoimmune and inflammatory diseases;

- otlertuzumab, a monospecific ADAPTIR protein therapeutic currently in Phase 2 clinical development for chronic lymphocytic leukemia, or CLL;
- APVO436, a bispecific ADAPTIR protein therapeutic currently in preclinical development targeting CD123, a cell surface receptor highly expressed on several hematological malignancies and CD3, a component of the T-cell receptor. Similar to APVO414 and the ROR1 preclinical program, APVO436 utilizes redirected RTCC to initiate killing of tumor cells;
- ALG.APV-527 a bispecific antibody candidate, featuring a novel mechanism of action targeting 4-1BB (CD137) and 5T4, a tumor antigen widely expressed on several solid tumors;
- an immunotherapeutic ADAPTIR protein targeting ROR1 (preclinical candidate) built on our novel ADAPTIR platform, which is designed to expand on the utility and effectiveness of therapeutic antibodies and an antigen found on solid tumors and hematologic or blood-related, malignancies; and
- other protein therapeutic product candidates primarily targeting tumor based on mechanisms of action that modulate the immune system (immuno-oncology based mechanism of action).

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, preclinical 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.

Certain of our products in development have experienced regulatory and/or clinical setbacks in the past. For example, in December 2015, after a joint review of data from the Phase 1 dose escalation study of APVO414 in prostate cancer patients, Aptevo and MorphoSys concluded that the dosing regimen and administration required adjustment. Patients receiving weekly doses of APVO414 developed antibodies against the drug; which are called anti-drug antibodies, or ADA. ADA developed in most patients including those receiving the maximum tolerated dose of drug that could be given safely on a weekly basis. These antibodies bind to the drug and reduce the concentration of active APVO414 in the blood and thus could potentially reduce its efficacy. However, we observed no safety issues related to the development of ADA. The cause of these antibodies is unclear but could be due to the weekly administration of the drug. Hence, the protocol has been amended to continuous intravenous infusion as a way to administer higher levels of drug and prevent the development of ADA. There is no guarantee that this change in administration will enable higher dosing and/or prevent the development of ADA. 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.

The APVO414 Phase I clinical trial under the amended protocol, providing continuous intravenous infusion as a way to administer higher levels of drug and prevent the development of ADA, commenced December 2016. As a result of the required dosing regimen change and the impact to the overall development timeline and technical risk, our co-development agreement with MorphoSys was restructured. Under the terms of the restructured agreement, MorphoSys' cost sharing in the years 2016 to 2018 was reduced and future milestone payments payable by MorphoSys to us were reduced to a total of up to $74.0 million. As a result of the required change in dosing regimen for APVO414, the lead RTCC candidate, the termination provisions under the MorphoSys collaboration agreement were amended to give MorphoSys a one-time right to terminate the collaboration agreement, without notice, at either the end of 2016 or after review of clinical data from the first six patients enrolled and dosed in the Phase 1 trial. The requirement for further adjustments to the dosing regimen or other parts of the program could delay our development timeline or delay or prevent our ability to receive regulatory approval for APVO414. In December 2016, the agreement was modified to adjust the allocation of certain manufacturing and development costs and extend MorphoSys' convenience termination rights. Under the amendment, the timeframe for a one-time right to terminate the collaboration agreement by MorphoSys has been extended from December 31, 2016 to June 30, 2017, or after review of clinical data from the first six patients enrolled and dosed in the APVO414 Phase I clinical trial. Effective August 31, 2017, MorphoSys terminated the MorphoSys collaboration agreement with Company in accordance with the terms of the Fourth Amendment which was effective December 7, 2015.

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 FDA's or any foreign regulatory authority's response to any application for approval is delayed or not favorable for any of our product candidates, our stock price could decline significantly.

Regulatory approval for any approved product is limited by the FDA to those specific indications and conditions for which clinical safety and efficacy have been demonstrated, and we may incur significant liability if it is determined that we are promoting the "off-label" use of any of our products.

Any regulatory approval is limited to those specific diseases and indications for which a product is deemed to be safe and effective by the FDA. For example, the FDA-approved label for IXINITY is not approved for use in patients younger than twelve years old. In addition to the FDA approval required for new formulations, any new indication for an approved product also requires FDA approval. If we are not able to obtain FDA approval for any desired future indications for our products and product candidates, our ability to effectively market and sell our products may be reduced and our business may be adversely affected.

While physicians may choose to prescribe drugs for uses that are not described in the product's labeling and for uses that differ from those tested in clinical studies and approved by the regulatory authorities, our ability to promote the products is limited to those indications that are specifically approved by the FDA. These "off-label" uses are common across medical specialties and may constitute an appropriate treatment for some patients in varied circumstances. Regulatory authorities in the United States generally do not regulate the behavior of physicians in their choice of treatments. Regulatory authorities do, however, restrict communications by pharmaceutical companies on the subject of off-label use. If our promotional activities fail to comply with the FDA's regulations or guidelines, we may be subject to warnings from, or enforcement action by, these authorities. In addition, our failure to follow FDA rules and guidelines relating to promotion and advertising may cause the FDA to issue warning letters or untitled letters, suspend or withdraw an approved product from the market, require a recall or institute fines, which could result in the disgorgement of money, operating restrictions, injunctions or civil or criminal enforcement, any of which could harm our business.

Notwithstanding the regulatory restrictions on off-label promotion, the FDA and other regulatory authorities allow companies to engage in truthful, non-misleading and non-promotional scientific exchange concerning their products. We engage in medical education activities and communicate with investigators and potential investigators regarding our clinical trials. If the FDA or another regulatory or enforcement authority determines that our communications regarding our marketed products are not in compliance with the relevant regulatory requirements and that we have improperly promoted off-label uses, we may be subject to significant liability, including civil and administrative remedies as well as criminal sanctions.

Our products may face regulatory, legal or commercial challenges even after approval.

Any drug or, biologic for which we receive FDA approval, along with the manufacturing processes, post-approval clinical data, labeling, advertising and promotional activities for such product, will be subject to continuing regulation by the FDA, including, among other things, record keeping requirements, reporting of adverse experiences, providing the FDA with updated safety and efficacy information, product sampling and distribution requirements, current good manufacturing practices, or cGMP, and restrictions on advertising and promotion. Adverse events that are reported after marketing approval can result in additional limitations being placed on the product's distribution or use and, potentially, withdrawal or suspension of the product from the market. In addition, various state laws require that companies that manufacture and/or distribute drug products within the state obtain and maintain a manufacturer or distributor license, as appropriate. Because of the breadth of these laws, it is possible that some of our business activities, or those of our third-party manufacturers and distributors, could be subject to challenge under one or more of such laws.

In addition, the FDA has post-approval authority to require post-approval clinical trials and/or safety labeling changes if warranted by the appearance of new safety information. In certain circumstances, the FDA may impose a Risk Evaluation and Mitigation Strategy, or REMS, after a product has been approved. Facilities involved in the manufacture and distribution of approved products are required to register their establishments with the FDA and certain state agencies and are subject to periodic unannounced inspections by the FDA for compliance with cGMP and other laws. The FDA also closely monitors advertising and promotional materials we may disseminate for our products for compliance with restrictions on off-label promotion and other laws. We may not promote our products for conditions of use that are not included in the approved package inserts for our products. Certain additional restrictions on advertising and promotion exist for products that have so-called boxed warnings in their approved package inserts.

Failure by CMC or our other third-party manufacturers to comply with regulatory requirements could adversely affect their ability to supply products or ingredients to us. All facilities and manufacturing techniques used for the manufacture of pharmaceutical products must be operated in conformity with the FDA's current cGMP requirements. The FDA enforces its cGMP and other requirements through periodic unannounced inspections of manufacturing facilities. If, in connection with any future inspection, the FDA finds that any of our third-party manufacturers is not in substantial compliance with cGMP requirements, or if the FDA is not satisfied with the corrective actions such manufacturer may take, the FDA may undertake certain enforcement actions, including product seizure or withdrawal of the product from the market, imposition of restrictions on the marketing or manufacturing of a product and suspension or withdrawal of regulatory approvals or refusal to approve pending applications or supplements.

Similar actions may be taken against us should we fail to comply with regulatory requirements, or later discover previously unknown problems with our products. Even if regulatory approval of a product is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. If we experience any of these post-approval events, our business, financial condition and operating results could be materially and adversely affected.

If we fail to comply with federal and state 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 and state healthcare laws and regulations pertaining to fraud and abuse and patients' rights are and will be 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, which constrains our marketing practices, educational programs, pricing policies and relationships with healthcare providers or other entities by prohibiting, among other things, soliciting, receiving, offering or paying remuneration, directly or indirectly, to induce, or in return for, the purchase, prescribing or recommendation of an item or service reimbursable under federally funded healthcare programs, such as the Medicare and Medicaid programs;
- federal civil and criminal false claims and false statement laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid or other payors that are false or fraudulent or making any materially false statement in connection with the delivery or payment for healthcare benefits, items or services;
- Health Insurance Portability and Accountability Act of 1996, or HIPAA, which creates federal criminal and civil statutes that prohibit executing a scheme to defraud any healthcare benefit program; and Health Information Technology for Economic and Clinical Health, or HITECH, and its implementing regulations, which imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information;
- federal physician self-referral laws, such as the Stark law, which prohibit a physician from making a referral to a provider of certain health services with which the physician or the physician's family member has a financial interest, and prohibit submission of a claim for reimbursement pursuant to a prohibited referral;
- the Physician Payment Sunshine Act, which imposes disclosure requirements on pharmaceutical manufacturers of payments made to physicians, healthcare providers and institutions; 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, and state 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.

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 Affordable Care Act, among other things, amends the intent requirement of the federal anti-kickback and criminal health care fraud statutes, so that a person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the Affordable Care Act 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 statutes. Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government or knowingly making, or causing to be made, a false statement to get a false claim paid.

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, may also violate false claims 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.

Further, there has been a recent trend in the increase of federal and state laws and regulations regarding financial arrangements with physicians. The Affordable Care Act imposes new requirements to report certain financial arrangements with physicians and others, including reporting any "transfer of value" made or distributed to prescribers and other healthcare providers and reporting any ownership or investment interests held by physicians and their immediate family members during each calendar year, subject to federal implementation and enforcement policies.

In addition, certain states mandate that we comply with a state code of conduct, adopt a company code of conduct under state criteria, disclose marketing payments made to physicians, 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 and state privacy, security and fraud 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 penalties, including civil and criminal penalties, damages, fines, exclusion from participation in U.S. federal or state health care programs 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.

If we fail to comply with our obligations under U.S. governmental pricing programs, we could be required to reimburse government programs for underpayments and could pay penalties, sanctions and fines.

On August 2, 2011, President Obama signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee on Deficit Reduction did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering mandatory reductions in federal spending by as much as $1.1 trillion from 2013 through 2021, referred to as sequestration. The Bipartisan Budget Act of 2013 and subsequent legislation provide billions in sequester relief, but also extends the 2% reduction in Medicare payments, discussed below through fiscal year 2025. Sequestration-related spending reductions may have a significant adverse impact on our business.

The issuance of regulations and coverage expansion by various governmental agencies relating to the Medicaid rebate program will continue to increase our costs and the complexity of compliance and will be time-consuming. Changes to the definition of "average manufacturer price," or AMP, and the Medicaid rebate amount under the Affordable Care Act and Centers for Medicare & Medicaid Services', or CMS's, issuance of final regulations implementing those changes also has affected and could further affect our 340B "ceiling price" calculations. Because we participate in the Medicaid rebate program, we are required to report "average sales price," or ASP, information to CMS for certain categories of drugs that are paid for under Part B of the Medicare program, including IXINITY. Future statutory or regulatory changes or CMS binding guidance could affect the ASP calculations for our products and the resulting Medicare payment rate, and could negatively impact our results of operations.

Pricing and rebate calculations vary among products and programs, involve complex calculations and are often subject to interpretation by us, governmental or regulatory agencies and the courts. The Medicaid rebate amount is computed each quarter based on our submission to CMS of our current AMP and "best price" for the quarter. If we become aware that our reporting for a prior quarter was incorrect, or has changed as a result of recalculation of the pricing data, we are obligated to resubmit the corrected data for a period not to exceed twelve quarters from the quarter in which the data originally were due. Any such revisions could have the impact of increasing or decreasing our rebate liability for prior quarters, depending on the direction of the revision. Such restatements and recalculations increase our costs for complying with the laws and regulations governing the Medicaid rebate program. Price recalculations also may affect the "ceiling price" at which we are required to offer our products to certain covered entities, such as safety-net providers, under the 340B/PHS drug pricing program.

In addition to retroactive rebate liability and the potential for 340B program refunds, if we are found to have made a misrepresentation in the reporting of ASP, we are subject to civil monetary penalties for each such price misrepresentation and for each day in which such price misrepresentation was applied. If we are found to have knowingly submitted false AMP or "best price" information to the government, we may be liable for civil monetary penalties per item of false information. Any refusal of a request for information or knowing provision of false information in connection with an AMP survey verification also would subject us to civil monetary penalties. In addition, our failure to submit monthly/quarterly AMP or "best price" information on a timely basis could result in a civil monetary penalty per day for each day the information is late beyond the due date. Such failure also could be grounds for CMS to terminate our Medicaid drug rebate agreement, pursuant to which we participate in the Medicaid program. In the event that CMS terminates our rebate agreement, no federal payments would be available under Medicaid or Medicare Part B for our covered outpatient drugs. Governmental agencies may also make changes in program interpretations, requirements or conditions of participation, some of which may have implications for amounts previously estimated or paid. We cannot assure you that our submissions will not be found by CMS to be incomplete or incorrect.

In order for our products to be reimbursed by the primary federal governmental programs, we report certain pricing data to the U.S. federal government. Compliance with reporting and other requirements of these federal programs is a pre-condition to: (i) the availability of federal funds to pay for our products under Medicaid and Medicare Part B; and (ii) procurement of our products by the Department of Veterans Affairs, or DVA, and by covered entities under the 340B/PHS program. The pricing data reported are used as the basis for establishing Federal Supply Schedule, or FSS, and 340B/PHS program contract pricing and payment and rebate rates under the Medicare Part B and Medicaid programs, respectively. Pharmaceutical companies have been prosecuted under federal and state false claims laws for submitting inaccurate and/or incomplete pricing information to the government that resulted in increased payments made by these programs. The rules governing the calculation of certain reported prices are highly complex. Although we maintain and follow strict procedures to ensure the maximum possible integrity for our federal pricing calculations, the process for making the required calculations involves some subjective judgments and the risk of errors always exists, which creates the potential for exposure under the false claims laws. If we become subject to investigations or other inquiries concerning our compliance with price reporting laws and regulations, and our methodologies for calculating federal prices are found to include flaws or to have been incorrectly applied, we could be required to pay or be subject to additional reimbursements, penalties, sanctions or fines, which could have a material adverse effect on our business, financial condition and results of operations.

To be eligible to have our products paid for with federal funds under the Medicaid and Medicare Part B programs as well as to be purchased by certain federal agencies and certain federal grantees, we also must participate in the DVA FSS pricing program. To participate, we are required to enter into an FSS contract with the DVA, under which we must make our innovator "covered drugs" available to the "Big Four" federal agencies—the DVA, the U.S. Department of Defense, or the DoD, the Public Health Service (including the Indian Health Service), and the Coast Guard—at pricing that is capped pursuant to a statutory federal ceiling price, or FCP, formula set forth in Section 603 of the Veterans Health Care Act of 1992, or VHCA. The FCP is based on a weighted average wholesale price known as the Non-Federal Average Manufacturer Price, or Non-FAMP, which manufacturers are required to report on a quarterly and annual basis to the DVA. Pursuant to the VHCA, knowing provision of false information in connection with a Non-FAMP filing can subject us to penalties of $100,000 for each item of false information. If we overcharge the government in connection with our FSS contract or Section 703 Agreement, whether due to a misstated FCP or otherwise, we are required to disclose the error and refund the difference to the government. The failure to make necessary disclosures and/or to identify contract overcharges can result in allegations against us under the False Claims Act and other laws and regulations. Unexpected refunds to the government, and responding to a government investigation or enforcement action, would be expensive and time-consuming, and could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

The failure to obtain or maintain regulatory approval in international jurisdictions could prevent us from marketing our products abroad and could limit the growth of our business.

We currently sell and intend to continue to sell our products outside the United States. To market our products in the EU and many other foreign jurisdictions, we may need to obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. Approval by the FDA does not ensure approval by foreign regulatory authorities. The approval procedures in foreign jurisdictions can vary widely and can involve additional clinical trials and data review. We and our collaborative partners may not be able to obtain foreign regulatory approvals on a timely basis, if at all, and therefore we may be unable to commercialize our products internationally. The failure to obtain these approvals could harm our business.

Our international operations increase our risk of exposure to potential claims of bribery and corruption.

As we expand our commercialization activities outside of the United States, we are subject to an increased risk of inadvertently conducting activities in a manner that violates the FCPA, the U.K. Bribery Act of 2010, Canada's Corruption of Foreign Public Officials Act, or other similar foreign laws, which prohibit corporations and individuals from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. In the course of establishing and expanding our commercial operations and seeking regulatory approvals outside of the United States, we will need to establish and expand business relationships with various third parties and will interact more frequently with foreign officials, including regulatory authorities and physicians employed by state-run healthcare institutions who may be deemed to be foreign officials under the FCPA or similar foreign laws. If our business practices outside the United States are found to be in violation of the FCPA or similar foreign laws, we and our senior management may be subject to significant civil and criminal penalties, potential debarment from public procurement and reputational damage, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

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, the EU Data Protection Directive, as implemented into national laws by the EU Member States, imposes strict obligations and restrictions on the ability to collect, analyze and transfer personal data, including health data from clinical trials and adverse event reporting. Data protection authorities from the different EU Member States may interpret the EU Data Protection Directive and national laws differently, which adds to the complexity of processing personal data in the European Union, and guidance on implementation and compliance practices are often updated or otherwise revised. Our failure to comply with these laws could lead to government enforcement actions and significant penalties against us, and adversely impact our operating results. The revised EU Data Protection Directive adopted in April 2016 may also increase our responsibility and liability in relation to personal data that we process, and we may be required to put in place additional mechanisms ensuring compliance with the new EU data protection rules.

Product Development Risks

Our business depends on our success in developing and commercializing our product candidates.

We have invested significant effort and financial resources in the development of our therapeutics and product candidates. In addition to our product sales, our ability to generate revenue is dependent on a number of factors, including the success of our development programs, the interest of commercial entities and non-governmental organizations and others in funding the development of our product candidates, the ability to attract and establish external development partnerships and the commercial viability of our developed product candidates. The commercial success of our product candidates will depend on many factors, including accomplishing the following in an economical manner:

- successful development and formulation that meets FDA requirements;
- successful completion of clinical or non-clinical development, including toxicology studies;
- receipt of marketing approvals from the FDA and equivalent foreign regulatory authorities;
- establishment of commercial manufacturing and product supply arrangements;
- training of a commercial sales force for the product, whether alone or in collaboration with others;

- successful registration and maintenance of relevant patent and/or other proprietary protection; and
- acceptance of the product by potential government customers, physicians, patients, healthcare payors and others in the medical community.

If we are delayed or prevented from developing or commercializing a product candidate in a profitable manner, or if doing so requires us to incur significant unanticipated costs, our growth could be materially and adversely affected.

Clinical trials of product candidates are expensive and time-consuming, and their outcome is uncertain.

Before obtaining regulatory approval for the sale of our product candidates, we and our collaborative partners, where applicable, must conduct extensive preclinical studies and clinical trials to establish proof of concept and demonstrate the safety and efficacy of our product candidates. Preclinical and clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and interim results of a clinical trial do not necessarily predict final results. An unexpected result in one or more of our clinical trials can occur at any stage of testing.

We may experience unforeseen events or issues during, or as a result of, preclinical testing or clinical trials. These issues and events, which could delay or prevent our ability to receive regulatory approval for a product candidate, include, among others:

- lack of efficacy of product candidates during the trials;
- safety issues or inconclusive or incomplete testing, trial or study results;
- our inability or the inability of Emergent and our other third-party manufacturers to manufacture sufficient quantities of materials for use in trials;
- the unavailability or variability in the number and types of subjects for each study;
- government or regulatory restrictions or delays; and
- greater than anticipated costs of trials.

For example, in December 2015, after a joint review of data from the Phase 1 dose escalation study of APVO414 in prostate cancer patients, the Company and MorphoSys concluded that the dosing regimen and administration required adjustment. Patients receiving weekly doses of APVO414 developed ADA. ADA developed in most patients including those receiving the maximum tolerated dose of drug which could be given safely on a weekly basis. These antibodies bind to the drug and reduce the concentration of active APVO414 in the blood and thus could potentially reduce its efficacy. However, we observed no safety issues related to the development of ADA. The cause of these antibodies is unclear but could be due to the weekly administration of the drug. We and MorphoSys amended the clinical protocol to provide continuous intravenous infusion as a way to administer higher levels of drug and prevent the development of ADA. There is no guarantee that this change in administration will enable higher dosing and/or prevent the development of ADA. Further adverse or inconclusive clinical results could require additional adjustments to the dosing regimen or other parts of the program and could delay or prevent our ability to receive regulatory approval for APVO414.

In addition, product candidates that experience success in preclinical testing and early-stage clinical trials will not necessarily experience the same success in late-stage clinical trials, which are required for marketing approval. The FDA and other countries' regulatory authorities will allow us to begin clinical trials under an IND, or similar document in other countries only if we demonstrate in our submission that the potential product candidate will not expose humans to unreasonable risks and that the compound has pharmacological activity that justifies clinical development. It takes significant time and expense to generate the requisite data to support an IND or similar document. In many cases, companies spend the time and resources only to discover that the data are not sufficient to support an IND or similar document and therefore are unable to enter human clinical trials.

Even if we are successful in advancing a product candidate into the clinical development stage, before obtaining regulatory and marketing approvals, we must demonstrate through extensive human clinical trials that the product candidate is safe and effective for its intended use. Human clinical trials must be carried out under protocols that are acceptable to regulatory authorities and to the independent committees responsible for the ethical review of clinical studies. There may be delays in preparing protocols or receiving approval for them that may delay the start or completion of the clinical trials. This is applicable both domestically and internationally. Clinical practices vary globally, and there is a lack of harmonization among the guidance provided by various regulatory bodies of different regions and countries with respect to the data that is required to receive marketing approval, which makes designing global trials increasingly complex.

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.

For example, as noted above, APVO414 is currently being tested in its first clinical trial in humans. Twenty-one patients have received the drug. One of the significant serious adverse events associated with the drug is infusion reactions. Infusion reactions are often associated with the infusion of a protein and are expected with this drug that activates T-cells. The events that have been reported with infusion of the drug include: fever, fatigue, hypertension, bronchospasm, chills and rigors. The severity of these reactions varied by patient and were managed medically and resolved. In addition, in December 2015, we discovered that patients receiving weekly doses of our product candidate APVO414 developed ADA during use. This ADA, which was not associated with safety issues, developed in most patients including those receiving the maximum tolerated dose of drug which could be given safely on a weekly basis. Undesirable side effects, such as this, or other unexpected adverse events or properties of any of our 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;
- 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. We rely heavily on these 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 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. 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.

In certain cases, government entities conduct studies of our product candidates, and we may seek to rely on these studies in applying for marketing approval for certain of our product candidates. These government entities have no obligation or commitment to us to conduct or complete any of these studies or clinical trials and may choose to discontinue these development efforts at any time.

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.

We may fail to select or capitalize on the most scientifically, clinically or commercially promising or profitable product candidates.

We continue to evaluate our business strategy and, as a result, may modify our strategy in the future. In this regard, we may, from time to time, focus our product development efforts on different product candidates or may delay or halt the development of various product candidates. This could require changes in our facilities and our personnel. Any product development changes that we implement may not be successful. In particular, we may fail to select or capitalize on the most scientifically, clinically or commercially promising or profitable product candidates.

Our decisions to allocate our research and development, management and financial resources toward particular product candidates or therapeutic areas may not lead to the development of viable commercial products and may divert resources from better opportunities. Similarly, our decisions to delay or terminate product development programs may also prove to be incorrect and could cause us to miss valuable opportunities.

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 products. 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 products. 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.

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.

Status of patent opposition proceedings in Europe relating to IXINITY

A European Patent Opposition is a European Patent Office proceeding that allows for a 3rd party (opponent) to challenge the validity of an issued patent. In a European Patent Opposition only the validity of the patent can be challenged; the European Patent Office cannot rule on whether a party infringes a patent (this is a matter for the courts across Europe). To initiate an Opposition at the European Patent Office, an opponent files a notice that it wishes to oppose the patent within a nine-month period following the publication of the patent grant. After the opponent files the notice, it may be a few years before the merits of the opposition are heard and decided by the European Patent Office Opposition Division and several more years before the Boards of Appeal hears and decides on any appeals. We were previously involved in five opposition proceedings in Europe relating to factor IX proteins. Baxter International Inc. (or Baxalta) was the sole counter-party in all proceedings. Two oppositions were decided in our favor and cannot be further appealed. Of the three remaining oppositions, Baxter either withdrew its patents or withdrew its opposition of a UNC patent (a licensed patent asset). Accordingly, we are no longer involved in adversarial proceedings with Baxter (or Baxalta) relating to these assets in Europe.

International patent protection is particularly uncertain, and if we are involved in additional opposition proceedings in foreign countries, we may have to expend substantial sums and management resources.

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.

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 with respect to 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, 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.

Synoptis Pharma Sp. z.o.o., or Synoptis, has opposed several of our house marks in the European Union. Despite efforts to initiate discussions with Synoptis regarding use of our house marks, Synoptis has refused to enter into settlement agreements. Our foreign counsel is investigating possible cancellation of Synoptis' registrations based on nonuse, which may allow the parties to enter negotiation discussions. If the event we are unsuccessful with our efforts to negotiate a settlement with Synoptis, we may lose our ability to obtain trademark registration for one or more of the house marks in the European Union, where Synoptis has opposed the marks, which could have a material and adverse effect on our business.

The Bristol Myers Squibb Company, or BMS, previously opposed several of our house marks in and outside the United States. We entered into a settlement and co-existence agreement with BMS and its licensee, Ono Pharmaceutical Co., Ltd on July 5, 2017. BMS subsequently withdrew oppositions of our house marks. The settlement and co-existence agreement places restrictions on how we can use our house marks and how we can seek trademark protection for our house marks.

Third parties may file trademark infringement claim against us.

Defending ourselves against such trademark infringement claims could be costly, time-consuming and distracting to management, and if we are unsuccessful in our defense, we could face an injunction and damages.

Defending ourselves against claims could be costly, time-consuming and distracting to management, and if we are unsuccessful in our defense, we could face an injunction prohibiting us from using the Aptevo trademarks and damages, all 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 products could be adversely affected.

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

Risks Related to Collaborations

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, including otlertuzumab, we plan to evaluate the merits of entering into collaboration arrangements with third parties, including leading biotechnology companies or non-governmental organizations. In addition, 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 expect to selectively 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.

Any collaboration that we have entered into, such as agreements with MorphoSys and Alligator, or 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 Aptevo's 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.

Risks Related to the Separation

Emergent may fail to perform under various transaction agreements that were executed as part of the separation or we may fail to have necessary systems and services in place when certain of the transaction agreements expire.

In connection with the separation, we entered into a separation and distribution agreement and various other agreements with Emergent, including a transition services agreement, a tax matters agreement, an employee matters agreement, a manufacturing services agreement, a Canadian distributor agreement, a trademark license agreement and a product license agreement. Certain of these agreements provide for the performance of services by Emergent for a period of time after the separation. We will rely on Emergent to satisfy its performance obligations under these agreements. If Emergent is unable to satisfy its obligations under these agreements, including its indemnification obligations, we could incur operational difficulties or losses.

If we do not have in place our own systems and services, or if we do not have agreements with other providers of these services when the transition services or longer-term agreements terminate, we may not be able to operate our business effectively and our results of operations may be adversely affected. We may not be successful in effectively or efficiently implementing these systems and services or in transitioning data from Emergent's systems to ours. These systems and services may also be more expensive or less efficient than the systems and services Emergent is expected to provide during the transition period.

Our accounting and other management systems and resources may not be adequately prepared to meet the ongoing financial reporting and other requirements of a standalone publicly-traded company.

Prior to our separation from Emergent, our financial results were included within the consolidated results of Emergent. We are now directly subject to substantial reporting and other obligations under the Securities Exchange Act of 1934, or Exchange Act. These reporting and other obligations place significant demand on our management, administrative and operational resources, including accounting resources. We may not have sufficient time to meet these obligations by the applicable deadlines.

Moreover, to comply with these requirements, we have migrated our systems, including information technology systems, implement additional financial and management controls, reporting systems and procedures. We expect to incur additional annual expenses related to these steps, and those expenses may be significant. If we are unable to upgrade our financial and management controls, reporting systems, information technology and procedures in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies under the Exchange Act could be impaired. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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.

We and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting as of and for the years ended December 31, 2015 and for quarters through September 30, 2016. A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Specifically, it was determined that a deferred tax liability should have been recorded associated with the difference between the book basis and the tax basis of the in-process research and development asset that was recorded as a part of an acquisition in 2010. As a result, we were required to restate our previously issued audited financial statements for the year ended December 31, 2015 and unaudited financial information for the quarter ended March 31, 2016, included in the Company's Registration Statement on Form 10, and unaudited financial information for the quarters ended June 30, 2016 and September 30, 2016 included in the Company's Quarterly Report on Form 10-Q for the quarters ended June 30, 2016 and September 30, 2016.

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, beginning in 2018, Section 404 of the Sarbanes-Oxley Act, or Section 404, will require 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.

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.

If the distribution, together with certain related transactions, does not qualify as a tax-free transaction described under Sections 355 and 368(a)(1)(D) of the Code, our stockholders could be subject to significant tax liabilities, and, in certain circumstances, we could be required to indemnify Emergent for taxes and related expenses resulting from the failure of the transaction to so qualify.

It is intended that the distribution, together with certain related transactions, will generally be tax-free to Emergent and its stockholders for U.S. federal income tax purposes. Emergent has received a favorable private letter ruling from the IRS regarding certain U.S. federal income tax matters relating to the distribution and certain related transactions. It was a condition to the distribution that (i) the private letter ruling from the IRS continue to be valid and in full force and effect and (ii) Emergent receive an opinion from WilmerHale LLP, in a form and substance satisfactory to Emergent, substantially to the effect that, for U.S. federal income tax purposes, the distribution and certain related transactions, taken together, will qualify as a transaction described under Sections 355(a) and 368(a)(1)(D) of the Internal Revenue Code, or the Code. The IRS private letter ruling is based upon certain facts and representations submitted by Emergent to the IRS. In addition, the opinion from WilmerHale LLP was based upon and rely on, among other things, the IRS private letter ruling and certain facts and assumptions, as well as certain representations and covenants of Emergent and Aptevo contained in the tax matters agreement and certain representations contained in representation letters provided by Emergent, Aptevo and certain stockholders to WilmerHale LLP, including representations and covenants relating to the past and future conduct of Emergent, Aptevo and such stockholders. If any of these facts, assumptions, representations, or covenants is, or becomes, inaccurate or incomplete, the IRS private letter ruling and/or the opinion of WilmerHale LLP may be invalid and the conclusions reached therein could be jeopardized. In addition, the IRS private letter ruling only addresses certain limited matters relevant to determining whether the distribution, together with certain related transactions, qualifies as a transaction described under Sections 355 and 368(a)(1)(D) of the Code, and the opinion of WilmerHale LLP represents the judgment of such counsel which is not binding on the IRS or any court. Accordingly, notwithstanding the IRS private letter ruling and the opinion of WilmerHale LLP, there can be no assurance that the IRS will not assert that the distribution and/or certain related transactions should be treated as a taxable transaction for U.S. federal income tax purposes or that a court would not sustain such a challenge.

If the distribution, together with certain related transactions, does not qualify as a tax-free transaction described under Sections 355 and 368(a)(1)(D) of the Code, for U.S. federal income tax purposes, in general, (i) Emergent would recognize taxable gain on the distribution equal to the amount by which the fair market value of the Aptevo common stock distributed to Emergent stockholders exceeds Emergent's tax basis in its shares of our common stock and (ii) each Emergent stockholder would be treated as receiving a taxable distribution in an amount equal to the fair market value of the Aptevo common stock received by such stockholder.

Under the tax matters agreement that we entered into with Emergent, we may be required to indemnify Emergent against any tax liabilities and related expenses resulting from the failure of the distribution, together with certain related transactions, to qualify as a transaction described under Sections 355 and 368(a)(1)(D) of the Code to the extent that the failure to so qualify is attributable to actions, events or transactions relating to our stock, assets or business, or a breach of the relevant representations or covenants made by us in the tax matters agreement or the IRS private letter ruling or in the representation letters provided to WilmerHale LLP.

Certain of our executive officers and/or directors may have actual or potential conflicts of interest because of their previous positions at Emergent.

The ownership by our executive officers and/or directors of shares of Emergent common stock, stock options or other equity awards may create, or may create the appearance of, conflicts of interest. Because of their current or former positions with Emergent, certain of our executive officers and/or directors own shares of Emergent common stock, stock options to purchase Emergent common stock or other equity awards. Shares of Emergent common stock, stock options to purchase Emergent common stock or other equity awards may comprise a significant portion of some of these individuals' total personal financial assets. Even though our executive officers and/or directors who were previously employees of Emergent have ceased to be employees of Emergent, some of our executive officers and/or directors continue to have a financial interest in Emergent common stock, which may create, or may create the appearance of, conflicts of interest when these individuals are faced with decisions that could have different implications for Emergent than the decisions have for us.

Risks Related to Our Common Stock

We cannot be certain that an active trading market for our common stock will be sustained and our stock price may fluctuate significantly.

An active trading market for our common stock may not sustained, nor can we predict the prices at which shares of our common stock may trade in the future.

Our stock price has fluctuated in the past and is likely to be volatile in the future. Since August 1, 2016, the reported sale price of our common stock has fluctuated between $1.19 and $3.33 per share. 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. The market price of our common stock may fluctuate significantly due to a number of factors, some of which may be beyond our control or unrelated to our operations, including, among others:

- changes in earnings estimated by securities analysts or management, or our ability to meet those estimates;
- investor perceptions or negative announcements by our customers, competitors or suppliers 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;
- public concern as to the safety of our products;
- termination or delay of a development program;
- the recruitment or departure of key personnel;
- actual or anticipated variations in our product revenue and results of operations;
- the operating and stock price performance of comparable companies;
- 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.

The restatement of our previously issued financial statements, the misstatements that resulted in such restatement, and the material weakness that has been identified in our internal control over financial reporting, could expose us to additional risks that could have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our common stock to decline.

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2016, and in Note 10 – Restatement, to the financial statements included in this Quarterly Report on Form 10-Q we restated our previously issued audited consolidated financial statements for the year ended December 31, 2015 and the unaudited financial information related to March 31, 2016 and June 30, 2016 and the three and nine months ended September 30, 2016. This restatement, along with the material weakness that were identified in our internal control over financial reporting, could expose us to potential claims and additional risks that could have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our common stock to decline. We have implemented actions with respect to our internal controls but to the extent these steps are not successful, we could be forced to incur additional time and expense or we may not be able to produce accurate and timely financial results. As a result of the restatement and the material weakness in our internal controls, we could be subject to stockholder, governmental, or other actions in connection with the restatement or related or other matters. Any such proceedings would, regardless of the outcome, consume a significant amount of management's time and attention and would result in additional legal, accounting and other costs. If we were not to prevail in any such proceedings, we could be required to pay substantial damages or settlement costs. In addition, the restatement and related matters could impair our reputation or could lead to a loss of investor confidence.

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

The announcement of data from clinical studies 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 studies 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 we have issued significant number of restricted stock units that will vest over time. From time to time, we may issue additional options or other stock-based awards to our employees under our employee benefits plans.

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

Fuad El-Hibri, the chairman of our Board of Directors, has significant influence over us through his substantial beneficial ownership of our common stock, including an ability to influence the election of the members of our Board of Directors, or delay or prevent a change of control of us.

Mr. El-Hibri has the ability to significantly influence the election of the members of our Board of Directors due to his substantial beneficial ownership of our common stock. As of September 30, 2017, Mr. El-Hibri was the beneficial owner of approximately 15% of our outstanding common stock. As a result, Mr. El-Hibri could delay or prevent a change of control of us that may be favored by other directors or stockholders and otherwise exercise substantial control over all corporate actions requiring board or stockholder approval, including any amendment of our certificate of incorporation or by-laws. The control by Mr. El-Hibri may prevent other stockholders from influencing significant corporate decisions. In addition, Mr. El-Hibri's significant beneficial ownership of our shares could present the potential for a conflict of interest.

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.

In addition, under the tax matters agreement, for a period of two years following the separation, we are restricted from taking certain actions (including restrictions on business combinations and share issuances) that could cause the distribution, together with certain related transactions, to fail to qualify as a tax-free transaction for U.S. federal income tax purposes. We would be required to indemnify Emergent for any taxes and related expenses resulting from the failure of the transactions to so qualify to the extent that the failure is attributable to actions, events or transactions relating our stock, assets or business, and this indemnity obligation might discourage, delay or prevent a change of control that you may consider favorable.

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.

Because we currently do not expect to pay dividends, investors will benefit from an investment in our common stock only if it appreciates in value.

We anticipate that we will retain all our future earnings, if any, to support our operations and our proprietary drug development programs and product candidates and pursue other opportunities. In addition, our credit facility limits our ability to pay dividends. As a result, we currently do not expect to pay dividends for the foreseeable future. Any future determination to pay dividends will be at the sole discretion of our Board of Directors and will depend upon our financial condition, results of operations, capital requirements, restrictions contained in future financing instruments and such other factors as our Board of Directors deems relevant. We cannot guarantee that we will pay any dividends in the future or continue to pay any dividend if we were to commence paying dividends. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for our stockholders for the foreseeable future.

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

If our stockholders sell a substantial number of shares of our common stock in the public market, our market price could decline. In addition, holders of an aggregate of approximately three million shares of our common stock have the right to require us to register these shares of common stock under the Securities Act of 1933, as amended, under specified circumstances.

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, dated as of August 31, 2017, by and among Aptevo BioTherapeutics LLC, Aptevo Therapeutics Inc., Venus Bio Therapeutics Sub LLC, and Saol International Limited.
3.1	Amended and Restated Certificate of Incorporation of Aptevo Therapeutics Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on August 2, 2016)
3.2	Amended and Restated Bylaws of Aptevo Therapeutics Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on August 2, 2016).
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Form 10, filed on June 29, 2016).
4.2	Registration Rights Agreement, dated as of August 1, 2016, by and among Aptevo Therapeutics Inc. and certain of its stockholders (incorporated by reference to Exhibit 4.0 to the Company's Current Report on Form 8-K, filed on August 2, 2016).
10.1	Amendment No. 2 to Credit and Security Agreement, dated as of September 28, 2017, by and among Aptevo Therapeutics Inc. and certain of its subsidiaries and Midcap Financial Trust (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 29, 2017).
10.2*†	Collaboration and Option Agreement, dated as of July 20, 2017, by and between Aptevo Research and Development LLC, and Alligator Bioscience AB.
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.

† Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

\# Schedules to the LLC Purchase Agreement, dated as of August 31, 2017, by and among Aptevo BioTherapeutics LLC, Aptevo Therapeutics Inc., Venus Bio Therapeutics Sub LLC, and Saol International Limited have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant will furnish copies of any such schedules to the Securities and Exchange Commission upon request.

SIGNATURES

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

APTEVO THERAPEUTICS INC.

Date: November 9, 2017

By: /s/ Marvin White

Marvin White
President and Chief Executive Officer

Date: November 9, 2017

By: /s/ Jeffrey G. Lamothe

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

Exhibit 2.1

LLC PURCHASE AGREEMENT

This LLC Purchase Agreement (the "**Agreement**") is made and entered into as of August 31, 2017, by and among: **Saol International Limited**, a Bermuda company ("**Purchaser**"), **Aptevo BioTherapeutics LLC**, a Delaware limited liability company ("**Seller**"), and **Aptevo Therapeutics Inc.**, a Delaware corporation ("**ATI**"), and **Venus BioTherapeutics Sub LLC**, a Delaware limited liability company (the "**Company**"). Seller and ATI are collectively referred to as the "**Seller Parties**". Certain capitalized terms used in this Agreement are defined in Exhibit A.

Recitals

A. Seller owns all of the issued and outstanding limited liability company interests of the Company (the "Membership Interests").

B. Pursuant to an Assignment and Assumption Agreement in substantially the form attached hereto as Exhibit B by and among ATI, Seller and the Company to be entered into prior to the Closing (as defined below) (the "**Assignment and Assumption Agreement**"), ATI and Seller will assign to the Company prior to the Closing all of the assets and liabilities used in or necessary for or related to the Business.

C. Purchaser desires to purchase from Seller, and Seller desires to sell to Purchaser, all of the Membership Interests, all upon the terms and conditions set forth in this Agreement.

D. This Agreement has been approved by the board of directors of Purchaser, by ATI as the sole member of Seller, and in turn by Seller as the sole member of the Company.

Agreement

The parties to this Agreement, intending to be legally bound, agree as follows:

Section 1. Description of Transaction

1.1 Purchase of Membership Interests. At the Closing (as defined below), upon the terms and subject to the conditions set forth herein, Seller shall cause to be sold, assigned, transferred, conveyed and delivered to Purchaser, and Purchaser will purchase and acquire from Seller, Seller's right, title and interest in and to all the Membership Interests for the consideration specified in Section 1.2 below.

1.2 Purchase Price.

(a) Upfront Purchase Price. At the Closing, Purchaser shall pay, or cause to be paid, the Closing Consideration in cash (by check or wire transfer of immediately available funds) to Seller.

(b) Milestone Payment. Purchaser shall pay the Milestone Payment to the extent payable in accordance with Section 1.5 below.

[***] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

(c) Escrow. At the Closing, Purchaser shall deposit, or cause to be deposited, the Escrow Amount with the Escrow Agent as the Escrow Fund. The Escrow Fund shall be maintained for the purposes of satisfying claims brought pursuant to Section 6 in accordance with the terms set forth in this Agreement and the Escrow Agreement.

1.3 Closing. The consummation of the Transactions (the "**Closing**") shall take place on a date and at a time to be mutually agreed upon by Purchaser and Seller, which date shall be no later than three business days after the satisfaction or waiver of the last of the conditions set forth in Section 5 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions). The date on which the Closing is held is herein referred to as the "**Closing Date**." The Closing will be held at the offices of Cooley LLP, Seattle, Washington, unless another place is agreed to in writing by the parties hereto.

1.4 Withholding. Purchaser shall be entitled to deduct and withhold from any consideration payable pursuant to this Agreement such amounts as Purchaser is required to deduct or withhold from such consideration under the Code or any provision of other applicable Tax law. To the extent that amounts are so deducted or withheld and properly paid over to the applicable Governmental Body, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

1.5 Milestone Payment.

(a) For the purposes of this Section 1.5, the following definitions shall apply:

"**Commercially Reasonable Efforts**" shall mean [***].

"**Milestone Gross Profit**" shall mean the Milestone Gross Profit calculated in accordance with the method set forth on Schedule 1.5(a), earned by Purchaser for the Products (including any deemed Products pursuant to Section 1.5(e)) during the Milestone Period.

"**Milestone Period**" shall mean the period commencing on the next month end following the second anniversary of the Closing Date and ending on the next month end following the third anniversary of the Closing Date.

"**Qualifying Gross Profit Threshold**" shall mean the Milestone Gross Profit set forth under the column titled "Qualifying Gross Profit Threshold" in Section 1.5(b).

(b) In the event that the Milestone Gross Profit exceeds the Qualifying Gross Profit Threshold, Purchaser shall make, or cause to be made, the payment set forth opposite such Qualifying Gross Profit Threshold (such amount, if any the "**Milestone Payment**"):

Qualifying Gross Profit Threshold	Milestone Payment
Milestone Gross Profit equal to or greater than $12,000,000 (but less than $13,000,000)	$5,000,000
Milestone Gross Profit equal to or greater than $13,000,000 (but less than $14,000,000)	$5,500,000
Milestone Gross Profit equal to or greater than $14,000,000 (but less than $15,000,000)	$6,000,000
Milestone Gross Profit equal to or greater than $15,000,000	$7,500,000

(c) In the event that the Milestone Gross Profit is less than $12,000,000, no Milestone Payment shall be due and payable to the Seller.

(d) The Milestone Payment, if earned, shall be made and paid to Seller or its designee within thirty (30) days of the end of the Milestone Period. Purchaser shall provide the Seller Parties with a written accounting that sets forth the manner in which the Milestone Gross Profit was calculated and the basis for the determination of whether or not the Milestone Payment was earned. Purchaser shall keep complete and accurate records in sufficient detail to enable the Seller to calculate and determine the Milestone Gross Profit earned. Seller Parties and their representatives shall have the right to conduct at their discretion, following the end of such thirty (30) day period, an audit of all records of Purchaser and the Company to determine whether or not the Milestone Payment was earned. Purchaser and the Company each shall afford its full cooperation to the Seller Parties. If the parties do not agree upon the results of the audit, either party may submit the matter for dispute resolution proceedings in accordance with Section 8.4 and Exhibit C hereof. Upon final resolution of the matter, Seller Parties shall bear and pay the costs of the audit, unless it is finally determined that a Milestone Payment was due and underpaid by Purchaser, in which event Purchaser shall also reimburse Seller Parties their reasonable costs of audit. Any unpaid Milestone Payment shall be paid promptly upon conclusion of the audit with interest accruing from the first day following the end of such sixty (60) day period in an amount equal to the lesser of the prime rate reported in the Wall Street Journal on such date, or the maximum rate permitted by applicable law.

(e) If any Purchaser or subsidiary or the Company [***].

(f) Purchaser agrees that at all times from the date of Closing through the end of the Milestone Period that it will [***].

(g) Until the end of the Milestone Period, Purchaser shall provide the Seller a written report [***] of the Milestone Gross Profit generated during such period (each, an "**Update Report**"). Within [***] business days after delivery of an Update Report, if the Seller requests in writing a meeting with representatives of Purchaser to discuss such report, Purchaser shall make available for such a meeting one or more representatives (as determined by the Purchaser); provided, however that prior to the commencement of the Milestone Period, Seller shall not request more than [***] such meeting in [***].

(h) Notwithstanding anything to the contrary in this Section 1.5, in the event that, prior to the end of the Milestone Period (i) Purchaser commences any proceeding in bankruptcy or for dissolution, liquidation, winding-up, or other relief under state or federal bankruptcy laws (a "**Bankruptcy Proceeding**"); (ii) a Bankruptcy Proceeding is commenced against Purchaser, or a receiver or trustee is appointed for Purchaser, and such proceeding or appointment is not dismissed or discharged within sixty (60) days after its commencement; (iii) Purchaser is unable to, or admits in writing its inability to, pay its debts when they become due; or (iv) Purchaser makes an assignment for the benefit of creditors, or petitions or applies to any tribunal for the appointment of a custodian, receiver or trustee for it, then with respect to each of the foregoing clauses, the maximum amount of the Milestone Payment shall become due and payable immediately upon the occurrence of any such event.

1.6 Working Capital Adjustment.

(a) The Company shall deliver to Purchaser an estimated balance sheet, including the Company's good faith estimate of (i) the amount of Cash as of the Closing, (ii) the amount of Indebtedness outstanding as of the Closing, (iii) the Current Assets as of the Closing, (iv) the Current Liabilities as of the Closing, and (v) a statement setting forth the determination of the resulting amount (the

"**Working Capital**"), no later than three business days prior to Closing. Such estimates shall be based on the Company's books and records and other information then available. To the extent the Working Capital at Closing exceeds $4,600,000, then the Acquisition Consideration shall be increased, dollar for dollar, by the amount of the excess. To the extent the Working Capital at Closing is less than $4,400,000, then the Acquisition Consideration shall be decreased, dollar for dollar, by the amount of the shortfall. For the avoidance of doubt, no adjustment to the Acquisition Consideration pursuant to this section shall be made if Working Capital at Closing is between $4,400,000 and $4,600,000, inclusive. For purposes of calculating Working Capital, invoices to [***] greater than 180 days past due shall be valued at zero; if any amounts due under such invoices are subsequently collected by Purchaser or the Company, the Acquisition Consideration shall be increased by [***] of the amounts collected, and such additional amount shall be paid to Seller within thirty (30) days of receipt by Purchaser or the Company.

(b) As soon as practicable following the Closing Date, but in no event later than ninety (90) days after the Closing Date, Purchaser shall prepare and deliver to Seller (i) a balance sheet of the Company as of the open of business on the Closing Date (the "**Closing Date Balance Sheet**") prepared in accordance with GAAP, consistently applied, in accordance with the Company's past practices, (ii) the calculation of the amount of Cash as of the Closing and the amount of Indebtedness outstanding as of the Closing, (iii) the determination of the Current Assets as of the Closing and the Current Liabilities as of the Closing, and (iv) a statement setting forth the determination of the Working Capital as of Closing (the "**Working Capital Statement**").

(c) Seller and the Representatives of Seller shall have the right to review all records, work papers and calculations related to the Closing Date Balance Sheet, determinations of Cash and Indebtedness, calculation of Current Assets and Current Liabilities and the Working Capital Statement. Seller shall have 30 days after delivery to Seller of the Working Capital Statement in which to notify Purchaser in writing (such notice, a "**Working Capital Dispute Notice**") of any discrepancy in, or disagreement with, the items reflected on the Working Capital Statement (and specifying the amount in dispute and setting forth in reasonable detail the basis for such discrepancy or disagreement), and upon agreement by Purchaser regarding the adjustment requested by Seller, an appropriate adjustment shall be made thereto. If Seller does not deliver a Working Capital Dispute Notice to Purchaser during such 30-day period, the Working Capital Statement shall be deemed to be accepted in the form delivered by Purchaser to Seller. If Purchaser and Seller do not agree, within 30 days after timely delivery of the Working Capital Dispute Notice, to resolve any discrepancy or disagreement therein, the discrepancy or disagreement shall be submitted for review and final determination by the Independent Accounting Firm. The review of the Independent Accounting Firm shall be limited to the discrepancies and disagreements set forth in the Working Capital Dispute Notice, and the resolution of such discrepancies and disagreements and the determination of the Acquisition Consideration by the Independent Accounting Firm shall be (i) in writing, (ii) made in accordance with GAAP, consistently applied, in accordance with the Company's past practices, (iii) with respect to any specific discrepancy or disagreement, no greater than the higher amount calculated by Purchaser or Seller, as the case may be, and no lower than the lower amount calculated by Purchaser or Seller, as the case may be, (iv) made as promptly as practical after the submission of such discrepancies and disagreements to the Independent Accounting Firm (and Purchaser and Seller shall direct the Independent Accounting Firm to make such determination no later than thirty (30) days after the date of submission), and (v) final and binding upon, and non-appealable by, the parties hereto and their respective successors and assigns for all purposes hereof, and not subject to collateral attack for any reason absent manifest error or fraud. All expenses and fees of the Independent Accounting Firm shall be borne one-half (1/2) by Purchaser, on the one hand, and one-half (1/2) from the Escrow Fund, on the other hand; *provided*, *however*, that if the Independent Accounting Firm determines that the final amount owed by Purchaser is greater than 110% (or the final amount owed to Purchaser is less than 90%, as the case may be) of the previously disputed amount that was proposed by Purchaser, then Purchaser shall bear 100% of the

expenses and fees of the Independent Accounting Firm; *provided further*, that if the Independent Accounting Firm determines that the final amount owed by Purchaser is less than 90% (or the final amount owed to Purchaser is greater than 110%, as the case may be) of the previously disputed amount that was proposed by Seller, then 100% of the expenses and fees of the Independent Accounting Firm shall be paid from the Escrow Fund.

(d) If the final Closing Consideration as finally determined pursuant to Section 1.5(c) exceeds the Closing Consideration paid pursuant to Section 1.2(a), then Purchaser shall promptly pay or cause to be paid, by wire transfer of immediately available funds, such excess amount to Seller. If the final Closing Consideration as finally determined pursuant to Section 1.5(c) is less than the Closing Consideration paid pursuant to Section 1.2(a), then Seller shall promptly instruct the Escrow Agent to pay to Purchaser out of the Escrow Fund an amount equal to such deficiency.

1.7 **Transfer Taxes**. All transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the other transactions contemplated by this Agreement (including any real property transfer Tax and any other similar Tax) shall be borne and paid by Purchaser when due. Purchaser shall, at its own expense, timely file any Tax Return or other document with respect to such Taxes or fees (and Seller shall cooperate with respect thereto as necessary).

1.8 **Allocation of Purchase Price**. The parties agree that the purchase of the Membership Interests pursuant to this Agreement will be treated for U.S. federal and applicable state income tax purposes as a purchase of the assets, and assumption of certain liabilities, of the Company. Within one-hundred-twenty (120) days after determination of the final Closing Consideration as finally determined pursuant to Section 1.5(c), Seller shall deliver to Purchaser a schedule allocating the Purchase Price (including any liabilities of the Company treated as consideration for the assets of the Company for U.S. federal income Tax purposes) (the "***Allocation Schedule***"). The Allocation Schedule shall be prepared in accordance with Section 1060 of the Code. The Allocation Schedule shall be deemed final unless Purchaser notifies Seller in writing Purchaser objects to one or more items reflected in the Allocation Schedule within thirty (30) days after delivery of the Allocation Schedule to Purchaser. In the event of any such objection, Seller and Purchaser shall negotiate in good faith to resolve such dispute; provided, however, that if Seller and Purchaser are unable to resolve any dispute with respect to the Allocation Schedule within thirty (30) days after the delivery of the Allocation Schedule to Purchaser, such dispute shall be resolved by the Independent Accounting Firm. The fees and expenses of the Independent Accounting Firm shall be borne equally by Seller and Purchaser. Seller and Purchaser agree to file their respective Internal Revenue Service Forms 8594 and all federal, state and local Tax Returns in accordance with the Allocation Schedule.

1.9 **Further Action**.

(a) If, at any time after the Closing, any further action is determined by Purchaser to be reasonably necessary to carry out the purposes of this Agreement, the officers and directors of Purchaser and the Company shall be fully authorized to take such action, and the Seller Parties agree to cooperate with Purchaser as Purchaser may reasonably request in connection therewith. Such further action shall include the assignment by the Seller Parties of the Registered IP to Purchaser or its Affiliates, as designated by Purchaser, and the execution and delivery of such documents as needed in evidencing such assignment of Registered IP.

(b) If, following the Closing, Purchaser or any of its Affiliates receives any payments from a third party to which Seller is entitled under the terms of this Agreement, Purchaser shall, and shall cause its Affiliates to, promptly remit such payments to Seller and in no event later than thirty (30) days following receipt of such payment.

(c) If, following the Closing, Seller or any of its Affiliates receives any payments from a third party to which Purchaser or the Company is entitled under the terms of this Agreement, Seller shall, and shall cause its Affiliates to, promptly remit such payments to Purchaser, the Company, or other entity nominated by Purchaser or the Company, and in no event later than thirty (30) days following receipt of such payment.

(d) If, following the Closing, either Purchaser or Seller becomes aware that any asset, right, or obligation intended to be transferred under this Agreement has not been transferred to Purchaser or the Company, or that any asset, right, or obligation not intended to be transferred under this Agreement has been transferred to Purchaser or the Company, such party shall promptly notify the other, and the parties shall, as soon as reasonably practicable, ensure that such property is transferred, at the expense of the party that is seeking the assets to be transferred to it and with any necessary prior third party consent or approval, to Purchaser or the Company, or back to Seller, as the case may be.

Section 2. Representations and Warranties of the Seller Parties

Each of the Seller Parties represents and warrants to Purchaser that, except as disclosed in the Disclosure Schedule or in any document referred to in the Disclosure Schedule, and assuming the consummation of the transactions contemplated by the Assignment and Assumption Agreement prior to the Closing:

2.1 Due Organization; Organizational Documents.

(a) The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has all necessary company power and authority to conduct its business in the manner in which its business is currently being conducted. The Company does not have any Subsidiaries or own equity interests in any corporation or other entity. The Company has made available copies of the organizational documents of the Company, including all amendments thereto.

(b) The Company is qualified to do business as a foreign entity under the laws of all jurisdictions where the nature of its business requires such qualification, except where the failure to be so qualified would not have a Company Material Adverse Effect.

2.2 Capitalization, Sufficiency, Etc.

(a) There are no outstanding equity securities of the Company, other than the Membership Interests, all of which are held of record by Seller. All of the outstanding limited liability company interests have been (i) duly authorized and validly issued, (ii) are free of any Encumbrances, and (iii) were not issued in violation of any preemptive rights or rights of first refusal created by statute, the organizational documents of the Company, or any agreement to which the Company is a party or by which it is bound.

(b) Except for the Membership Interests, there is no: (i) outstanding option, warrant or right to acquire from the Company any equity securities of the Company; or (ii) outstanding security of the Company that is convertible into any equity securities of the Company.

(c) At Closing the Company's assets, whether consisting of tangible assets or intangible assets to which it has good title (subject only to Permitted Encumbrances), and/or of valid and subsisting contract rights, are all of the assets used by the Seller Parties or the Company to conduct the Business in the ordinary course in substantially the manner conducted by the Seller Parties or the Company since August 1, 2016, including, without limitation, all notebooks, records, safety data, lab books, and similar historical documentation associated with the Products that have been in the possession or control of any Seller Party since August 1, 2016.

2.3 Financial Statements. The Company has made available to Purchaser (a) the unaudited balance sheets of the Seller as of December 31, 2016 and the related statements of income and statements of cash flows or the year ended December 31, 2016; and (b) the unaudited balance sheets of the Seller as of June 30, 2017 (the "**Seller Balance Sheets**") and the related unaudited statements of income and statements of cash flows for the six months ended June 30, 2017 (the "**Balance Sheet Date**") (collectively, the "**Seller Financial Statements**"). The Seller Financial Statements (a) fairly present in all material respects and in accordance with GAAP the financial condition of the Seller as of the dates indicated therein and the results of operations and cash flows of the Seller for the periods indicated therein, except that the unaudited Seller Financial Statements are subject to normal year-end audit adjustments and do not contain footnotes, and (b) contain sufficient detail to show the results of the Business separate from overall results of the Seller and ATI.

2.4 Absence of Changes. [***] each of Seller and the Company has conducted the Business in the ordinary course consistent with past practice and except for the transfer of assets and liabilities to the Company from Seller, there has not occurred (a) any event that has had a Company Material Adverse Effect; (b) any acquisition, sale or transfer of any material asset of Company other than in the ordinary course of business; or (c) any amendment to the Company's organizational documents.

2.5 Absence of Undisclosed Liabilities. The Company has no material obligations or liabilities of any nature (matured or unmatured, fixed or contingent) of the type required to be reflected in the liabilities column of a balance sheet prepared in accordance with GAAP other than: (a) those set forth or adequately provided for in the Company Balance Sheet; (b) those incurred in the ordinary course of business since the Balance Sheet Date; and (c) liabilities under or incurred in connection with this Agreement and the Transactions.

2.6 Tangible Personal Property and Inventory.

(a) The Company has good title to all of the material items of tangible personal property (other than Inventory) reflected on the Company Balance Sheet as owned by the Company, except for assets disposed of since the Balance Sheet Date in the ordinary course of business, and all tangible personal property owned by the Company is owned free and clear of all Encumbrances, except for: (a) liens that are listed on Part 2.6(a) of the Disclosure Schedule, none of which shall materially detract from the value, or materially interfere with the present use, of the Company's tangible personal property considered as a whole; and (b) liens for Taxes not yet due and payable or liens for Taxes being contested in good faith and for which adequate reserves have been made ((a) and (b) together, "**Permitted Encumbrances**"). The tangible personal property of the Company is in good repair and working order, except as would not, individually or in the aggregate, have a Company Material Adverse Effect.

(b) The Company has good title to all of the Inventory reflected on the Company Balance Sheet as owned by the Company, except for Inventory disposed of since the Balance Sheet Date in the ordinary course of business, and all Inventory owned by the Company is owned free and clear of all Encumbrances. All such Inventory complies with the relevant specifications therefor and has been manufactured, handled, maintained, packaged, and stored by Seller Parties and the Company, and to the Knowledge of Seller Parties and the Company after reasonable inquiry, by any third party manufacturer, at all times in accordance and compliance with all applicable Legal Requirements.

2.7 Real Property. The Company does not own any real property.

2.8 Intellectual Property.

(a) Registered IP. Part 2.8(a) of the Disclosure Schedule identifies each item of Registered IP in which the Company has an ownership interest of any nature (and where such ownership is not solely by the Company, describes the nature of any other Person's ownership interest in such Registered IP) including:

(i) all Patents included in such Registered IP, including a listing of the country of filing, owner, filing number, date of issue or filing, expiration date and title of such Patent;

(ii) all registered Trademarks and applications for registration of Trademarks included in such Registered IP, including a listing of the country of filing, description of goods or services, registration or application number and date of issue or registration;

(iii) all registered Copyrights and applications for registration of Copyrights included in such Registered IP used by the Company, including a listing of the country of filing, owner, filing number, date of issue or registration and expiration date; and

(iv) all filings required to be made with any Governmental Body as of the Closing Date with respect to each item of Registered IP in order to maintain or renew the Registered IP, and copies of all such filings have been made available to Purchaser.

(b) Inbound Licenses and Rights. Part 2.8(b) of the Disclosure Schedule identifies (i) each Contract pursuant to which any Intellectual Property is or has been licensed, sold, assigned or otherwise conveyed or provided to the Company or pursuant to which the Company has otherwise received or acquired any right in Intellectual Property, whether or not currently exercisable and including a right to receive a license (other than: (A) agreements between the Company and its employees in the Company's standard form thereof; and (B) non-exclusive "off the shelf" licenses to third-party Computer Software); and (ii) whether the licenses or rights granted to the Company in each such Contract are exclusive or non-exclusive (collectively, the "**Company Licensed IP**").

(c) Outbound Licenses. Part 2.8(c) of the Disclosure Schedule accurately identifies each Contract pursuant to which any Person has been granted by, or on behalf of, the Company or the Seller Parties, any license under, or otherwise has received or acquired any right (whether or not currently exercisable and including a right to receive a license) or interest in, any Company IP (other than any Contract with (i) independent contractors performing work for the Company in the ordinary course of business and which does not grant any continuing rights to such contractor to any Company IP, and (ii) any customer of the Company that does not differ in any material respect from the Company's standard form of customer agreement that has been made available to Purchaser). The Company is not bound by any

Contract containing any covenant or other provision that limits or restricts in any material manner the ability of the Company to use, exploit, assert or enforce any Company IP anywhere in the world, other than as expressly provided in the provisions of a Contract listed in Part 2.8(b) or Part 2.8(c) of the Disclosure Schedule.

(d) Standard Form Company IP Contracts. The Company has made available to Purchaser a complete and accurate copy of each standard form of Company IP Contract used by the Company, including, if applicable, each standard form of: (i) confidentiality or nondisclosure agreement; (ii) employee agreement or consulting or independent contractor agreement; (iii) master service agreement. Part 2.8(d) of the Disclosure Schedule accurately identifies all Company IP Contracts (including all development agreements, employee agreements, consulting or independent contractor agreements, clinical trial agreements, material transfer agreements, master service agreements and research agreements) that provide rights and protections in favor of the Company that are substantially different to the Company's standard form agreement (other than, in the case of confidentiality agreements, the duration of the confidentiality obligations thereunder).

(e) Ownership. The Company is the owner of all right, title and interest to and in the Company IP (other than Intellectual Property licensed to the Company, pursuant to Contracts identified in Part 2.8(b) of the Disclosure Schedule and other than Registered IP listed in Part 2.8(a) of the Disclosure Schedule which is co-owned by any other Person, provided that such ownership has been described in Part 2.8(a) of the Disclosure Schedule), free and clear of any Encumbrances (other than licenses and other rights granted pursuant to the Contracts listed in Part 2.8(c) of the Disclosure Schedule). The Company has a valid license to all of the Company Licensed IP pursuant to the Contracts identified on Part 2.8(b) of the Disclosure Schedule. Seller Parties and the Company have not received any written notice with respect to the Business of any breach by any party to any such Contract, nor to their knowledge does there exist any breach thereof or any circumstance that, with the lapse of time or giving of notice, or both, would reasonably constitute a breach thereof.

(f) Valid and Enforceable. Neither the Company nor any of the Seller Parties has received any written claims alleging that any of the Company IP or any of the Company Licensed IP is not valid, subsisting, and enforceable.

(g) Protection of Confidentiality. The Seller Parties and the Company have used reasonable efforts to prevent disclosure of their confidential information with respect to the Business.

(h) No Third-Party Infringement of Company IP. To the Knowledge of the Seller Parties and the Company, no Person has infringed, misappropriated or otherwise violated, and no Person is currently infringing, misappropriating or otherwise violating, any Company IP.

(i) No Infringement of Third-Party IP. Neither Seller Party nor the Company has received any written notice from any Person alleging that either the Company or any of the Seller Parties is infringing or misappropriating or otherwise violating any Intellectual Property of such Person.

(j) Privacy and Data Protection. With respect to the Business, each of the Seller Parties and the Company has implemented reasonable disclosures, policies and procedures with respect to the collection, use, disclosure, and storage of personally identifiable information that comply in all material respects with applicable Legal Requirements. With respect to the Business, neither of the Seller Parties nor the Company is a party to or the subject of any pending Proceeding that alleges that it has violated any such Legal Requirements. With respect to the Business, neither Seller Party nor the Company has Knowledge of any information security breach of its systems that would require it (under applicable statutes or regulations) to notify any individuals.

(k) Effects on the Transactions. Neither the execution, delivery or performance of this Agreement or of any other agreements executed in connection with the Transactions will, with or without notice or lapse of time, result in, or give any other Person the right or option to cause or declare: (i) a loss of, or Encumbrance on, any Company IP or Company Licensed IP; (ii) a breach of, default under or termination of any Company IP Contract; (iii) the release, disclosure or delivery of any Company IP or Company Licensed IP by or to any escrow agent or other Person; (iv) the grant, assignment or transfer to any other Person of any license or other right or interest under, to or in any of the Company IP or Company Licensed IP; (v) by the terms of any Company Contract, a reduction of any royalties or other payments the Company would otherwise be entitled to with respect to any Company IP; or (vi) by the terms of any Company Contract, an increase in any royalty or other payments the Company would otherwise be required to make under such Company Contract.

(l) Adequacy of Intellectual Property. The Company IP and the Intellectual Property licensed to the Company, collectively, constitutes all Intellectual Property used by Seller Parties or the Company in the current conduct of the Business.

2.9 Contracts.

(a) Part 2.9 of the Disclosure Schedule identifies each Company Significant Contract (as defined below) that is in effect as of the date of this Agreement. For purposes of this Agreement, "**Company Significant Contract**" shall mean a legally binding, executory contract to which the Company is a party: (i) under which future expenditures required to be made by the Company in the current fiscal year or any future twelve (12) month period exceed $[***]; (ii) pursuant to which the Company has licensed from any third party any patent, trademark registration, service mark registration, trade name or copyright registration, other than any nonexclusive license that is available to the public generally; (iii) granting exclusive rights to any third party to any patents, trademark registrations, service mark registrations, trade names or copyright registrations owned by the Company; (iv) evidencing Indebtedness of $[***] or more; (v) creating any partnership or joint venture between the Company and any third party or providing for any sharing of profits or losses by the Company with any third party; (vi) any agreements for the distribution of the Company's products; (vii) containing covenants limiting the freedom of the Company to compete in any line of business or with any third party; (viii) that is a managed care or group purchasing organization contract; or (ix) that constitutes a lease agreement under which future expenditures required to be made by the Company in the current fiscal year or any future twelve (12) month period exceed $[***]. The Company has made available to Purchaser or Purchaser's legal or financial advisor a correct and complete copy of each Company Significant Contract.

(b) Each Company Significant Contract is in full force and effect and constitutes a legal, valid and binding agreement of the Company in accordance with its terms. Seller Parties and the Company have no notice of any breach by any party to any such Contract, nor to their knowledge does there exist any breach thereof or any circumstance that, with the lapse of time or giving of notice, or both, would constitute a breach thereof. To the knowledge of Seller Parties and the Company, no party is

in material breach or in material default under any Company Significant Contract. In each instance where a Company Significant Contract requires the consent of a Third Party for the transfer of such Company Significant Contract to the Company, such Company Significant Contract is listed in Part 2.9(b) of the Disclosure Schedule, and all such consents shall be obtained prior to Closing.

(c) To the Knowledge of the Seller Parties and the Company after reasonable diligent investigation, the counterparties to all Company Significant Contracts dealing with supply of Products have fully and timely performed their supply obligations thereunder, and there are no circumstances existing or reasonably anticipated that could lead to a supply delay or disruption under any such Company Significant Contract.

2.10 Compliance with Laws. The Company is in compliance with all applicable Legal Requirements with which compliance is necessary for the operation of the business of the Company as currently conducted, except for where the failure to be compliance would not have a Company Material Adverse Effect. Neither Company nor any Seller Party has received any notice of noncompliance from any Governmental Body with respect thereto.

2.11 Permits. The Company holds all material permits, approvals, licenses and registrations from U.S. federal, state and local as well as foreign governmental authorities that are necessary for the conduct of the Business. All such permits, approvals, licenses and registrations are listed in Part 2.11 of the Disclosure Schedule, are valid and in full force and effect, and copies of the same have been provided to Purchaser.

2.12 Tax Matters.

(a) Each of the income and other material Tax Returns required to be filed by the Seller Parties or the Company with any Governmental Body on or before the Closing Date: (i) has been filed on or before the applicable due date (including any extensions of such due date); and (ii) has been prepared in all material respects in compliance with applicable Legal Requirements. All amounts shown on the Tax Returns to be due have been paid, except to the extent such amounts are properly reserved for on the books or records of the respective Seller Party or the Company. All Taxes that the Seller or the Company have been required to collect or withhold have been duly collected or withheld and paid over to the proper governmental tax authority.

(b) Neither Seller Party nor the Company has received from any Governmental Body any notice regarding any contemplated or pending audit, examination or other administrative or court proceeding involving Taxes imposed with respect to the Business.

(c) No waiver or agreement by either Seller Party or the Company is in force for the extension of time for the payment, collection or assessment of any Taxes with respect to the Business beyond the date hereof.

(d) Neither Seller Party nor the Company has received from any Governmental Body in a jurisdiction where a Seller Party has not filed any Tax Return with respect to the Business any written claim that either Seller Party or the Company is subject to taxation with respect to the Business by that jurisdiction. Neither Seller Party nor the Company has been notified in writing by any Governmental Body regarding any proposed, asserted or assessed deficiency for any Tax imposed on such Seller Party or the Company which was not settled or paid.

(e) There are no liens for Taxes on any asset of the Company, other than liens for Taxes not yet due and payable for which adequate reserves are maintained on the books of the Company.

(f) Neither Seller nor the Company is a party to any agreement with any third party relating to allocating or sharing the payment of, or liability for, Taxes (other than customary indemnification or reimbursement provisions in loans, leases or other commercial agreements entered into in the ordinary course of business, the primary purpose of which is not related to Taxes). Neither Seller nor the Company has any liability for the Taxes of any third party as a transferee or successor.

(g) The Company has not been a member of an affiliated group of corporations within the meaning of Section 1504 of the Code.

(h) The Company has been treated as a disregarded entity for U.S. federal income tax purposes since its formation.

(i) This Section 2.12 constitutes the exclusive representations and warranties of the Seller Parties with respect to Taxes and any claim for breach of representation with respect to Taxes shall be based on the representations made in this Section 2.12 and shall not be based on the representations set forth in any other provision of this Agreement. No representation or warranty contained in Section 2.12 shall be deemed to apply directly or indirectly with respect to any taxable period (or portion thereof) ending after the Closing Date. Notwithstanding anything to the contrary in this Section 2.12, the Seller Parties make no representation as to the amount of, or limitations on, any net operating losses, Tax credits or other Tax attributes that they or the Company may have.

2.13 Employee and Labor Matters; Benefit Plans.

(a) The Company does not have and has never had any employees. The Company's relationships with all individuals who act on their own as contractors or other service providers to Company can be terminated at any time for any reason without any amounts being owed to such individual other than with respect to compensation or payments accrued before the termination.

(b) The Seller Parties have made available to Purchaser or Purchaser's legal or financial advisor copies of all employee manuals, handbooks and material policy statements relating to the employment of the current employees of the Seller Parties engaged in the operation of the Business in effect as of the date of this Agreement.

(c) The Seller Parties are not delinquent in any payments to any of their employees engaged in the operation of the Business for any wages, salaries, commissions, bonuses or other direct compensation for any services performed for the Seller Parties. The Seller Parties do not have any plan or program requiring the payment of severance compensation in connection with the termination of employment of their employees. There are no material grievances, complaints or charges pending against the Seller Parties under any dispute resolution procedure. With respect to the Business, there are no collective bargaining agreements to which either Seller Party or the Company is a party in effect, that have been in effect within the past one (1) year, or that are currently being negotiated by any of the Seller Parties or the Company, and to the Seller Parties' and the Company's Knowledge no effort to seek collective bargaining on behalf of any Seller Party or Company employees is ongoing or has been attempted within the past one (1) year.

(d) All material employee benefit plans currently maintained by the Seller Parties for their respective employees in connection with the operation of the Business are listed in

Part 2.13(d) of the Disclosure Schedule (the "**Employee Benefit Plans**"). Each Employee Benefit Plan has been established and administered in all material respects in accordance with its terms and the applicable provisions of ERISA, the Code and other Applicable Law. Except as set forth in Part 2.13(d) of the Disclosure Schedule:

(i) copies of all Employee Benefit Plans have been made available to Purchaser or Purchaser's legal or financial advisor;

(ii) With respect to the Business, Seller Parties and the Company have received no notice, and to the Knowledge of the Seller Parties and the Company, no Employee Benefit Plan, and no trustee or administrator thereof, engaged in any material breach of fiduciary responsibility or any "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) to which Section 406 of ERISA or Section 4975 of the Code applies and which could subject such Employee Benefit Plan or trustee or administrator thereof to a material Tax or penalty on prohibited transactions imposed by Section 4975 of the Code;

(iii) no Employee Benefit Plan is or has within the last six (6) years been subject to the minimum funding requirements of Section 412 of the Code or Title IV of ERISA;

(iv) each Employee Benefit Plan intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS that such Employee Benefit Plan is a "qualified plan" under Section 401(a) of the Code, and the related trusts are exempt from Tax under Section 501(a) of the Code;

(v) with respect to each Employee Benefit Plan, all required contributions have been made or properly accrued on the financial statements of the applicable Seller Party or the Company; and

(vi) neither of the Seller Parties nor the Company has any liability under any Employee Benefit Plan to provide medical or death benefits with respect to employees of the Seller Party beyond their termination of employment (other than coverage mandated by law or regulation), and there are no reserve assets, surplus or prepaid premiums under any such Employee Benefit Plan.

(e) Neither of the Seller Parties nor the Company has any obligation to contribute to any "multiemployer plan" within the meaning of Section 3(37) of ERISA.

2.14 Regulatory Matters.

(a) The Company has obtained all clearances, authorizations, licenses and registrations required by any foreign or domestic Governmental Body to permit the conduct of its Business (the "**Regulatory Licenses**"), each of which is listed on Part 2.14(a) of the Disclosure Schedule.

(b) To the Seller Parties' and the Company's Knowledge, all pre-clinical and clinical investigations conducted by or on behalf of the Seller Parties or the Company with respect to each Product have been, and are being, conducted in compliance with all applicable Legal Requirements, including those with respect to good laboratory practices, investigational new drug requirements, good clinical practice requirements (including informed consent and institutional review boards designed to ensure the protection of the rights and welfare of human subjects), and federal and state laws restricting the use and disclosure of protected health information, including but not limited to the Health Information

Portability and Accountability Act ("**HIPAA**"), and regulations related to HIPAA, except for noncompliance which individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect.

(c) To the Seller Parties' and the Company's Knowledge, each Product has been developed, labeled, stored, tested and distributed in compliance with all applicable requirements under the Federal Food Drug and Cosmetic Act 21 U.S.C. §§301 et. seq., its implementing regulations, and all similar Legal Requirements, including those relating to investigational use, premarket clearance and applications to market a new product.

(d) To the Seller Parties' and Company's Knowledge, with respect to each Product **(i)** all manufacturing operations conducted by or for the benefit of the Seller Parties or the Company have been and are being conducted in compliance with the FDA's current Good Manufacturing Practice regulations for drug products, including 21 C.F.R. Parts 210 and 211, applicable requirements for biologic products (21 CFR 600-640), WHO Annex recommendations, and all similar Legal Requirements, except for noncompliance which, individually or in the aggregate, would not have, or be reasonably likely to have, a Company Material Adverse Effect; and **(ii)** each Seller Party and the Company is in compliance with all registration and listing requirements set forth in 21 U.S.C. §360 and 21 C.F.R. Part 207, and all similar Legal Requirements, except for noncompliance which individually or in the aggregate would not reasonably be expected to have a Company Material Adverse Effect.

(e) Since the date of acquisition of each Product (or rights thereto) by the Seller Parties, and except as set forth in Part 2.14 of the Disclosure Schedule, **(i)** no Product has been recalled, suspended or discontinued as a result of any action by the FDA or any other foreign Governmental Body, by any Seller Party or the Company or by any licensee, distributor or marketer of such Product and **(ii)** the Seller Parties and the Company have maintained global post-marketing pharmacovigilance programs and procedures specifically designed to comprehensively monitor, collect and timely report any adverse events related to any of the Products.

(f) To the Seller Parties' or Company's Knowledge, there are no facts, circumstances, or conditions that would be sufficient, either presently, or solely with the passage of time in the ordinary course of business, to provide a reasonable basis for a recall, suspension, or discontinuance of any Product.

(g) Neither of the Seller Parties nor the Company has (i) made an untrue statement of a material fact or fraudulent statement to the FDA or any Governmental Body, (ii) failed to disclose a material fact required to be disclosed to the FDA, (iii) committed any other act, made any statement or failed to make any statement, that (in any such case) establishes a reasonable basis for the FDA to invoke its Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities Final Policy. Neither Seller Party is the subject of any pending or, to the Seller Parties' or the Company's Knowledge, threatened investigation by the FDA pursuant to its Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities Final Policy.

(h) Except as would not individually or in the aggregate reasonably be expected to have a Company Material Adverse Effect, the Seller Parties and the Company are each in compliance in all material respects with all Legal Requirements applicable to the operation of the Business, including (i) any and all federal, state and local fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute (42 U.S.C. §1320a-7(b)), the civil False Claims Act (31 U.S.C. §3729 et seq.) and the regulations promulgated pursuant to such statutes; (ii) the Clinical Laboratory Improvement Amendments of 1988; and (iii) requirements of law relating to the billing or submission of

claims, collection of accounts receivable, underwriting the cost of, or provision of management or administrative services in connection with, any and all of the foregoing, by the Seller Parties or the Company.

2.15 Environmental Matters. Since August 1, 2016, neither of the Seller nor the Company has received any written notice from any Governmental Body or any written notice from any citizens group that alleges that a Seller Party is not in compliance with any environmental law. To the Knowledge of the Seller Parties and the Company after reasonable investigation: (a) all real property owned or leased by the Company and all surface water, groundwater and soil associated with or adjacent to such property, is free of any chemicals, pollutants, contaminants, wastes, toxic substances or material environmental contamination of any nature; (b) none of the real property owned or leased by the Seller Parties or the Company contains any underground storage tanks, asbestos, equipment using PCBs or underground injection wells; and (c) none of the real property owned or leased by the Seller Parties or the Company contains any septic tanks in which process wastewater or any chemicals, pollutants, contaminants, wastes or toxic substance have been released.

2.16 Indebtedness with Affiliates. The Company is not indebted to any director, officer or employee of either Seller Party (except for amounts due as salaries and bonuses, or other amounts due under Employee Benefit Plans as such amounts are set forth in Part 2.13(d) of the Disclosure Schedule, and amounts payable in reimbursement of expenses incurred in the ordinary course of business), and no such director, officer or employee is indebted to the Company.

2.17 Legal Proceedings. As of the date of this Agreement, there is no, and at no time since August 1, 2016, there has not been any Proceeding pending (or, to the Company's Knowledge, threatened in writing) against the Company or the directors, officers or employees of either Seller Party (in their capacities as such).

2.18 Authority; Binding Nature of Agreement; Non-Contravention.

(a) Each of the Seller Parties and the Company has the requisite corporate power and authority to enter into this Agreement and the Escrow Agreement and to carry out the Transactions and the Escrow Agreement. The execution and delivery by the Seller Parties and the Company of this Agreement and the Escrow Agreement have been duly authorized by all necessary corporate action on the part of the Seller Parties and the Company. Assuming it constitutes the valid and binding obligation of the other parties hereto and thereto, this Agreement constitutes, and the Escrow Agreement, when executed, will constitute, the valid and binding obligation of Seller Parties and the Company, enforceable against each Seller Party and the Company in accordance with its terms, subject to: (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors; and (ii) rules of equity governing specific performance, injunctive relief and other equitable remedies.

(b) Neither (i) the execution and delivery of this Agreement by Seller Parties or the Company, nor (ii) the consummation by Seller Parties and the Company of the Transactions, will result in a termination, or a violation by Seller Parties or the Company, of (A) any provision of the certificate of incorporation or bylaws of the Seller Parties or the Company or (B) any material provision of any material Contract of either Seller Party or the Company, or (C) any law or governmental regulation applicable to either Seller Party or the Company, except in each case where such termination or violation would not have a material adverse effect on such Seller Party or a Company Material Adverse Effect.

2.19 **Insurance**. Part 2.19 of the Disclosure Schedule lists each insurance policy maintained by the Seller Parties or the Company with respect to the Business. All such policies are in full force and effect and shall remain in full force and effect as of the Closing Date. Neither any Seller Party nor the Company is in default with respect to its obligations under any such policy, and neither any Seller Party nor the Company has received any notice of cancellation or non-renewal thereof.

2.20 **Financial Advisor**. Except for Piper Jaffray & Co. (for services on behalf of Seller and whose fees are the sole responsibility of Seller and/or ATI), no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of either Seller Party or the Company.

2.21 **Exclusivity of Representations and Warranties**. Except as expressly set forth in this Section 2, neither Seller Party nor the Company, nor any Person on behalf of either Seller Party or the Company has made, nor are any of them making, any representation or warranty, written or oral, express or implied, at law or in equity, including with respect to merchantability or fitness for any particular purpose, in respect of the Company or the Company's Business, including any representations or warranties about the accuracy or completeness of any information or documents previously provided, and any other such representations and warranties are hereby expressly disclaimed.

Section 3. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrant to Seller Parties as follows:

3.1 **Due Incorporation**. Purchaser is a company duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation.

3.2 **Authority; Binding Nature of Agreement**. Purchaser has the requisite corporate power and authority to enter into this Agreement and the Escrow Agreement and to carry out the Transactions and the transactions contemplated by the Escrow Agreement. The execution and delivery by Purchaser of this Agreement and the Escrow Agreement have been duly authorized by all necessary corporate action on the part of Purchaser. Assuming it constitutes the valid and binding obligation of the other parties hereto and thereto, this Agreement constitutes, and the Escrow Agreement, when executed, will constitute, the valid and binding obligation of Purchaser, enforceable in accordance with its terms, subject to: (a) laws of general application relating to bankruptcy, insolvency and the relief of debtors; and (b) rules of law governing specific performance, injunctive relief and other equitable remedies. Neither the execution and delivery of this Agreement and the Escrow Agreement by Purchaser nor the consummation of the Transactions, will result in a violation by Purchaser of (i) any provision of the certificate of incorporation or bylaws of Purchaser, (ii) any material provision of any material contract by which Purchaser is bound, or (iii) any Legal Requirement applicable to Purchaser, except where such violation would not have a material adverse effect on Purchaser's ability to fulfill its obligations under this Agreement.

3.3 **Adequacy of Funds**. Purchaser will have available to it, at the Closing, sufficient funds to consummate the Transactions, including payment in full of the Acquisition Consideration and anticipates that it would have, at the time of payment of any Milestone Payment that may become due, sufficient funds to pay the applicable Milestone Payment.

3.4 **Reliance.** Purchaser expressly acknowledges and agrees that, except as set forth in Section 2 of this Agreement, neither Purchaser or any of its Representatives is relying on any other

representation or warranty of Seller Parties or any other Person, including regarding the accuracy or completeness of any such other representations or warranties or the omission of any material information, whether express or implied.

Section 4. COVENANTS AND AGREEMENTS.

4.1 Conduct of the Business of the Company. Except as permitted or contemplated by this Agreement, as set forth on Schedule 4.1 or as required by applicable Legal Requirements, during the period from the date of this Agreement until the earlier of the Closing and the termination of this Agreement (the "**Pre-Closing Period**"), without Purchaser's prior consent (which consent shall not be unreasonably withheld, conditioned or delayed), the Company shall conduct its Business in the ordinary course consistent with past practice, in a commercially reasonable manner so as to attempt to preserve supplier, contractor, employee, and customer relationships and the value of the Business as a going concern. Without limiting the generality of the foregoing, as permitted or contemplated by this Agreement, as set forth on Schedule 4.1 or as required by applicable Legal Requirements, during the Pre-Closing Period, the Company shall not, without Purchaser's prior consent (which consent shall not be unreasonably withheld, conditioned or delayed):

(a) issue, sell or deliver any equity securities or securities convertible into, or rights, warrants or options to acquire any equity securities;

(b) incur any Indebtedness;

(c) except in the ordinary course of business consistent with past practice, sell, transfer, lease, license, mortgage or encumber any of its properties or assets that are material to the Company's Business;

(d) make any capital expenditures, except in the ordinary course of business consistent with past practice and in an amount not in excess of $[***] in the aggregate for the Company during [***];

(e) make any acquisition (by purchase of securities or assets, merger, consolidation or otherwise) of any other Person, business or division;

(f) make any investment in, or loan or advance (other than advances to its employees in the ordinary course of business consistent with past practice) to, any Person other than in the ordinary course of business consistent with past practice;

(g) increase in any material manner the compensation of any of its directors, officers or employees or enter into, establish, amend or terminate any employment, consulting, collective bargaining, bonus or other incentive compensation, health or other welfare, pension, retirement, severance, deferred compensation or other compensation or benefit plan with, for or in respect of any director, officer or other employee or consultant, other than: (i) as required pursuant to applicable Legal Requirements or the terms of any Employee Benefit Plan or other agreements in effect as of the date of this Agreement; or (ii) increases in salaries, wages and benefits of employees or directors made in the ordinary course of business consistent with past practice;

(h) make or change any material election concerning Taxes or Tax Returns (other than elections made in the ordinary course of business);

(i) amend the Company's organizational documents;

(j) adopt a plan or agreement of complete or partial liquidation, dissolution, restructuring, recapitalization, merger, consolidation or other reorganization;

(k) enter into any Contract, purchase order, or similar commitment with a total value of more than $[***] other than inventory purchases for Products made in the ordinary course, the pending purchase orders for which are listed on Part 4.1(k) of the Disclosure Schedule; or

(l) agree, in writing or otherwise, to take any of the actions described in clauses (a) through (k) of this sentence.

4.2 Access to Information. During the Pre-Closing Period, the Seller Parties and the Company shall afford Purchaser and its personnel, accountants, counsel and other Representatives, subject to applicable Legal Requirements, reasonable access during normal business hours and on reasonable advance notice to the properties, books and records and all other existing information concerning the business, properties and personnel of the Seller Parties and the Company as Purchaser may reasonably request; *provided*, *however*, that in exercising access rights under this Section 4.2, Purchaser shall not be permitted to interfere unreasonably with the conduct of the Business of the Company. Purchaser shall hold information received pursuant to this Section 4.2 in confidence in accordance with the terms of the Confidentiality Agreement.

4.3 Public Disclosure. Except any filings required pursuant to the Securities Exchange Act of 1934, as amended, or as otherwise required by applicable Legal Requirements, during the Pre-Closing Period, no public release or announcement concerning the Transactions shall be issued by Purchaser or Seller without the written consent of the other.

4.4 Regulatory Compliance. Seller and Purchaser shall, to the extent required by any applicable Legal Requirement and, if so required, in no event later than five business days following the execution and delivery of this Agreement by the parties hereto, file or cause their respective ultimate parents to file, with the FTC and the DOJ the notification and report form required for the Transactions and any supplemental information requested in connection therewith pursuant to the HSR Act. Any such notification and report form and supplemental information shall be in substantial compliance with the requirements of the HSR Act. Seller and Purchaser shall furnish to the other such necessary information and reasonable assistance as the other may request in connection with its preparation of any filing or submission which is necessary under the HSR Act. Seller and Purchaser shall keep each other apprised of the status of any communications with, and any inquiries or requests for additional information from, the FTC and the DOJ and shall comply promptly with any such inquiry or request. Seller and Purchaser shall use their commercially reasonable efforts to obtain any clearance required under the HSR Act for the Transactions. Purchaser shall be solely responsible for any filing fees payable by Purchaser, Seller or the Company under the HSR Act.

4.5 No Negotiation. During the Pre-Closing Period, Seller Parties and the Company shall not, directly or indirectly:

(a) solicit or knowingly encourage the initiation of any inquiry, proposal or offer from any Person (other than Purchaser) relating to a possible Acquisition Transaction;

(b) participate in any discussions or negotiations or enter into any agreement with, or provide any non-public information to, any Person (other than Purchaser) relating to or in connection with a possible Acquisition Transaction; or

(c) entertain or accept any proposal or offer from any Person (other than Purchaser) relating to a possible Acquisition Transaction;

Seller Parties and the Company shall promptly notify Purchaser in writing of any material inquiry, proposal or offer relating to a possible Acquisition Transaction that is received by the Company during the Pre-Closing Period.

4.6 Efforts to Consummate. Each of Purchaser and Seller Parties and the Company shall use its commercially reasonable efforts to take, or cause to be taken, all lawful and reasonable actions within such party's control and to do, or cause to be done, all lawful and reasonable things within such party's control necessary to fulfill the conditions precedent to the obligations of the other party(ies) hereunder and to consummate and make effective as promptly as practicable the Transactions and to cooperate with each other in connection with the foregoing. Each Party shall, at any time or from time to time after the Closing, execute and deliver to the others all such instruments and documents or further assurances as the others may reasonably request in order to grant to each Party all rights contemplated herein to be granted to such Party under this Agreement and the related agreements referenced herein; *provided*, *however*, that after the Closing, apart from such customary further assurances, no Party shall have any other obligations except as specifically set forth and described herein or in the related agreements. To the extent that the approval, consent, or waiver of a Third Party is required in connection with the transfer of any Company Significant Contract to the Company as contemplated by the Transactions and such approval, consent, or waiver has not been obtained prior to the Closing, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful. If any such approval, consent, or waiver shall not have been obtained prior to the Closing, and Purchaser, in its sole discretion, shall have agreed to proceed with the Closing notwithstanding Seller Parties' inability to provide such approval, consent, or waiver prior to Closing, Seller Parties shall for a period of up to twelve (12) months after the Closing, (a) use their respective commercially reasonable best efforts to assist and cooperate with Purchaser and the Company in order to obtain all necessary approvals, consents, and waivers to the assignment and transfer thereof; and (b) until any such approval, consent, or waiver is obtained, use their respective commercially reasonable best efforts to provide to the Company substantially comparable benefits thereof and enforce, at the request of and for the account of the Company, any rights of Seller Parties arising under any such Company Significant Contract against any Third Party. To the extent that the Company is provided with benefits of any such Company Significant Contract, the Company shall perform the obligations of Seller Parties thereunder.

4.7 Restrictive Covenants.

(a) Non-Competition. During a period of five (5) years from the Closing Date (the "**Non-Compete Period**"), each of the Seller Parties shall not, directly or indirectly through any other Person (whether as an officer, director, employee, partner, consultant, holder of equity or debt investment, lender, principal, independent contractor, stockholder, licensor, or in any other manner or capacity, alone or in association with any other Person), develop, manufacture, distribute, sell, or seek approval of (or solicit, encourage, assist or otherwise facilitate any of his or its subsidiaries, divisions, partners, licensors, licensees, or any third party to develop, manufacture, distribute, sell, or seek approval of) any Competitive Products. Nothing contained herein will prohibit a Seller Party from being a passive owner of not more than one percent (1%) of the outstanding shares of capital stock of any entity that is

publicly traded, so long as the Seller Party has no active participation or involvement in the management of the business of such entity.

(b) Non-Solicitation. During a period of twenty-four (24) months following the Closing Date, no Seller Party shall (i) solicit, induce, recruit, or encourage any individuals who were employees of or independent contractors to Purchaser or its Affiliates as of the Closing Date to terminate their relationship with Purchaser or its Affiliates or hire any such individuals who are employees, consultants, or independent contractors, (ii) intentionally interfere with, subvert, disrupt or adversely alter the relationship between Purchaser and its Affiliates and any of their respective clients, customers, contractors, vendors, suppliers, licensors, or licensees, or (iii) attempt to do any of the foregoing, either for the Seller Party's own purposes or for any other Person; provided, however, that the foregoing restrictions shall not apply with respect to any employees or independent contractors of the Purchaser or its Affiliates whose employment or contractor relationship with the Purchaser or its Affiliate has been terminated (A) for at least 90 days, if terminated by the Purchaser or its Affiliate or (B) for at least twelve (12) months, if terminated by the employee or independent contractor. For the avoidance of doubt, a public announcement of a job opening not targeted at a specific individual shall not be considered a violation of the foregoing clauses (i) or (iii).

(c) Confidentiality. During the Non-Compete Period, each Seller Party shall, and shall use commercially reasonable efforts to cause its employees, officers, directors, attorneys, representatives, and agents to, hold in confidence any and all information, whether written or oral, concerning the Company that the Company had maintained as confidential prior to the Closing and that a reasonable person would view as confidential, except to the extent that such information (i) was or becomes known by the public through no fault of such Seller Party or (ii) is lawfully acquired by such Seller Party from and after the Closing from sources that, to such Seller Party's knowledge, are not prohibited from disclosing such information by a legal, contractual, or fiduciary obligation. If a Seller Party is compelled to disclose any information by judicial or administrative process or by other Legal Requirements, such Seller Party shall promptly notify the Purchaser in writing and use commercially reasonable efforts to cooperate with the Purchaser to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information.

(d) Reasonableness of Covenants. Each Seller Party has carefully considered the nature and extent of the restrictions placed upon it by this Section 4.7 and hereby acknowledges and agrees that the same are reasonable in time, scope and territory, do not confer a benefit upon the Purchaser or any of its Affiliates disproportionate to the detriment of the Seller Parties, are reasonable and necessary for the protection of the Purchaser and its Affiliates, and are an essential inducement to the Purchaser to consummate the transactions contemplated by this Agreement.

(e) Severability of Covenants. The covenants in this Section 4.7 are severable and separate, and the unenforceability of any specific covenant in this Section 4.7 is not intended by any party to, and will not, affect the provisions of any other covenant in this Section 4.7. If any court of competent jurisdiction determines that the scope, time or territorial restrictions set forth in this Section 4.7 are unreasonable as applied to a Seller Party, the parties acknowledge their mutual intention and agreement that those restrictions be enforced to the fullest extent the court deems reasonable and thereby will be reformed to that extent as applied to such Seller Party.

(f) Specific Performance. Each Seller Party covenants and agrees that it will not seek to challenge the enforceability of the covenants contained in this Section 4.7 against the Purchaser or any of its Affiliates, nor will it assert as a defense to any action seeking enforcement of the provisions contained in this Section 4.7 (including an action seeking injunctive relief) that such provisions are not

enforceable due to lack of sufficient consideration received by it. The parties agree and acknowledge that money damages may be an inadequate remedy for any breach of this Section 4.7. Therefore, notwithstanding anything herein to the contrary, in the event of a breach or threatened breach by any Seller Party of this Section 4.7, the Purchaser or its successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions of this Section 4.7.

4.8 Hiring of Employees. Prior to the Closing, the Purchaser intends, but shall not be obligated, to make offers of employment to certain employees of the Seller Parties, including, but not limited to, the Key Employees, who have been actively engaged in the operation of the Business as presently conducted by the Seller Parties. In support of such action by Purchaser, the Seller Parties covenant and agree that they will use their reasonable best efforts to cooperate with and assist the Purchaser in Purchaser's efforts to hire such individuals, it being acknowledged and agreed, however, that Purchaser shall not be obligated to make an offer of employment to all or any employees of the Seller Parties who may have been engaged in the operation of the Business, and that the Seller Parties shall be solely responsible for any and all severance and other benefits that may be owed or payable to the individuals associated with the Business, whether or not any such individual is offered employment by the Purchaser and whether or not any such individual accepts an offer of employment from the Purchaser.

SECTION 5. CLOSING CONDITIONS.

5.1 Conditions Precedent to the Obligations of each Party to Consummate the Transactions. Each party's obligations to consummate the Transactions are subject to the satisfaction or waiver, at or prior to the Closing, of each of the following conditions:

(a) HSR Act. Any applicable waiting period under the HSR Act relating to the Transactions shall have expired or been terminated.

(b) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other material legal restraint or prohibition issued or promulgated by a Governmental Body preventing the consummation of the Transactions shall be in effect, and there shall not be any Legal Requirement enacted or deemed applicable to the Transactions that makes consummation of the Transactions illegal.

5.2 Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the Transactions are subject to the satisfaction or waiver, at or prior to the Closing, of each of the following conditions:

(a) the representations and warranties of Seller Parties contained in this Agreement shall be true and correct as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties relate to an earlier date, in which case as of such earlier date), except as the failure to be so true and correct would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, but without taking into account separate materiality qualifications, if any, within any such representation and warranty, and no Company Material Adverse Effect has occurred;

(b) Seller Parties and the Company shall have performed in all material respects all obligations required to be performed by each of them under this Agreement on or prior to the Closing Date;

(c) The consents or approvals for assignment of the Company Significant Contracts listed in Schedule 5.2(c) have been obtained, and the consents or approvals of the Third Parties or Governmental Bodies set forth on Schedule 5.2(c) have been obtained;

(d) delivery of a transition services agreement in substantially the form attached hereto as Exhibit D; and

(e) Seller Parties shall deliver, or cause to be delivered to Purchaser, the following:

(i) a non-foreign affidavit from ATI dated as of the Closing Date, sworn under penalty of perjury in accordance with the requirements of the Treasury Regulations issued pursuant to Section 1445 of the Code, in a form reasonably satisfactory to Purchaser, stating that ATI is not a "foreign person" as defined in Section 1445 of the Code;

(ii) a certificate of good standing from the Secretary of State of the State of Delaware and any other jurisdictions in which the Company is qualified to do business;

(iii) written resignations of all officers and directors of the Company, to be effective as of the Closing;

(iv) the Escrow Agreement, duly executed by Seller Parties; and

(v) a certificate of each Seller Party, executed by an officer of such Seller Party, that each of the conditions set forth in Section 5.2(a) and Section 5.2(b) has been satisfied (the "**Seller Certificate**").

5.3 **Conditions to Obligations of the Seller Parties**. The obligations of the Seller Parties to consummate the Transactions are subject to the satisfaction or waiver, at or prior to the Closing, of each of the following conditions:

(a) the representations and warranties of Purchaser contained in this Agreement shall be true and correct as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties relate to an earlier date, in which case as of such earlier date), except as the failure to be so true and correct would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Purchaser to consummate the Transactions;

(b) Purchaser shall have performed in all material respects all obligations required to be performed by it under this Agreement on or prior to the Closing Date; and

(c) Purchaser shall deliver, or cause to be delivered, the Escrow Agreement, duly executed by Purchaser and the Escrow Agent.

(d) Purchaser shall deliver to Seller Parties a certificate of Purchaser, executed by an officer of Purchaser, that each of the conditions set forth in Section 5.3(a) and Section 5.3(b) has been satisfied.

Section 6. INDEMNIFICATION, ETC.

6.1 Expiration of Representations. All representations and warranties of Seller Parties set forth in this Agreement (other than the Fundamental Representations which shall survive until the expiration of the statute of limitations applicable to such claims with respect to such matters, and thereafter until resolved if an Indemnification Claim in respect thereof has been made prior to such date) shall terminate and expire and shall cease to have any further force or effect on the fifteen (15) month anniversary of the Closing Date (the "**Escrow Termination Date**"); *provided, however,* that if at any time prior to the Escrow Termination Date, Purchaser has duly delivered to Seller or ATI a valid Notice of Indemnification Claim (as defined in, and satisfying the requirements set forth in, Section 6.4(a)), then the specific Indemnification Claim asserted in such Notice of Indemnification Claim shall survive the Escrow Termination Date until such time as such Indemnification Claim is resolved; and provided further, that any claims for indemnification involving Willful Misconduct or Fraud shall survive indefinitely.

6.2 Indemnification. From and after the Closing (but subject to Section 6.1 and the other provisions of this Section 6), Purchaser shall be entitled to be indemnified, solely from the Escrow Fund, against any Damages actually incurred by Purchaser as a result of (a) any breach of the representations and warranties of Seller Parties set forth in Section 2 of this Agreement or the Seller Certificate, and (b) the failure of either of the Seller or ATI to perform any of its covenants or agreements contained herein required to be performed by it prior to the Closing. Nothing in this Section 6 shall limit or exclude any remedies Purchaser may have at law or in equity for a breach of the covenants set forth in Section 4.7.

6.3 Limitations on Liability.

(a) The right of Purchaser to be indemnified from the Escrow Fund pursuant to this Section 6 shall be the sole and exclusive remedy with respect to any breach of any representation, warranty or covenant of the Company or any other indemnification matter set forth in, or any other breach by the Company of, this Agreement, provided, that the Escrow Fund shall not be Purchaser's sole remedy for any claims for breaches of Fundamental Representations or claims based on Fraud or Willful Misconduct. For the avoidance of doubt, in no event shall Purchaser or any Affiliate of Purchaser or the Company be entitled to recover directly from either Seller Party or any other Person with respect to any indemnification claim pursuant to this Section 6; provided that claims for breaches of Fundamental Representations shall not exceed the Acquisition Consideration.

(b) Without limiting the effect of any other limitation set forth in this Section 6, the indemnification provided for in Section 6.2 shall not apply, and Purchaser shall not be entitled to exercise any indemnification rights under this Agreement, except to the extent any Indemnification Claim where the Damages related to that Indemnification Claim (or series of Indemnification Claims arising from the same or substantially similar facts or circumstances) exceeds $[***] (the "**Minimum Claim Amount**"). If the amount of Damages for an individual Indemnification Claim (or series of Indemnification Claims arising from the same or substantially similar facts or circumstances) exceeds the Minimum Claim Amount, then the Purchaser shall, subject to the other limitations set forth in this Agreement, be entitled to be indemnified from the Escrow Fund against all Damages for such Indemnification Claim, regardless of the Minimum Claim Amount.

(c) Without limiting the effect of any other limitation set forth in this Section 6, the indemnification provided for in Section 6.2 shall not apply, and Purchaser shall not be entitled to exercise any indemnification rights under this Agreement, except to the extent that the aggregate amount of the Damages against which Purchaser would otherwise be entitled to be indemnified under Section 6.2

exceeds $[***] (the "**Deductible**"), provided that the Deductible shall not apply to [***]. If the aggregate amount of such Damages exceeds the Deductible, then Purchaser shall, subject to the other limitations set forth in this Agreement, be entitled to be indemnified from the Escrow Fund only against the portion of such Damages in excess of the Deductible.

(d) Purchaser shall use commercially reasonable steps to mitigate any Damages upon becoming aware of any event which would reasonably be expected to, or does, give rise thereto.

6.4 Indemnification Claims; Escrow Arrangements.

(a) Purchaser shall not be entitled to indemnification under this Section 6 unless it has duly delivered a written notice to the Seller and ATI and the Escrow Agent (any such notice being referred to as a "**Notice of Indemnification Claim**," and the claim for indemnification described in such Notice of Indemnification Claim being referred to as an "**Indemnification Claim**"), setting forth: (i) the specific representation and warranty or covenant alleged to have been breached by Seller or ATI; (ii) a detailed description of the facts and circumstances giving rise to the alleged breach of such representation and warranty or covenant; and (iii) the aggregate dollar amount of the Damages that have been incurred by Purchaser as a direct result of the breach referred to in such notice (the aggregate amount of such estimate being referred to as the "**Claimed Amount**").

(b) During the 30-day period commencing upon the receipt by Seller and ATI of a Notice of Indemnification Claim, Seller and ATI may deliver to Purchaser and the Escrow Agent a written response (the "**Response Notice**") in which Seller and ATI: (i) agree that the full Claimed Amount is owed to Purchaser; (ii) agree that part (but not all) of the Claimed Amount (the "**Agreed Amount**") is owed to Purchaser; or (iii) assert that no part of the Claimed Amount is owed to Purchaser. Any part of the Claimed Amount that is not agreed by Seller and ATI to be owed to Purchaser pursuant to the Response Notice (or the entire Claimed Amount, if Seller and ATI assert in the Response Notice that no part of the Claimed Amount is owed to Purchaser) shall be referred to as the "**Contested Amount**." If no Response Notice is delivered during such 30-day period, then, for purposes of this Agreement, Seller and ATI shall be deemed to have delivered to Purchaser and the Escrow Agent a Response Notice on the last day of such 30-day period asserting that no part of the Claimed Amount is owed to Purchaser.

(c) If Seller and ATI deliver a Response Notice to Purchaser agreeing that the full Claimed Amount is owed to Purchaser, then, within three days following the receipt of such Response Notice by Purchaser, Purchaser and Seller and ATI shall jointly execute and deliver to the Escrow Agent a written notice instructing the Escrow Agent to release the full Claimed Amount (or such lesser amount as may remain in the Escrow Fund) to Purchaser from the Escrow Fund.

(d) If Seller and ATI deliver a Response Notice to Purchaser agreeing that less than the full Claimed Amount is owed to Purchaser, then, within three days following the receipt of such Response Notice by Purchaser, Purchaser and Seller and ATI shall jointly execute and deliver to the Escrow Agent a written notice instructing the Escrow Agent to release the Agreed Amount (or such lesser amount as may remain in the Escrow Fund) to Purchaser from the Escrow Fund.

(e) If Seller and ATI deliver a Response Notice to Purchaser indicating that there is a Contested Amount, then Seller and ATI and Purchaser shall attempt in good faith to resolve the dispute related to the Contested Amount. If Purchaser and Seller and ATI resolve such dispute in writing, then a settlement agreement stipulating the amount (if any) owed to Purchaser (the "**Stipulated Amount**") shall be signed by Purchaser and Seller and ATI. Within three days after the execution of such settlement

agreement, Purchaser and Seller and ATI shall jointly execute and deliver to the Escrow Agent a written notice instructing the Escrow Agent to release the Stipulated Amount (or such lesser amount as may remain in the Escrow Fund) to Purchaser from the Escrow Fund.

(f) If Seller and ATI and Purchaser are unable to resolve the dispute relating to any Contested Amount during the 30-day period commencing upon the receipt of the Response Notice by Purchaser, then either Purchaser or the Seller and ATI may submit the contested portion of the Indemnification Claim for resolution in accordance with Section 8.4.

(g) If the aggregate amount remaining in the Escrow Fund as of the Escrow Termination Date (the "**Aggregate Escrow Balance**") exceeds the aggregate dollar amount, as of the Escrow Termination Date, of the Contested Amounts associated with all Indemnification Claims that have not been finally resolved and paid prior to the Escrow Termination Date in accordance with this Section 6.4 (each, an "**Unresolved Escrow Claim,**" and the aggregate dollar amount of such Contested Amounts as of the Escrow Termination Date being referred to as the "**Aggregate Pending Claim Amount**"), then the Escrow Agent shall release from the Escrow Fund to Seller and ATI the Aggregate Distribution Amount. For purposes of this Section 6.4, the "**Aggregate Distribution Amount**" shall be the Aggregate Escrow Balance as of the Escrow Termination Date *minus* the Aggregate Pending Claim Amount.

(h) Following the Escrow Termination Date, if an Unresolved Escrow Claim is finally resolved, Purchaser and Seller and ATI shall jointly execute and deliver to the Escrow Agent, within three days after the final resolution of such Unresolved Escrow Claim, a written notice instructing the Escrow Agent to release from the Escrow Fund to Seller and ATI the Excess Escrow Amount. For purposes of this Section 6.4, the "**Excess Escrow Amount**" shall mean the amount (if any) by which the aggregate amount remaining in the Escrow Fund as of the date of resolution of such Unresolved Escrow Claim exceeds the aggregate amount of the Contested Amounts associated with all other remaining Unresolved Escrow Claims.

6.5 Defense of Third-Party Claims. Promptly (and in no event more than five (5) Business Days) after Purchaser, the Company or any Affiliate of Purchaser or the Company receives notice or otherwise obtains knowledge of any actual or possible claim, demand, suit, action, arbitration, investigation, audit, inquiry or proceeding that has been or may be brought or asserted by a third party against Purchaser, the Company or any of Purchaser's other Affiliates and that may give rise to an Indemnification Claim by Purchaser under this Section 6 (any such actual or possible claim, demand, suit, action, arbitration, investigation, inquiry or proceeding by a third party (including the IRS or other taxing authority) being referred to as a "**Third-Party Claim**"), Purchaser shall deliver to the Seller and ATI a written notice stating in reasonable detail the nature and basis of such Third-Party Claim and the dollar amount of such Third-Party Claim, to the extent known. Purchaser's right to receive indemnification payments from the Escrow Fund with respect to such Third-Party Claim shall be reduced to the extent Seller and ATI are materially prejudiced in the defense of a Third-Party Claim due to Purchaser's failure to give timely notice including the facts or circumstances giving rise to such Third-Party Claim. Seller and ATI shall have the right, at their option, at any time to assume the defense of any such Third-Party Claim with its own counsel. If Seller and ATI elect to assume the defense of any such Third-Party Claim, then:

(a) the defense costs incurred by the Seller and ATI (including attorneys' fees) shall be borne by the Seller and ATI;

(b) notwithstanding anything to the contrary contained in this Agreement, Purchaser shall not be entitled to be indemnified (from the Escrow Fund or otherwise) for any costs or

expenses incurred by Purchaser in connection with the defense of such Third-Party Claim following Seller's and ATI's election to assume the defense of such Third-Party Claim;

(c) Purchaser shall be entitled to monitor (but not control) such defense at its own expense;

(d) Purchaser shall make available to Seller and ATI and their Representatives all books, records and other documents and materials that are under the direct or indirect control of Purchaser or any of Purchaser's Affiliates and that Seller and ATI consider reasonably necessary or desirable for the defense of such Third-Party Claim;

(e) Purchaser and Seller and ATI shall cooperate as reasonably requested by the Seller and ATI in the defense of such Third-Party Claim; and

(f) Seller and ATI shall not enter into any settlement agreement providing for the settlement of such Third-Party Claim without the prior written consent of Purchaser (which consent shall not be unreasonably withheld, delayed or conditioned) if such settlement agreement imposes on Purchaser any obligation, other than an obligation to pay monetary damages in an amount less than the aggregate cash amount remaining in the Escrow Fund and available to pay such damages.

If Seller and ATI elect not to assume the defense of such Third-Party Claim, then Purchaser shall proceed diligently to defend such Third-Party Claim with the assistance of counsel reasonably satisfactory to Seller and ATI; *provided*, *however*, that neither Purchaser nor the Company shall settle, adjust or compromise such Third-Party Claim, or admit any liability with respect to such Third-Party Claim, without the prior written consent of Seller and ATI (which consent shall not be unreasonably withheld, delayed or conditioned).

6.6 **Exclusivity**. The remedies contained in this Section 6 are intended to provide the sole and exclusive remedy of Purchaser following the Closing as to all money damages for any action arising out of the subject matter of this Agreement.

6.7 **Treatment of Indemnification Payments**. The parties agree that any amount paid to Purchaser pursuant to this Section 6 shall be treated as a reduction in the consideration payable hereunder for Tax purposes.

SECTION 7. TERMINATION

7.1 **Termination Events.** At any time prior to the Closing, this Agreement may be terminated and the Transactions abandoned by authorized action taken by the terminating party:

(a) by mutual written consent by Purchaser and Seller Parties and the Company;

(b) by either Purchaser or Seller Parties, if the Closing shall not have occurred on or before December 31, 2017 or such other date that Purchaser and the Company may agree upon in writing (the "**Termination Date**"); *provided*, *however*, that the right to terminate this Agreement under this clause (b) of Section 7.1 shall not be available to any party whose breach (or whose Affiliate's breach) of this Agreement has resulted in the failure of the Closing to occur on or before the Termination Date;

(c) by either Purchaser or Seller Parties, if any permanent injunction or other order of a Governmental Body of competent authority preventing the consummation of the Transactions shall have become final and nonappealable;

(d) by Purchaser, if a Seller Party shall have materially breached any representation, warranty, covenant or agreement contained herein and such breach shall not have been cured within 30 days after receipt by Seller Parties from Purchaser of written notice of such breach (*provided, however*, that no such cure period shall be available or applicable to any such breach which by its nature cannot be cured) and if not cured within the timeframe above and at or prior to the Closing, such breach would result in the failure of any of the conditions set forth in Section 5.1 or Section 5.2 to be satisfied; or

(e) by Seller Parties, if Purchaser shall have materially breached any representation, warranty, covenant or agreement contained herein and such breach shall not have been cured within 30 days after receipt by Purchaser from the Company of written notice of such breach (provided, however, that no such cure period shall be available or applicable to any such breach which by its nature cannot be cured) and if not cured within the timeframe above and at or prior to the Closing, such breach would result in the failure of any of the conditions set forth in Section 5.1 or Section 5.3 to be satisfied.

7.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 7.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Purchaser, Seller Parties, or their respective officers, directors, managers, stockholders, members or Affiliates; *provided, however*, that (i) the provisions of Section 4.3, this Section 7.2, Section 8 and the Confidentiality Agreement shall remain in full force and effect and survive any termination of this Agreement and (ii) nothing herein shall relieve any party hereto from liability in connection with any willful breach of such party's representations, warranties, covenants or agreements contained herein.

Section 8. MISCELLANEOUS PROVISIONS

8.1 Expenses. Except as otherwise provided herein, each party shall pay all of its own fees, costs and expenses (including fees, costs and expenses of legal counsel, investment bankers, brokers or other representatives and consultants and appraisal fees, costs and expenses) incurred in connection with the negotiation of this Agreement and the other agreements contemplated by this Agreement, the performance of its obligations hereunder and thereunder, and the consummation of the Transactions hereby and thereby.

8.2 Waiver.

(a) Except as expressly set forth in this Agreement, no failure on the part of any party to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any party in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy.

(b) No party shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such party; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

8.3 **Entire Agreement; Counterparts; Exchanges by Facsimile**. This Agreement, the Escrow Agreement and the other agreements referred to in this Agreement constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among or between any of the parties with respect to the subject matter hereof and thereof. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument. The exchange of a fully executed Agreement (in counterparts or otherwise) by facsimile or by electronic delivery in .pdf format shall be sufficient to bind the parties to the terms and provisions of this Agreement.

8.4 **Applicable Law; Venue; Dispute Resolution; Waiver of Jury Trial**.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof, as to all matters, including matters of validity, construction, effect, performance and remedies.

(b) The Parties agree that any dispute, controversy, or claim (other than any Excluded Dispute) arising out of, relating to, or in connection with this Agreement, including with respect to the formation, applicability, breach, interpretation, termination, validity, or enforceability thereof, or the rights and obligations of the Parties following termination (each a "**Dispute**"), shall be finally settled through the procedures set forth in this Section 8.4 and Exhibit C attached hereto. In the event of a Dispute, either Party may provide the other Party with a written request for resolution of such Dispute through negotiations. If the Parties are unable to reach a written resolution of such Dispute within thirty (30) days following such a written request for resolution, or such longer period as the Parties may mutually agree to in writing, either Party may commence an arbitration to resolve the Dispute in accordance with Exhibit C. Any disputes concerning the propriety of the commencement of the arbitration shall be finally settled by arbitration pursuant to Exhibit C. For any Excluded Dispute, each of the parties irrevocably consents to the exclusive jurisdiction and venue of the federal courts (or if such jurisdiction is not permitted by applicable Legal Requirements, the state courts) located in Wilmington, Delaware, in connection with any matter based upon or arising out of this Agreement or the Transactions and agrees that process may be served upon it in any manner authorized by the laws of the State of Delaware for such Persons and waives and covenants not to assert or plead any objection which it might otherwise have to such jurisdiction and such process.

(c) Each of the parties irrevocably waives the right to trial by jury in connection with any matter based upon or arising out of this Agreement, the Escrow Agreement or the transactions contemplated hereby and thereby.

8.5 **Assignability; Third Party Rights**.

(a) Subject to Section 8.5(b), this Agreement shall be binding upon, and shall be enforceable by and inure solely to the benefit of, the parties hereto and their respective successors and assigns; *provided, however,* that neither this Agreement nor any of the rights or obligations of any party hereunder may be assigned or delegated by such party without the prior written consent of the other party, and any attempted assignment or delegation of this Agreement or any of such rights or obligations by any party without the other party's prior written consent shall be void and of no effect. Notwithstanding the foregoing, the Purchaser may, without the consent of but upon prior written notice to Seller Parties, assign this Agreement and any related agreement (i) to its Affiliates, (ii) to its lenders in connection with its grant of a security interest in its rights under this Agreement or in any related agreement in accordance with the terms of the security and collateral agreements with such lenders, (iii) to any successor to all or substantially all of its business and assets, whether in a merger, consolidation, sale of stock, sale of all or substantially

all of its assets or other similar transaction, and (iv) to a Third Party that acquires from Purchaser of all or substantially all of the assets related to the Business from Purchaser or its Affiliates; provided that, in the case of clauses (i), (iii) and (iv) or in the event of the assignment or transfer of the Intellectual Property covering or incorporated into the Products or the rights to sell or offer the Products, the assignee or transferee shall expressly assume, in a writing delivered to Seller Parties, performance of such rights and/or obligations of Purchaser and its Affiliates hereunder.

(b) Except as set forth in this Agreement, nothing in this Agreement is intended to or shall confer upon any Person (other than the parties hereto) any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

8.6 **Disclosure Schedule**. The Disclosure Schedule will be arranged to correspond to the representations and warranties in Section 2 of this Agreement, and the disclosure in any portion of the Disclosure Schedule shall qualify the corresponding provision in Section 2 and any other provision of Section 2 to which it is reasonably apparent from such disclosure that such disclosure relates. No reference to or disclosure of any item or other matter in this Disclosure Schedule shall be construed as an admission or indication that such item or other matter is material or that such item or other matter is required to be referred to or disclosed in the Disclosure Schedule. The information set forth in the Disclosure Schedule is disclosed solely for the purposes of this Agreement, and no information set forth therein shall be deemed to be an admission by any party hereto to any third party of any matter whatsoever, including of any violation of law or breach of any agreement.

8.7 **Delivered**. The phrases “delivered,” “provided to”, “furnished” and “made available” and phrases of similar import when used herein, unless the context otherwise requires, means, with respect to any statement in Section 2 of this Agreement to the effect that any information, document or other material has been “delivered,” “provided to”, “furnished” or “made available” to Purchaser that such information, document, or material was (a) made available for review in the electronic data room set up by the Company in connection with the Transactions prior to the Closing or (b) actually delivered (whether by physical or electronic delivery) to Purchaser or its counsel.

8.8 **Amendment**. This Agreement may not be amended without the written approval of Purchaser and Seller.

8.9 **Notices**. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given or made as follows: (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt; (b) if sent designated for overnight delivery by nationally recognized overnight air courier (such as DHL or Federal Express), two business days after dispatch; (c) if sent by facsimile transmission before 5:00 p.m. on a business day, when transmitted and receipt is confirmed; (d) if sent by facsimile transmission after 5:00 p.m. or on a day other than a business day and receipt is confirmed, on the following business day; and (e) if otherwise actually personally delivered, when delivered, provided that such notices, requests, demands and other communications are delivered to the address set forth below, or to such other address as any party shall provide by like notice to the other parties to this Agreement:

if to Purchaser:

Saol International Limited
H.P. House, 21 Laffan Street
Hamilton, HM 09, BERMUDA
Attention: Kevin Insley, Director

with a copy (which shall not constitute notice) to:

Burke, Warren, MacKay & Serritella, P.C.
330 North Wabash Avenue, Suite 2100
Chicago, IL 60611
Attention: Christopher R. Manning
Facsimile: (312) 840-7900

if to Seller Parties:

Aptevo Therapeutics Inc.
2401-4th Avenue, Suite 1050
Seattle, WA 98121
Attention: General Counsel
Facsimile: (206) 432-4591

with a copy (which shall not constitute notice) to each of:

Cooley LLP
1700 Seventh Avenue
Suite 1900
Seattle, WA 98101-1355
Attention: Alan Hambelton and Laura Medina
Facsimile: (206) 452-8800

8.10 **Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions of this Agreement or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If a final judgment of a court of competent jurisdiction or arbitrator declares that any term or provision of this Agreement is invalid or unenforceable, the parties hereto agree that the court or arbitrator making such determination shall have the power to limit such term or provision, to delete specific words or phrases or to replace such term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be valid and enforceable as so modified. In the event such court or arbitrator does not exercise the power granted to it in the prior sentence, the parties hereto agree to replace such invalid or unenforceable term or provision with a valid and enforceable term or provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid or unenforceable term or provision.

8.11 **Specific Performance.** The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by them in accordance with the terms hereof or were otherwise breached and that each party hereto shall be entitled to an injunction

or injunctions or other equitable relief (without posting a bond) to prevent breaches of the provisions hereof and to specific performance of the terms hereof, in addition to any other remedy at law or equity.

8.12 Construction.

(a) For purposes of this Agreement, whenever the context requires: the singular number shall include the plural, and vice versa; the masculine gender shall include the feminine and neuter genders; the feminine gender shall include the masculine and neuter genders; and the neuter gender shall include masculine and feminine genders.

(b) In the event a subject matter is addressed in more than one representation and warranty in Section 2, Purchaser shall be entitled to rely only on the most specific representation and warranty addressing such subject matter.

(c) As used in this Agreement, the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation."

(d) Except as otherwise indicated, all references in this Agreement to "Sections," "Exhibits" and "Schedules" are intended to refer to Sections of this Agreement and Exhibits or Schedules to this Agreement.

(e) The bold-faced headings set forth in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

[Remainder of page intentionally left blank]

In Witness Whereof, the parties have caused this Agreement to be executed as of the date first above written.

Saol International Limited

By: /s/ Zoe K. Hanson
Name: Zoe K. Hanson
Title: Director

Aptevo Therapeutics Inc.

By: /s/ Marvin L. White
Name: Marvin L. White
Title: President and CEO

Aptevo BioTherapeutics LLC

By: /s/ Marvin L. White
Name: Marvin L. White
Title: President

Venus BioTherapeutics Sub LLC

By: /s/ Marvin L. White
Name: Marvin L. White
Title: President and CEO

EXHIBIT A

CERTAIN DEFINITIONS

For purposes of the Agreement (including this Exhibit A):

Acquisition Consideration. "Acquisition Consideration" shall mean $65,000,000 (the "**Upfront Amount**"), as adjusted pursuant to Section 1.6.

Acquisition Transaction. "Acquisition Transaction" shall mean any transaction involving:

(a) the sale, license, disposition or acquisition of all or a material portion of the Company's business, equity or assets; or

(b) any merger, consolidation, business combination, reorganization or similar transaction involving the Company.

Affiliate. "Affiliate" when used with respect to any specified Person, shall mean any other Person who or that, directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with such specified Person.

Agreement. "Agreement" shall mean the LLC Purchase Agreement to which this Exhibit A is attached.

Business. "Business" shall mean the Commercialization of the Products by Seller Parties and the Company, and their respective Affiliates, in the Territories, as conducted in the ordinary course between August 1, 2016 and the Closing Date.

Cash. "Cash" shall mean cash, cash equivalents, marketable securities, and deposits in transit of the Company.

Closing Consideration. "Closing Consideration" shall mean (a) the Acquisition Consideration *minus* (b) the Escrow Amount.

Code. "Code" shall mean the Internal Revenue Code of 1986, as amended.

Commercialization. "Commercialization" (including any variations such as "Commercialize") means activities undertaken with respect to commercialization of the Products, including (a) advertising, promoting, marketing, offering, selling, transporting, and distributing the Products, (b) strategic marketing or sales force detailing, educating, and liaising with the medical community, (c) obtaining necessary licenses and authorization from applicable Governmental Bodies, (d) interacting with the FDA and other Governmental Bodies regarding any of the foregoing, and (e) manufacturing, packaging and supplying such Products.

Company IP. "Company IP" shall mean all Intellectual Property owned by the Company.

Company IP Contract. "Company IP Contract" shall mean each Contract which provides for the transfer or license of any Intellectual Property to or from the Company, but solely to the extent that such transfer or license is exercisable as of the Closing or at any time thereafter.

Company Material Adverse Effect. "Company Material Adverse Effect" shall mean any material adverse effect on the Business of the Company; *provided*, *however*, that none of the following shall be deemed, either alone or in combination, to constitute, and there shall not be taken into account in determining whether there has been a Company Material Adverse Effect any adverse effect arising from or attributable or relating to: (i) conditions affecting (A) the industries in which the Company operates or participates, or (B) the U.S. or global economy or financial markets; (ii) the legal, accounting, investment banking or other fees or expenses incurred (A) in connection with the Transactions, and (B) in connection with the process of the sale of the Company; (iii) the execution, delivery or announcement of this Agreement or the announcement, pendency or anticipated consummation of the Transactions; (iv) any natural disaster or any acts of terrorism, sabotage, military action or war or any escalation or worsening thereof; (v) any event, occurrence, development or state of circumstances disclosed in or incorporated by reference in the Disclosure Schedule; (vi) the taking of any action or failure to act contemplated by this Agreement or with the written consent of Purchaser; or (vii) any failure to meet internal or published projections, estimates or forecasts of revenues, earnings, or other measures of financial or operating performance for any period; provided, however, that any change, condition, or event referred to in clauses (i), (iii), or (iv) above shall be taken into account in determining whether a Company Material Adverse Effect has occurred to the extent that such change, condition, or event had a disproportionate effect on the Company compared with other companies in the pharmaceutical business.

Competitive Products. "Competitive Products" shall mean plasma derived hyperimmunes targeting idiopathic thrombocytopenic purpura, hemolytic disease of the newborn, Varicella Zoster or Hepatitis B.

Computer Software. "Computer Software" shall mean computer programs, together with input and output formats, the applicable source or object codes, data models, flow charts, outlines, narrative descriptions, operating instructions, software manufacturing instructions and scripts, test specifications and test scripts and supporting documentation, and shall include the tangible media upon which such programs and documentation are recorded, including all corrections, updates, new releases and new versions, translations, modifications, updates, upgrades, substitutions, replacements and other changes to the foregoing.

Confidentiality Agreement. "Confidentiality Agreement" shall mean that certain letter agreement regarding confidentiality, dated May 12, 2017 between Avego Healthcare Capital, LLC and ATI.

Contract. "Contract" shall mean any agreement, lease, sublease, other occupancy agreement, contract, note, mortgage, indenture or other legally binding obligation or commitment, written or oral.

Control. "Control" shall mean, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The term "**Controlled**" shall have a correlative meaning.

Copyright. "Copyright" shall mean all copyrights, copyright registrations, and applications therefor owned by Seller Parties as of the Closing pertaining primarily to the Product, and all other copyright rights corresponding thereto, including those registered copyrights as set forth on Parts 2.8(a) – (e) of the Disclosure Schedule.

Current Assets. "Current Assets" shall mean the current assets of the Company as of the Closing, excluding Cash, determined in accordance with GAAP, consistently applied, in accordance with the Company's past practices.

Current Liabilities. "Current Liabilities" shall mean the current liabilities of the Company as of the Closing, determined in accordance with GAAP, consistently applied, in accordance with the Company's past practices; *provided, however*, that Current Liabilities shall exclude Indebtedness.

Damages. "Damages" shall mean out-of-pocket losses or damages, but excluding: (a) any special, indirect, consequential, exemplary or punitive damages (except to the extent such damages are claimed against or recovered from Purchaser in connection with a Third-Party Claim); and (c) any losses or damages associated with any lost profits or lost opportunities; *provided, however*, that for purposes of computing the amount of Damages incurred or paid by a Person, there shall be deducted an amount equal to the amount of any insurance proceeds, indemnification payments, contribution payments or reimbursements that are actually received by such Person in connection with such Damages or the circumstances giving rise thereto.

DOJ. "DOJ" shall mean the Antitrust Division of the United States Department of Justice.

Disclosure Schedule. "Disclosure Schedule" shall mean the Disclosure Schedule that has been prepared by Seller Parties in accordance with Section 8.6 and that has been delivered by Seller Parties to Purchaser on the date of the Agreement.

Encumbrance. "Encumbrance" shall mean any lien, pledge, hypothecation, charge, mortgage, security interest or encumbrance.

ERISA. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

Escrow Agent. "Escrow Agent" shall mean Fifth Third Bank, an Ohio banking corporation.

Escrow Agreement. "Escrow Agreement" shall mean the escrow agreement, by and among Purchaser, Seller and the Escrow Agent, in the form attached hereto as Exhibit E.

Escrow Amount. "Escrow Amount" shall mean the product of (i) 0.05 *multiplied* by (ii) the Upfront Amount.

Escrow Fund. "Escrow Fund" shall mean the escrow fund established pursuant to the Escrow Agreement.

FDA. "FDA" shall mean the United States Food and Drug Administration.

Fraud. "Fraud" means any misrepresentation, deceit, or concealment of a material fact with the intention to deceive.

FTC. "FTC" shall mean the United States Federal Trade Commission.

Fundamental Representations. "Fundamental Representations" shall mean Sections [***] of the Agreement.

GAAP. "GAAP" shall mean generally accepted accounting principles in the United States.

Governmental Body. "Governmental Body" shall mean any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; or (c) governmental or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, official, organization, unit, body or Entity and any court or other tribunal), including without limitation the FDA and any similar authority in any country in the Territories.

HSR Act. "HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Indebtedness. "Indebtedness" shall mean, as applied to any Person: (a) all indebtedness for borrowed money, whether current or long-term or secured or unsecured; (b) all indebtedness for the deferred purchase price of property or services represented by a note or other security; (c) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (d) all indebtedness secured by a purchase money mortgage or other lien to secure all or part of the purchase price of property subject to such mortgage or lien; (e) all obligations under leases that have been or should be, in accordance with GAAP, recorded as capital leases in respect of which such Person is liable as lessee; (f) any outstanding liability in respect of bankers' acceptances or letters of credit, including any reimbursement obligations with respect thereto; (g) all interest, fees, and other expenses, including any prepayment premiums, accrued or owed as of the Closing Date with respect to indebtedness described in the foregoing clauses; and (h) all indebtedness referred to in the foregoing clauses of another Person that is directed or indirectly guaranteed by such Person or as to which such Person is otherwise liable or has assured a creditor against any loss.

Independent Accounting Firm. "Independent Accounting Firm" shall mean a nationally recognized accounting firm on which Purchaser and Seller Parties mutually agree.

Intellectual Property. "Intellectual Property" shall mean collectively any of the following and all rights arising out of or associated therewith: (a) patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations, and continuations-in-part thereof; (b) inventions (whether patentable or not), invention disclosures, improvements, proprietary information, know-how, technology, technical data, and customer lists, including documentation relating to any of the foregoing; (c) Copyrights, Copyright registrations, and applications therefor; (d) new drug applications; (e) internet uniform resource locators, domain names, trade names, logos, slogans, designs, common law Trademarks and service marks, Trademark and service mark registrations and applications therefor; (f) databases and data collections; (g) moral and economic rights of authors and inventors, however denominated; (h) goodwill related to the Products contributed to the Company and (i) similar or equivalent rights to any of the foregoing.

Inventory. "Inventory" shall mean all finished Product inventory, work in process, API and other raw materials, and labeling or packaging materials or components, which finished Product inventory shall have a shelf life of not less than one month from the Closing, and which work in process, API and other raw materials, and labeling or packaging materials or components shall be suitable for production of finished Product that would have an equivalent shelf life if produced on the date of Closing.

IRS. "IRS" shall mean the United States Internal Revenue Service.

Key Employees. "Key Employees" shall mean the employees set forth on Schedule A – Key Employees.

Knowledge. "Knowledge" of any particular matter shall mean [***].

Legal Requirement. "Legal Requirement" shall mean any federal, state, local, municipal, foreign or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body.

Patents. "Patents" shall mean patents (including utility, utility model, plant and design patents, and certificates of invention), patent applications (including additions, provisional, national, regional and international applications, as well as original, continuation, continuation-in-part, divisionals, continued prosecution applications, reissues, and re-examination applications), patent or invention disclosures, registrations, applications for registrations and any term extension or other action by a Governmental Body which provides rights beyond the original expiration date of any of the foregoing.

Person. "Person" shall mean any individual, entity or Governmental Body.

Proceeding. "Proceeding" shall mean a suit, proceeding, hearing, enforcement, audit, investigation, arbitration or other action.

Products. "Products" shall mean WinRho, HepaGam B, and Varizig, including any related biologics license applications.

Registered IP. "Registered IP" shall mean all Intellectual Property that is registered, filed, issued or granted under the authority of, with or by any Governmental Body, including all Patents, registered Copyrights, registered Trademarks, domain names and all applications for any of the foregoing.

Representatives. "Representatives" shall mean, with respect to a Person, such Person's legal, financial, internal and independent accounting and other advisors and representatives.

Subsidiaries. "Subsidiaries", when used with respect to any party hereto, shall mean any corporation, limited liability company, partnership, association, trust or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power (or, in the case of a partnership, more than 50% of the general partnership interests) are, as of such date, owned by such party.

Tax or **Taxes**. "**Tax**" or "**Taxes**" shall mean any net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, value added tax, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, municipal tax, municipal surcharge premium, property, environmental or windfall profit tax, custom duty or other tax of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any Governmental Body responsible for the imposition of any such tax (domestic or foreign).

Tax Return. "Tax Return" shall mean any return, statement, report, tax filing or form (including estimated Tax returns and reports, withholding Tax returns and reports, any schedule or attachment, and information returns and reports) required to be filed with respect to Taxes.

Territories. "Territories" shall mean the U.S.A. and its territories, commonwealths, and protectorates, Canada, and all other countries in which the Products have been Commercialized, or in which any attempt to Commercialize them has occurred (such as submission of applications to Governmental Bodies) between August 1, 2016 and the Closing Date, all of which are listed on Part T of the Disclosure Schedule.

Trademark. "Trademark(s)" shall mean each of the trademarks, service marks, and brand names set forth on Parts 2.8(a) – (e) of the Disclosure Schedule, whether registered or unregistered, and all statutory and common law rights therein and all applications and registrations therefor, in each case, together with the goodwill associated therewith.

Transactions. "Transactions" shall mean the sale by Seller of the Membership Interests to Purchaser and the other transactions contemplated by the Agreement.

Willful Misconduct. "Willful Misconduct" shall mean a willful or wanton action or omission (other than merely a volitional act or omission).

EXHIBIT B

ASSIGNMENT AND ASSUMPTION AGREEMENT

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.**

EXHIBIT C

ARBITRATION

If no resolution is reached as to a Dispute pursuant to Section 8.4, the Dispute shall be resolved by final, binding arbitration in the manner described in this **Exhibit C**. The arbitration shall be heard by three arbitrators, of whom each of Purchaser and Seller Parties shall designate one, with the third arbitrator to be appointed by the two arbitrators selected by the Parties, and shall be conducted in accordance with the International Institute for Conflict Prevention & Resolution Rules for Non-Administered Arbitration ("***CPR Rules***") in effect at the time of the arbitration, except as they may be modified herein or by mutual agreement of the Parties. Each of the arbitrators shall have prior experience in the pharmaceutical industry. The seat of the arbitration shall be New York, New York. The arbitration shall be conducted in English, provided that either Party may submit testimony or documentary evidence in any language if it furnishes a translation into English of any such testimony or documentary evidence. Judgment upon the award may be entered by any court having jurisdiction over the relevant party or its assets.

The arbitrator shall be selected as contemplated by this **Exhibit C**, provided that, if the issues in dispute involve scientific or technical matters, including, without limitation, matters relating to inventorship, ownership, or the validity or scope of any patent or trademark rights, any arbitrator chosen hereunder shall have educational training or industry experience sufficient to demonstrate a reasonable level of relevant scientific, technical, medical, and industry knowledge. An arbitrator shall be deemed to have met these qualifications unless any Party objects within twenty (20) days.

Notwithstanding the choice of law provision in Section 8.4 of this Agreement, this agreement to arbitrate shall be governed by Title 9 (Arbitration) of the United States Code, and a Party may make a request to a court of competent jurisdiction or pursuant to the CPR Rules for interim measures necessary to preserve the Party's rights, including pre-arbitration attachments or injunctions. A request for interim relief to a court shall not be deemed incompatible with, or a waiver of, this agreement to arbitrate.

Any application to enforce this **Exhibit C** or to confirm, vacate, or modify any award rendered pursuant to this **Exhibit C** shall be brought only in the federal or state courts located in the County of New Castle in the State of Delaware, or federal courts in Delaware. Any process related to enforcement of the arbitration award may be served upon the designated agents in Section 8.9 by first class mail or internationally recognized overnight courier. The Parties waive any applicable objections based on personal jurisdiction or service of process in any proceeding brought in accordance with this **Exhibit C**.

In order to facilitate the comprehensive resolution of related disputes, and upon request of any Party to the arbitration proceeding, the arbitrator may consolidate the arbitration proceeding with any other arbitration proceeding relating to this Agreement. The arbitrator shall not consolidate such arbitrations unless it determines that (a) there are issues of fact or law common to the proceedings so that a consolidated Proceeding would be more efficient than separate proceedings, and (b) no Party would be prejudiced as a result of such consolidation through undue delay or otherwise.

All Disputes under this Agreement shall be kept confidential. In any arbitration proceeding, the arbitrator shall take all measures necessary for the protection of Confidential Information and intellectual property. All Proceedings and any award and any information obtained from the other Party in connection with the arbitration shall be deemed Confidential Information under the Agreement; provided that the Parties further agree that such Confidential Information may be disclosed to the extent necessary to enforce any award or enforce this Agreement to arbitrate.

The arbitrator shall award to the prevailing Party its costs and expenses, including its reasonable legal fees and other costs of legal representation, as determined by the arbitrator.

EXHIBIT C

FORM OF TRANSITION SERVICES AGREEMENT

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EXHIBIT D

FORM OF ESCROW AGREEMENT

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SCHEDULE 1.5(a)

Milestone Gross Profit Calculation

"Milestone Gross Profit" shall be calculated as follows:

Net Sales(1)			$--
Less: Cost of Goods Sold:			
Material Cost (2)	$--		
Stability Lots (3)	$--		
FDA Product Licensure (4)		$--	
Product Insurance (5)		$--	
FTE Support(6)		$--	
Storage(7)		$--	
Amortization (8)	$1,252,860		
Total Cost of Goods Sold			$--
Gross Profit			$--

Notes:

(1) Net Sales defined as Gross Sales, less chargebacks, government rebates, discounts & commissions, commercial rebates, and freight.

(2) Material Cost defined as the cost of finished goods sold, including any cost of expired, damaged or otherwise obsolete inventory determined by the last Manufacturing Services Agreement with Emergent BioSolutions, Inc. in effect prior to the 12 month Milestone Period (i.e., as of the first day of the first month of the Milestone Period).

(3) Stability Lots defined as the cost of stability and product testing as determined by the last Manufacturing Services Agreement with Emergent BioSolutions, Inc. in effect prior to the 12 month Milestone Period (i.e., as of the first day of the first month of the Milestone Period).

(4) FDA Product Licensure defined as the Prescription Drug User Fee (PDUFA) accrued monthly based on the most recent invoice amount or published rates for the FDA fiscal year.

(5) Product Insurance defined as the cost of product liability coverage required to insure the Products. To be determined by insurance policy obtained by Saol.

(6) FTE Support defined as the cost of quality and project management headcount supporting the Products, including salaries, bonus, commissions, and benefits.

(7) Storage defined as the cost to warehouse the Products.

(8) Amortization defined as a fixed amount equal to $1,252,860. Sourced from the actual annual Aptevo expense.

General> All amounts to be reported on an accrual basis in accordance with GAAP.

Exhibit 10.2

COLLABORATION AND OPTION AGREEMENT

This Collaboration and Option Agreement (this "**Agreement**") is entered into as of this 20th day of July, 2017 (the "**Effective Date**"), by and between Aptevo Research and Development LLC, a limited liability company existing under the laws of Delaware, having a place of business at 2401 4th Avenue, Suite 1050, Seattle, WA 98121 USA ("**Aptevo**"), and Alligator Bioscience AB, a company existing under the laws of Sweden, having a place of business at Medicon Village, 223 81 Lund, Sweden ("**Alligator**"). Each of Aptevo and Alligator may be referred to herein individually as a "**Party**" and collectively as the "**Parties**."

WHEREAS, Aptevo has developed a proprietary ADAPTIR™ (modular protein technology) platform for the generation of immunotherapeutics;

WHEREAS, Alligator has developed proprietary Binding Domains which bind to 4-1BB [***], and has combined the Binding Domains (as each of these and other capitalized terms is defined below) in a [***] bispecific construct;

WHEREAS, the Parties have previously entered into a Material Transfer & Feasibility Agreement, dated 22 August 2016 (the "**MTA**"), pursuant to which the Parties conducted a feasibility study and developed Product candidates in contemplation of this Agreement;

WHEREAS, the Parties desire to collaborate in a 50/50 cost and revenue sharing arrangement to develop a bispecific antibody that incorporates Alligator Technology and Aptevo Technology up to the end of Phase II Clinical Trials, at which time the Parties intend to grant exclusive rights to a Third Party to further Develop and Commercialize such product;

WHEREAS, Alligator desires to grant an Option pursuant to which Aptevo has the right to obtain the exclusive rights to develop and commercialize a bispecific antibody-like polypeptide on the Aptevo Platform containing Alligator's Binding Domain to 4-1BB and one or more other Binding Domains; Alligator shall have the option to share [***] in respect of such product; and

WHEREAS, the Parties are willing to commit specific resources and funds to support each Party's portion of the research and development activities described in a Development Plan (as defined herein), such activities to be performed by the Parties in collaboration under this Agreement.

NOW, **THEREFORE**, the Parties hereto, intending to be legally bound, hereby agree as follows:

1. DEFINITIONS; INTERPRETATION

Whenever used in this Agreement with an initial capital letter, the terms defined in this Article 1, whether used in the singular or the plural, shall have the meanings specified below.

1.1 "**Affiliate**" means, with respect to a person, organization or entity, any person, organization or entity controlling, controlled by or under common control with, such person, organization or entity. For purposes of this definition only, "control" of another person,

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organization or entity will mean the possession, directly or indirectly, of the power to direct or cause the direction of the activities, management or policies of such person, organization or entity, whether through the ownership of voting securities, by contract or otherwise. Without limiting the foregoing, control will be presumed to exist when a person, organization or entity (a) owns or directly controls fifty percent (50%) or more of the outstanding voting stock or other ownership interest of the other organization or entity, or (b) possesses, directly or indirectly, the power to elect or appoint fifty percent (50%) or more of the members of the governing body of the other organization or entity.

1.2 "**Alligator Background IP**" means all intellectual property rights owned or Controlled by Alligator on the Effective Date.

1.3 "**Alligator Know-How**" means all Know-How (other than Joint Know-How) that is Controlled by Alligator as of the Effective Date or at any time during the Term that is necessary or reasonably useful for the Development or Commercialization of the Product, including all Know-How pertaining to the 4-1BB [***] Binding Domains that was conceived, generated or otherwise made by Alligator prior to the Effective Date.

1.4 "**Alligator Patent**" means any Patent that is Controlled by Alligator that claims any invention or subject matter included in the Alligator Know-How, including the Patents listed in Schedule 1.4.

1.5 "**Alligator Technology**" means the Alligator Patents and Alligator Know-How.

1.6 "**Applicable Laws**" all relevant federal, state and local laws, statutes, rules, regulations, directives, decisions, ordinances, guidances, guidelines and other pronouncements of any Governmental Authority that are applicable to a Party's activities or obligations hereunder.

1.7 "**Aptevo Background IP**" means all intellectual property rights owned or Controlled by Aptevo on the Effective Date.

1.8 "**Aptevo Know-How**" means all Know-How (other than the Joint Know-How, Aptevo Platform Know-How and Aptevo Manufacturing Know-How) that is Controlled by Aptevo as of the Effective Date or at any time during the Term that is necessary or reasonably useful for the Development or Commercialization of the Product.

1.9 "**Aptevo Manufacturing Improvement**" means any Know-How made during the course of conducting Development Activities by one or more individuals who are employees, consultants or subcontractors of Alligator, either alone or jointly with Aptevo or a Third Party, that is (a) an improvement, modification, or adaptation of Aptevo Manufacturing Know-How [***] or (b) an improvement, modification, or adaptation of Aptevo Manufacturing Know-How that is disclosed to Alligator as part of Development Activities, *excluding*, in each case, Know-How that is specific to, or usable only for, the Product or the 4-1BB [***] Binding Domains. For clarity, any Know-How that is an improvement, modification, or adaptation to the Aptevo Manufacturing Know-How made during the course of conducting Development Activities by one or more individuals who are employees, consultants or subcontractors of Aptevo, either alone or jointly with a Third Party shall

not be an Aptevo Manufacturing Improvement, and shall instead be Aptevo Manufacturing Know-How.

1.10 "**Aptevo Manufacturing Know-How**" means all Know-How that is (a) Controlled by Aptevo as of the Effective Date or at any time during the Term (including Aptevo Manufacturing Improvements assigned to Aptevo pursuant to Section 4.3), (b) necessary or reasonably useful for Manufacture of the Product, and (c) applicable to the Manufacture of Aptevo Platform Products. Aptevo Manufacturing Know-How *includes* Know-How arising from Manufacturing Development Activities conducted by or for Aptevo, Aptevo Manufacturing Improvements and any CMC Information to the extent, in each case, such Know-How is not specific to, or usable only for, the Product or the 4-1BB [***] Binding Domains. For clarity, such Know-How that is specific to, or usable only with, the Product or the 4-1BB [***] Binding Domains shall be Joint Know-How.

1.11 "**Aptevo Manufacturing Patent**" means any Patent Controlled by Aptevo that claims any invention or subject matter included in the Aptevo Manufacturing Know-How. The Aptevo Manufacturing Patents, as of the Effective Date, are set forth on Schedule 1.11.

1.12 "**Aptevo Manufacturing Technology**" means the Aptevo Manufacturing Patents and the Aptevo Manufacturing Know-How.

1.13 "**Aptevo Patent**" means any Patent that is Controlled by Aptevo that claims any invention or subject matter included in the Aptevo Know-How, including the Patents listed in Schedule 1.13.

1.14 "**Aptevo Platform**" means technologies relating to (a) single chain polypeptides capable of dimerizing, wherein the dimerized molecule contains [***], and/or (b) single chain polypeptides comprising, [***] a first antibody derived variable chain region, [***] hinge region, [***] constant region, a linker and a second antibody derived variable domain region, [***].

1.15 "**Aptevo Platform Improvement**" means any Know-How made during the course of conducting Development Activities by one or more individuals who are employees, consultants or subcontractors of Alligator, either alone or jointly with Aptevo or a Third Party, that is an improvement, modification, or adaptation of (a) the Aptevo Platform or (b) Aptevo Platform Know-How that is disclosed to Alligator as part of the Development Activities, *excluding*, in each case, Know-How that is specific to, or usable only for, the Product or the 4-1BB [***] Binding Domains. For clarity, any Know-How that is an improvement, modification, or adaptation to the Aptevo Platform Know-How made during the course of conducting Development Activities by one or more individuals who are employees, consultants or subcontractors of Aptevo, either alone or jointly with a Third Party shall not be an Aptevo Platform Improvement, and shall instead be Aptevo Platform Know-How.

1.16 "**Aptevo Platform Know-How**" means all Know-How pertaining to the Aptevo Platform that is (a) Controlled by Aptevo as of the Effective Date or comes under the Control of Aptevo at any time during the Term (including Aptevo Platform Improvements assigned to Aptevo pursuant to Section 4.3), (b) necessary or reasonably useful for the Development, Manufacture or Commercialization of the Product, and (c) is applicable to Aptevo Platform Products, *but excluding* in all cases Know-How that is specific to, or usable only for, the Product or the 4-1BB [***] Binding Domains.

1.17 "**Aptevo Platform Patent**" means any Patent Controlled by Aptevo that claims any invention or subject matter included in the Aptevo Platform Know-How, including the Patents listed in Schedule 1.17.

1.18 **"Aptevo Platform Product**" means molecules consisting of such single chain polypeptides that are included in the Aptevo Platform.

1.19 "**Aptevo Platform Technology**" means the Aptevo Platform Patents and Aptevo Platform Know-How.

1.20 "**Aptevo Technology**" means Aptevo Patents and Aptevo Know-How.

1.21 "**Binding Domain**" means the portion of a pharmaceutical or diagnostic product that binds to an antigen or a cell surface molecule, including a variable domain thereof. "**4-1BB Binding Domain**" refers to a Binding Domain that specifically binds to 4-1BB, [***]. "**4-1BB"** is also referred to a "CD137" and means tumor necrosis factor receptor superfamily member 9 (Ensembl gene ID: ENSG00000049249), [***].

1.22 "**Change of Control**" means, with respect to either Party, the occurrence of any of the following after the Effective Date:

1.22.1 Any "person" or "group" (as such terms are defined below) (a) becomes the "beneficial owner" (as defined below), directly or indirectly, of shares or other interests (including partnership interests) of a Party then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the appointment or election of the directors, the managers, the members of the management board or the members of the supervisory board or similar positions ("**Voting Stock**") of such Party representing fifty percent (50%) or more of the total voting power of all outstanding classes of Voting Stock of such Party or (b) has the power, directly or indirectly, to elect a majority of the members of such Party's directors, managers, management board, supervisory board, or similar governing body ("**Board of Directors**"); or

1.22.2 A Party enters into a merger, consolidation or similar transaction with another Person (whether or not such Party is the surviving entity) and as a result of such merger, consolidation or similar transaction (a) the members of a Board of Directors of such Party immediately prior to such transaction, immediately following such transaction, (i) constitute less than a majority of the members of a Board of Directors of such surviving Person or (ii) do not jointly hold a majority of the voting power within the Board of Directors or (b) the Persons that beneficially owned, directly or indirectly, the shares of Voting Stock of such Party immediately

prior to such transaction cease to beneficially own, directly or indirectly, shares of Voting Stock of such Party representing at least a majority of the total voting power of all outstanding classes of Voting Stock of the surviving Person in substantially the same proportions as their ownership of Voting Stock of such Party immediately prior to such transaction; or

1.22.3 A Party sells or transfers to any Third Party, in one or more related transactions, properties or assets representing all or substantially all of such Party's assets to which this Agreement relates; or

1.22.4 The general meeting of shareholders of a Party adopt a resolution or the holders of shares or other interests of a Party approve a proposal, as applicable, for the dissolution of such Party or for the approval of a resolutions or a plan, as applicable, resulting in the liquidation of all or substantially all of such Party's assets.

1.22.5 For the purpose of this definition of Change of Control, (a) "person" and "group" have the meanings given such terms under Section 13(d) and 14(d) of the United States Securities Exchange Act of 1934 and the term "group" includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the said Act; (b) a "beneficial owner" shall be determined in accordance with Rule 13d-3 under the aforesaid Act; and (c) the terms "beneficially owned" and "beneficially own" shall have meanings correlative to that of "beneficial owner."

1.23 **"Clinical Trial**" means human clinical studies in which the Product is administered or otherwise evaluated in humans, including investigator-initiated human clinical studies funded or otherwise supported by either Party or both Parties. The term "Clinical Trial" includes Phase I Clinical Trials (including Phase IA and IB Clinical Trials) and Phase II Clinical Trials, as the context requires.

1.24 "**CMO Improvement**" means any Know-How made during the course of conduct of manufacturing activities by one or more individuals who are employees, consultants or subcontractors of Alligator or Alligator's CMO engaged pursuant to the a sublicense of rights under the Manufacturing Transition Agreement, either alone or jointly, that is [***], *excluding*, in each case, Know-How that is specific to, or usable only for, the Product or the 4-1BB [***] Binding Domains.

1.25 "**CMC Information**" means information or data contained in, the drug master files or the chemistry, manufacturing and control ("**CMC**") section (or equivalent thereof) of any Regulatory Materials for the Product, or in any CTA, and includes any other similar data or information.

1.26 "**Commercialize**", "**Commercializing**" or "**Commercialization**" means all activities covering the marketing, promotion, selling or offering for sale of a Product for an

indication, including planning, market research, pre-marketing, advertising, educating, marketing, promoting, importing, exporting, distributing and post-marketing safety surveillance and reporting and medical affairs activities. For clarity, the term "Commercialization" shall not include any activities covering Manufacturing or Development of the Product.

1.27 "**Commercially Reasonable Efforts**" means, with respect to a Party's obligations under this Agreement, including to Develop or Manufacture the Product, those efforts and resources consistent with the usual practices of similarly situated companies in the pharmaceutical, biopharmaceutical and biotechnology industry (but not less than the efforts and resources used by the applicable Party), in each case in pursuing the development, commercialization or manufacture of its own pharmaceutical products that are of similar market potential as such Product, taking into account all relevant factors including product labeling or anticipated labeling, present and future market potential, past performance of such Product, financial return, medical and clinical considerations, present and future regulatory environment and competitive market conditions, all as measured by the facts and circumstances at the time such efforts are due. Commercially Reasonable Efforts shall be determined on a market-by-market basis for a particular Product, and it is anticipated that the level of effort will be different for different markets.

1.28 "**Control**" means, when used in reference to intellectual property (including Patents and Know-How), Confidential Information, other intangible property, or materials, that a Party owns or has a license or sublicense to such intellectual property (including Patents and Know-How), and has the ability to grant access, a license or sublicense, or other right to use such intellectual property without requiring the consent of a Third Party or violating the terms of any agreement or other arrangement with any Third Party.

1.29 "**Completion**" means, with respect to a particular Clinical Trial for the Product, that the last patient has received the last planned dose of the Product in accordance with the protocol and the top-line data is available (i.e., efficacy and safety tables and listings have been generated by from clean data sets).

1.30 "**CTA**" means a Clinical Trial Authorization or an application therefor pursuant to Directive 2001/20/EC and the regulations promulgated thereunder for initiating a clinical trial in the European Union (or, upon its effective date, Clinical Trial Regulation EU No. 536/2014), an Investigational New Drug application for initiating a clinical trial in the United States pursuant to 21 C.F.R. Part 312, or any other equivalent application for initiating a clinical trial in any country or region in the Territory.

1.31 "**Develop**," "**Developing**" or "**Development**" means all activities covering research, non-clinical, preclinical and clinical trials, toxicology testing, manufacturing development, formulation development, statistical analysis and reporting, preparation and submission of applications (including CMC Information) for Regulatory Approvals of the Product, that are necessary or reasonably useful or requested or required by a Regulatory Authority as a condition or in support of obtaining or maintaining all Regulatory Approvals for the Product. For clarity, the term "Development" shall not include any activities covering Commercialization or Manufacture.

1.32 "**Development Activities**" means (a) general Development activities, or (b) Manufacturing Development Activities that, in each case, which are jointly funded by the Parties and that are conducted by or on behalf of a Party with respect to the Product consistent with the Development Plan.

1.33 "**Development Costs**" means the actual costs and expenses, including internal and out-of-pocket costs and expenses, that are incurred by or on behalf of a Party or any Affiliates of a Party in conducting the Development Activities in accordance with the Development Plan, which costs and expenses are directly attributable to, or reasonably allocable to, Development Activities of the Product or to Manufacturing of the Product for Development purposes, including [***]. For clarity, Development Costs do not include, for example, [***].

1.34 "**Development Data**" means all non-clinical, clinical, technical, chemical, safety, and scientific data and information and other results, including relevant laboratory notebook information, screening data, Regulatory Data, and synthesis schemes, including descriptions in any form, generated by or resulting from the conduct of Development Activities.

1.35 "**Development Period**" means the period commencing on the Effective Date and ending upon the conclusion of all activities under the Development Plan.

1.36 "**Development Plan**" means the written development plan for the Product that includes a GANTT chart, [***] and the corresponding budgets that are appended hereto as Schedule 1.36, and which sets forth (a) the research and development activities to be performed by each Party during the Development Period, (b) the key stages in Development that will be used to evaluate advancement to the next stage of such development plan, and (c) the Development Budget and estimated timelines and costs for the Development Activities.

1.37 "**Dollar**" and "**$**" means United States dollars.

1.38 "**Field**" means the oncology field, including therapeutic, palliative, prophylactic, diagnostic and research use, in human and animals.

1.39 "**FTE**" means the equivalent of scientific, medical or technical, but for the avoidance of doubt not including financial, legal, marketing or business development, unless otherwise decided by the Steering Committee, work of one (1) person, directly and specifically conducting Development Activities, full time for one (1) year, which equates to a total of [***] hours annually. For the avoidance of doubt, such work may include, where appropriate, [***].

1.40 "**FTE Rate**" means a rate of [***] per annum per FTE [***]. [***].

1.41 "**GAAP**" means the then-current accounting practices of either Party, consisting of either (a) generally accepted accounting principles, or (b) the International Financial Reporting Standards ("**IFRS**"), as the case may be.

1.42 "**Governmental Authority**" means any multinational, federal, state, local, municipal or other governmental authority of any nature (including any governmental association, division, prefecture, subdivision, department, agency, bureau, branch, office, commission, committee, council, court or other tribunal, such as statutory health insurance funds and their associations), in each case having jurisdiction over the applicable subject matter.

1.43 "**Improvements**" means collectively Aptevo Manufacturing Improvements and Aptevo Platform Improvements.

1.44 "**Joint Know-How**" means any Know-How (other than Aptevo Platform Know-How and Aptevo Manufacturing Know-How) conceived, generated or otherwise made during the course of conducting Development Activities, whether by employees, consultants or contractors of either Party (or both Parties) or their respective Affiliates or licensees, *including* Development Data.

1.45 "**Joint Patent**" means any Patent claiming an invention or subject matter included in Joint Know-How.

1.46 "**Joint Technology**" means Joint Patents and Joint Know-How.

1.47 "**Know-How**" means any data, results, material(s), technology and non-public information of any type whatsoever, in any tangible or intangible form, including know-how, trade secrets, practices, techniques, methods, processes, inventions, developments, specifications, formulations, formulae, compositions of matter of any type (patentable or otherwise), software,

algorithms, marketing reports and plans, market research, test data (including pharmacological, biological, chemical, biochemical, toxicological, preclinical and clinical test data), analytical and quality control data, stability data, other study data and procedures.

1.48 "**Manufacture**" or "**Manufacturing**" means all activities related to the manufacturing of Product for Development purposes, including manufacturing for clinical use, in-process and lot release testing, release of Product, quality assurance activities related to manufacturing of Product, handling and storage of Product; fill and any compounding or lyophilization required of a Product and packaging and labeling (whether in commercial or clinical packaging presentation).

1.49 "**Manufacturing Development Activities**" means development of cell lines for the expression of a Product, test methods, stability testing, formulation development, process development, quality assurance activities, quality control activities, qualification and validation activities, analytic process development, manufacturing process validation, scale-up, and all other activities, including CMC-related activities, necessary for or related to the development of Manufacture of the Product.

1.50 "**Net Sales**" means with respect to any period, the gross amounts invoiced by or on behalf of a Continuing Party or its Affiliates (a "**Selling Party**"), as applicable, to unrelated Third Parties for sales of the Product in the Field in the Territory, less the following deductions to the extent included in the gross invoiced sales price for the Product or otherwise directly paid or incurred by a Selling Party with respect to the sale of the Product: (a) trade, quantity or cash discounts, credits, adjustments or allowances, [***]; (b) rebates and chargebacks allowed, given or accrued (including cash, governmental and managed care rebates, hospital or other buying group chargebacks, and governmental taxes in the nature of a rebate based on usage levels or sales of the Product); (c) sales, excise, turnover, inventory, value-added, and similar taxes assessed on the sale of the Product; (d) [***]; (e) freight and insurance charges, if separately included in the amounts invoiced; and [***]. Net Sales will be determined in accordance with GAAP. Without limiting the generality of the foregoing, [***] will be excluded from Net Sales. [***].

1.51 "**NPV**" means the risk-adjusted, discounted net present value of the Revenue proposed to be paid by a potential Third Party Licensee (or, in the case of a Partner Offer, all payments proposed by the applicable Party to be paid to the other Party) [***], after taking into account all relevant factors.

1.52 "**Patent**" means any patent (including any reissue, extension, substitution, confirmation, re-registrations, re-examination, revival, supplementary protection certificate,

patents of addition, continuation, continuation-in-part, or divisional) or patent application (including any provisional application, non-provisional patent application, continuation, continuation-in-part, divisional, PCT international applications or national phase applications).

1.53 "**Person**" means any natural person, general or limited partnership, corporation, limited liability company, limited liability partnership, firm, association or organization or other legal entity.

1.54 "**Phase I Clinical Trial**" means a human clinical trial of the safety of a product that is prospectively designed to generate sufficient data (if successful) to commence a Phase II Clinical Trial, as further defined in 21 C.F.R. §312.21(a), as amended from time to time, or the corresponding regulation in jurisdictions other than the United States.

1.55 "**Phase II Clinical Trial**" means a human clinical trial (a) for which the primary endpoints include a determination of dose ranges or a determination of efficacy in patients being studied, or (b) designed to enroll 20 or more patients of a specific indication at the same dose level, whether or not efficacy is a primary or secondary endpoint, in each case, as described in 21 C.F.R. §312.21(b) with respect to a clinical study performed in the United States, or similar clinical study of a product in any other country.

1.56 "**Process Development**" means the development, qualification, validation and scale-up of the process to manufacture the Product, and any analytic development and Product characterization with respect thereto, beginning with final clone selection and upstream process development and terminating upon the completion of the process scale up activities prior to tech transfer to a CMO, in each case, as described in the CMC Plan, as such CMC Plan exists on upon the Effective Date.

1.57 "**Priority Patent Filing"** means [***].

1.58 "**Product**" means any bispecific antibody-like polypeptide selected by the Parties for Development that contains 4-1BB and [***] Binding Domains.

1.59 "**Product Know-How**" means all Know-How pertaining to the Product or the 4-1BB [***] Binding Domains, including Know-How relating to its composition of matter, method of use or methods of manufacture, but *excluding* in each case any Aptevo Manufacturing Technology, Aptevo Manufacturing Improvement, Aptevo Platform Technology and Aptevo Platform Improvement. For clarity, Product Know-How shall be either Aptevo Know-How, Alligator Know-How or Joint Know-How, and notwithstanding anything to the contrary in this Agreement, includes the Product and the 4-1BB [***] Binding Domains (including any optimized or other modified versions), release assays for the Product and all preclinical and clinical data and other Development Data that, in each case, arise out of the Development Activities.

1.60 "**Product Patents**" means all Patents that claim any invention or subject matter included in Product Know-How. For clarity, Product Patents shall be either Aptevo Patents, Alligator Patents or Joint Patents.

1.61 "**Prosecute**" (and correlative terms) means preparing, filing, prosecuting and maintenance of a Patent, as well as handling re-examinations, and requests for supplementary protection certificates and patent term extensions with respect to such Patent, together with the conduct of any post-grant proceeding, supplemental examination, post-grant review, inter parte review, reexamination, reissue, interference, or opposition proceeding in any patent office. "Prosecute" will not include any enforcement actions taken with respect to a Patent against a Third Party.

1.62 "**Revenue**" means any payments or other consideration (including equity) that a Party receives from a Third Party Licensee, its Affiliates, sublicensees or distributors, other than: (a) loans or other debt obligations (it being understood that any amounts of which are forgiven shall be deemed to be Revenue); and (b) consideration as reimbursement for costs and expenses, such as research costs, development costs, manufacturing (including Manufacturing) costs, promotional expenses and patent costs, incurred after the effective date of the Third Party License Agreement. If a Party or its Affiliates receives non-cash consideration (other than equity) from a Third Party Licensee in connection with a Third Party License Agreement or in the case of transactions not at arm's length, Revenue will be calculated based on the fair market value of such consideration or transaction, at the time of the transaction, assuming an arm's length transaction made in the ordinary course of business. If a Party or any of its Affiliates issue equity or debt securities to a Third Party Licensee, only the portion of any consideration received by such Party or any of its Affiliates for such securities in excess of the fair market value of such securities shall be included in Revenue (such fair market value to be determined, (i) if such securities are not then publicly traded, by such Party's Board of Directors, or (ii) if such securities are then publicly traded, by the method used to determine the amount paid by such Third Party Licensee or if no such method is specified, [***].

1.63 "**Regulatory Approvals**" means all necessary approvals (including any supplements and amendments thereto), licenses, registrations or authorizations of any Governmental Authority, necessary for the manufacture, distribution, use, promotion and sale of the Product in a given country or regulatory jurisdiction, including all required pricing and reimbursement approvals.

1.64 "**Regulatory Authority**" means, in a particular country or regulatory jurisdiction, any applicable Governmental Authority involved in granting Regulatory Approvals in such country or regulatory jurisdiction, including (a) in the U.S., the FDA, and (b) in the European Union, the European Commission and relevant national medicines regulatory authorities.

1.65 "**Regulatory Data**" means any and all research data, pharmacology data, chemistry, manufacturing and control data, preclinical data, clinical data and all other documentation submitted, or required to be submitted, to Regulatory Authorities in association with obtaining or maintaining all CTAs and Regulatory Approvals for the Product (including any applicable Drug Master Files ("**DMFs**"), CMC Information, or similar documentation).

1.66 "**Regulatory Materials**" means regulatory applications, submissions, notifications, communications, correspondence, registrations, Regulatory Approvals and/or other filings made to, received from or otherwise conducted with a Regulatory Authority that are

necessary in order to Develop, manufacture (including Manufacture), obtain and maintain CTAs and Regulatory Approvals, market, sell or otherwise commercialize the Product in a particular country or regulatory jurisdiction. Regulatory Materials include materials relating to pre-CTA meetings, CTAs, pre-Marketing Authorization Application ("**MAA**") meetings (including the biologics license application filed with the FDA), MAAs, presentations, responses, and applications for other Regulatory Approvals.

1.67 "**Significant Pharmaceutical Company**" means a company substantially engaged in the development and commercialization of pharmaceutical products having a market capitalization of [***] as listed on a nationally recognized public securities exchange.

1.68 "**Stage Gate**" means those go/no go criteria for the continuation of the Development Activities, which are set forth in Schedule 2.3.4.

1.69 "**Term**" has the meaning set forth in Section 14.1.

1.70 "**Territory**" means the entire world.

1.71 "**Third Party**" means any entity or person other than Aptevo, Alligator, or an Affiliate of Aptevo or Alligator.

1.72 "**Third Party Development Funding**" means Development Costs paid by a Third Party (other than a Third Party Licensee) to fund the Development of a Product through the Completion of Phase II Clinical Trials following the Termination Date.

1.73 "**Third Party License Agreement**" means (a) any right granted, license given, covenant not to sue, or agreement entered into by one or both of the Parties to or with any Third Party, to exploit a Product in the Field or otherwise permitting or relating to the development, manufacture, marketing, distribution, use, or sale of the Product in the Field, including the Manufacture and supply of Product to such Third Party; (b) any option or other right granted by the Parties to any Third Party to negotiate for or receive any of the rights described under clause (a); or (c) any standstill or similar obligation undertaken by the Parties toward any Third Party not to grant any of the rights described in clause (a) or (b) to any Third Party; in each case, regardless of how such grant of rights, license given or agreement entered to is referred to.

1.74 "**Third Party Licensee**" means any Third Party that enters into a Third Party License Agreement with a Party (or both Parties).

1.75 "**Valid Claim**" means any claim within an issued Patent, which claim has not expired or been held invalid by a non-appealed or unappealable decision by a court or other appropriate body of competent jurisdiction, and that has not been disclaimed or admitted to be invalid or unenforceable through reissue, disclaimer, or otherwise, or any claim within a pending patent application that has been prosecuted in good faith, has not been pending for [***], and has not been abandoned or finally rejected without the possibility of appeal.

1.76 **Interpretation**. Except where expressly stated otherwise in this Agreement, the following rules of interpretation apply to this Agreement: (a) "include", "includes" and

"including" are not limiting; (b) "hereof, "hereto", "herein" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement; (c) words of one gender include the other gender; (d) references to a contract or other agreement mean such contract or other agreement as from time to time amended, modified or supplemented; (e) references to a Person are also to its permitted successors and assigns; (f) references to an "Article", "Section", "Exhibit" or "Schedule" refer to an Article or Section of, or an Exhibit or Schedule to, this Agreement, unless expressly stated otherwise; and (g) references to a law include any amendment or modification to such law and any rules and regulations issued thereunder, whether such amendment or modification is made, or issuance of such rules and regulations occurs, before or after the date of this Agreement.

1.77 Other Definitions. The following capitalized terms have the meaning ascribed to them in the corresponding identified section of this Research Agreement (unless otherwise provided):

Definition	Section
4-1BB	1.21
4-1BB Binding Domain	1.21
[***]	1.21
[***]	1.21
Acquired Third Party IP	4.9.2
Agreement	Preamble
Alligator	Preamble
Alligator CMO	6.2.2
Alligator Indemnitee	13.1
Allocable Percentage of Revenue / APR	14.4.1
Aptevo	Preamble
Aptevo Indemnitees	13.2
Aptevo Option	4.8
Aptevo Option Product	4.8
Best Offer	7.3.2
BD Committee	7.5.1
Board of Directors	1.22.1
Budget Forecast	2.3.1
CEO Negotiation Period	15.4.2
CEOs	15.4.2
[***]	3.1.10
CMC	1.25
[***]	3.1.10
CMOs	2.1.3(a)
Competing Product	2.6.1
Confidential Information	5.1
Consideration Period	14.2.1(b)
Continuing Party	14.3.1(b)
CROs	2.1.3(a)

Definition	Section
De Minimis Overage Amount	9.1.3(b)
Decision Date	7.4.1
Designated Information	5.2.2
Development Budget	2.3.1
Development Forecast	2.3.1
Development Records	2.4.1
Disclosing Party	5.1
Dispute	15.4.1
DMF	1.65
Effective Date	Preamble
Excess Overage Amount	9.1.3
Expected Overrun Notice	2.3.2
Existing CMO	6.2.2(a)
Final Notice	14.2.1(c)
Financial Report	14.4.3
ICDR	15.5
IFRS	1.41
Indemnified Party	13.3
Indemnifying Party	13.3
Infringing Product	11.7.1
Infringement Claim	11.6.1
Intellectual Property Subcommittee / IPSC	3.5
Joint Patent Counsel	11.5.2
Jointly Managed Product Patents	11.1
Lead Party	7.2.1
Losses	13.1
MAA	1.66
Manufacturing Transition Agreement	6.2.2(a)
MTA	Recitals
New CMO	6.2.2(a)
NPV Threshold	7.2.1
Opt-Out	14.2.1(a)
Opt-Out Date	14.2.1 (c)
Opt-Out Notice	14.2.1(a)
Opt-Out Party	14.2.1(a)
Opt-Out Window	14.2.1(a)
Option Period	4.8.2
Party / Parties	Preamble
Partner Offer	7.1
Prior CDA	5.1
Priority Joint Patent	11.4
Proposals	15.5
Receiving Party	5.1
Redacted Agreement	5.6.2

Definition	Section
Research License	2.5
Selling Party	1.50
Steering Committee	3.1
Target	4.8.2(b)
Target Lists	4.8.2(b)
Target Clearance Attorney	4.8.2(a)
Term	14.1
Terminated Party	14.3.1
Terminating Party	14.3.1
Termination Date	14.3.1
Third Party Claim	13.1
Third Party IP	4.9.1
Third Party IP Agreement	4.9.1
Third Party Proposal	7.2.2
Transition Event	6.2.2(a)
Voting Stock	1.22.1

2. DEVELOPMENT

2.1 Performance of Development Activities.

2.1.1 General. Each Party shall perform the Development Activities allocated to it in accordance with the Development Plan, including preparation and/or filing of Regulatory Materials. The Parties anticipate that the Development Plan will utilize the specific expertise and capabilities of each Party and that the Parties will mutually agree upon a division of labor and Development Activities that take advantage of this expertise. Although many Development Activities will be jointly conducted, others will be the sole responsibility of Aptevo or Alligator. As of the Effective Date, the Parties anticipate that Alligator will be the Party primarily responsible for Development Activities related to clinical trials for the Product, and Aptevo will be the Party primarily responsible for Development Activities related to the Manufacturing of the Product, in each case, as set forth in additional detail in Section 2.1.3.

2.1.2 Allocation. In any given month, quarter or year, the Parties may not be assigned equal responsibilities, but over the Development Period the Parties anticipate an approximately equal contribution to Development Activities under the entire Development Plan. Each Party shall use its Commercially Reasonable Efforts to comply with any timelines, schedules and target dates for completing its Development Activities or any portion thereof as set forth in the Development Plan. If a Party's failure to use such Commercially Reasonable Efforts to complete its Development Activities results in a material delay in the timelines, schedules and/or target dates under the Development Plan, and if any increase in Development Costs is directly attributable to such failure and resultant delay, then the Party responsible for such failure and delay shall be [***].

2.1.3 **Party Specific Responsibilities; Cooperation**. As of the Effective Date, the Parties understand and agree that certain Development Activities will be solely assigned to Aptevo or Alligator, including as follows:

(a) Aptevo will perform process development and will be responsible for day-to-day decision making for process development and Manufacturing activities. As part of day-to-day decision-making, Aptevo will manage and oversee the Manufacturing of Product by contract manufacturing organizations and/or contract research organizations ("**CMOs**" and/or "**CROs**"). The Parties will work collaboratively on all other matters related to Manufacturing [***]. Except as provided in Section 6.2.2, or Section 2.1.5, such collaborative efforts will not obligate Aptevo to disclose to Alligator any Aptevo Manufacturing Technology or Aptevo Platform Technology in relation to such Manufacturing matters. Aptevo shall use Commercially Reasonable Efforts to perform all Manufacturing Development Activities. Alligator will use Commercially Reasonable Efforts to support Aptevo in the performance of the Manufacturing Development Activities. [***].

(b) Day-to-day decision making for clinical research and operations will be the responsibility of the Party assigned to conduct a specific study, whether the Party elects to directly conduct the study or conduct the study with the assistance of a CRO. The Parties agree that Alligator will be responsible for day-to-day decision making for EU clinical studies (including any sites conducted under such studies in the US) and Aptevo will be responsible for day-to-day decision-making for US clinical studies (including any sites conducted under such studies outside the US). The Parties will work collaboratively on all other matters related to the clinical development of the Product [***]. Each Party will use Commercially Reasonable Efforts to support the other in the performance of the clinical Development Activities. Clinical Development Activities shall be planned and discussed in the Steering Committee and agreed upon in the Development Plan and shall be approved, reported on and discussed at the meetings of the Steering Committee. The Parties agree that [***] shall not fall within the scope of day-to-day decision-making.

2.1.4 **Requirements**. Each Party shall furnish the research and development staff, technical know-how, equipment, instruments, supplies and facilities necessary to carry out the Development Activities assigned to such Party. Each Party shall conduct its Development Activities in accordance with the Development Plan, the terms of this Agreement and all Applicable Laws, GCPs, GLPs and GMPs. Notwithstanding anything to the contrary in the foregoing, neither Party makes any warranties or representations regarding the achievement of any particular results in connection with its Development Activities.

2.1.5 **Information Disclosure**. Subject to the licenses granted under Article 6, upon written request from the other Party, as applicable, (a) Aptevo shall promptly disclose the Aptevo Know-How, Aptevo Manufacturing Know-How and Aptevo Platform Know-How to

Alligator, and (b) Alligator shall promptly disclose the Alligator Know-How to Aptevo, in each case, to the extent that it is necessary for the other Party to conduct Development Activities or, subject to the process and to the extent required under Section 6.2.2, for Alligator to have Product manufactured. For clarity, information disclosed pursuant to this Section 2.1.5 shall be the Confidential Information of the disclosing Party, and shall be subject to the provisions of Article 5 herein.

2.2 Subcontracting of Development Activities. Neither Party may subcontract its obligations or any of its Development Activities under the Development Plan without the prior written consent of the other Party [***]. Each Party shall ensure that each of its subcontractors accepts and complies with all applicable terms and conditions of this Agreement, all required licenses, permits and accreditations and all Applicable Laws, [***]. Each subcontract shall [***]. Each Party hereby expressly waives any requirement that the other Party exhausts any right, power or remedy, or proceed against a subcontractor, for any obligation or performance hereunder prior to proceeding directly against such Party.

2.3 Development Plan.

2.3.1 Initial Development Plan; Development Plan and Budget. The Parties shall conduct the Development Activities, including the Manufacturing Development Activities, pursuant to a comprehensive Development Plan. The Parties have agreed on an initial Development Plan as of the Effective Date, which is attached to this Agreement as Schedule 2.3.1. The Parties understand and agree that the initial Development Plan (and the budget therein) is based on a good-faith estimates only [***]. Within [***] days after the Effective Date, the Parties will update the initial Development Plan and the associated budget therein. Pending such update, the initial Development Plan shall remain in effect. The Development Plan shall set forth, among other things, the following Development Activities through completion of the first Phase II Clinical Trial: (a) preclinical studies, pharmacologic studies, toxicology studies, process development studies and clinical studies; (b) a detailed budget for all Development Costs for the Development Activities in the Development Plan [***]. (the "**Development Budget**") and a forecast of the projected Development Costs for the Development Activities for [***] (the "**Budget Forecast**"); (c) the allocation of the Development Activities to be conducted by each Party and the timeline for completing such Development Activities; (d) the plans and timelines for preparing the necessary Regulatory Materials, and the regulatory plans and other elements of obtaining and maintaining Regulatory Approvals; (e) the Manufacturing Development Activities, as well as the plans, amounts and

timelines for the Manufacture and supply of Product necessary for the Development Activities, taking into account Product supply chain timelines and inventory of Product in stock; and (f) the number of FTEs necessary for the performance of the Development Activities. The Development Plan will be updated annually as approved by the Parties. In connection with each annual update of the Development Plan the Parties will agree upon an update to the annual Development Budget for [***] and the activities expected to be performed under such budgeted amounts (the "**Development Forecast**") and an update for the Budget Forecast covering [***]. If the Parties are unable to so agree on the annual Development Budget for the next such year, then [***]. Each Party may propose amendments to the Development Plan from time to time. Amendments to the Development Plan will be effective only upon mutual written agreement of the Parties regarding the terms and conditions of each such amendment.

2.3.2 **Notice of Budget Overruns**. At any time during the Development Term, if a Party reasonably believes that its Development Costs incurred in the conduct of Development Activities in a given year will exceed the annual Development Budget allocated to such Development Activities in such year, then such Party shall provide prompt notice to the other Party prior to incurring such excess costs, with such notice detailing the amount and reasons for such projected overage (the "**Expected Overrun Notice**"). The Party that receives the Expected Overrun Notice shall promptly acknowledge receipt of the same and, following such acknowledgment, the Parties shall promptly meet to discuss the reasons for such overage and a potential increase or re-allocation of the Development Budgets to cover all or a portion of such overage (taking into account whether the applicable overage was caused by an underestimation, the actions of either Party, or events outside of a Party's reasonable control). [***]. If the Parties agree to increase or re-allocate the annual Development Budget to cover such increased Development Costs in such year, then the Parties shall promptly amend the applicable Development Budget in accordance with Section 2.3.1. If the Party receiving the Expected Overrun Notice does not respond to the Party that delivered such Expected Overrun Notice [***] then the Party that received the Expected Overrun Notice shall [***].

2.3.3 **Manufacturing Development Plan**. A development plan for Manufacturing Development Activities is included in the initial Development Plan, and may be amended by the Parties. This development plan will describe [***].

2.3.4 **Stage Gates**. If a Product candidate does not satisfy the applicable go/no go criteria for any one of the Stage Gates, then, unless the Parties otherwise agree in writing [***] after achievement of the applicable Stage Gate to continue the Development Activities, this Agreement will be terminated as set forth in Section 14.2.4. For clarity, the Stage

Gates are separate and apart from the ability of either Party to Opt-Out of this Agreement in specified windows, which is addressed in Section 14.2.1 hereof.

2.4 Records and Development Data.

2.4.1 Records. Each Party shall create and maintain complete and accurate written records of its Development Activities and of all Development Data generated in the performance of Development Activities (collectively, the "**Development Records**") as well as records of data obtained and inventions made pursuant to its Research License, which records shall include, as applicable, books, records, reports, research notes, charts, graphs, comments, computations, analyses, recordings, photographs, computer programs and documentation thereof (e.g., samples of materials and other graphic or written data generated in connection with such Development Activities and Research License activities), in a timely, accurate, complete and legible manner. Such records shall properly reflect all work done and results achieved in the performance of the Development Activities in sufficient detail and in good scientific manner appropriate for regulatory and patent purposes. Each Party shall document such Development Activities, including Clinical Trials, to be conducted pursuant to the Development Plan in formal written study reports according to ICH-GCP and other applicable national and international regulatory requirements. All Clinical Trial activities should be documented by setting up, maintaining and controlling a trial master file according to ICH-GCP. Each Party shall be given an adequate opportunity, [***], to comment on drafts of reports resulting from such Development Activities. Each Party shall maintain the Development Records in compliance with the terms of this Agreement and Applicable Law.

2.4.2 Access to Development Records. Each Party shall have the right, during normal business hours and upon reasonable notice, to inspect [***] all Development Records of the other Party. Each Party shall make available its employees engaged in the Development Activities upon reasonable notice during normal business hours and at their respective places of employment to consult with the other Party on the progress of the Development Activities and to exchange Joint Know-How. For the avoidance of doubt, nothing in this Section 2.4.2 will obligate Aptevo to disclose to Alligator any Aptevo Manufacturing Technology or Aptevo Platform Technology.

2.4.3 Development Data. All Development Data shall be owned and shared by the Parties as set forth in this Section 2.4.3

(a) Ownership of Development Data. Development Data and Development Records that are not Aptevo Platform Technology or Aptevo Manufacturing Technology shall be jointly owned by both Parties and shall be considered Joint Technology for all purposes under this Agreement, and shall be considered the Confidential Information of both Parties.

(b) Sharing of Development Data. With respect to the Development Data generated by or on behalf of a Party, such Party shall promptly provide the other Party with copies of reports and summaries thereof, in each case as such reports and summaries become available to such Party, and no less frequently than each quarter during the Development Period and within [***] after the expiration or termination of the Development Period. Aptevo

will share all Development Data generated by or on behalf of Aptevo or its Affiliates with Alligator [***], and Alligator is entitled to disclose such Development Data to its Affiliates in accordance with the terms of this Agreement. Alligator will share all Development Data generated by or on behalf of Alligator or its Affiliates with Aptevo [***], and Aptevo is entitled to disclose such Development Data to its Affiliates in accordance with the terms of this Agreement. Aptevo shall ensure that its Affiliates agree to the disclosure of such Development Data to Alligator and its Affiliates, and Alligator shall ensure that its Affiliates agree to the disclosure of such Development Data to Aptevo and its Affiliates.

2.5 Grant of Research License. Subject to Section 2.7 and the remainder of this Section 2.5, each Party hereby grants to the other Party a limited, non-exclusive right and license to use Joint Technology without obtaining permission from the grantor Party or reporting to the grantor Party on the results of such activities, as set forth in additional detail in this Section 2.5 (the "**Research License**").

2.5.1 Permitted Uses. The grantee Party may generate in vitro data using the Product or Joint Technology solely [***]; *provided*, however, if any invention is made as a result of such activities, then (a) subject to subsection 2.5.1(b) below, if such invention is necessary or reasonably useful for the use and/or exploitation of the Product, then such invention shall be deemed Joint Know-How under this Agreement and (b) notwithstanding anything in this Section 2.5 to the contrary if such invention is directed to the Aptevo Platform, the Aptevo Platform Technology or Aptevo Manufacturing Technology, then such an invention shall be deemed Aptevo Platform Know-How and Aptevo Manufacturing Know-How, respectively, and included in the scope of the licenses granted by Aptevo hereunder, as applicable.

2.5.2 Product-related Information; Publication. If a grantee Party wishes to publish or otherwise publicly disclose any Product-related information, data or results obtained pursuant to its Research License, then the grantee Party shall comply with the publication review procedure set forth in Section 5.7.

2.5.3 [***] Uses. Other than as set forth in Section 2.5.4, if a grantee Party wishes to perform any [***] pursuant to its Research License (and such experiments are outside of the scope of the Development Plan), the grantee Party will obtain written permission from the grantor Party before undertaking any such [***]. The grantee Party's request for such permission shall include a reasonably detailed description of its proposed [***].

2.5.4 Sole Legal Support. If a grantee Party wishes to generate in vitro data or in vivo data to support any of the grantee Party's legal positions or defenses as part of any judicial and/or patent office proceeding or submission, then the grantee Party will obtain written permission from the grantor Party before undertaking any such action [***]. The grantee Party is obligated to share with the grantor Party all such data that are disclosed in connection with such judicial and/or patent office proceeding or submission and, to the extent reasonably possible, the Parties shall meet and discuss any such use and disclosure in good faith prior to such disclosure. Upon written notice to the grantee Party, the grantor Party may use such in vitro and in vivo data disclosed by the grantee Party solely to support

a legal position or defense of the grantor Party in a judicial or patent office proceeding or submission; provided that (a) the grantor Party presents such data of the grantee Party in a manner that is not inconsistent with the grantee Party's legal and technical arguments and (b) to the extent reasonably possible, the Parties shall meet and discuss any such use and disclosure in good faith prior to such disclosure. Although it is envisioned that the data provided by a grantee Party to the grantor Party under this Section 2.5.4 will publish as part of the judicial or patent office proceeding, if either Party wishes to publish such data of the grantee Party outside of such judicial or legal proceedings (for instance, in a scientific publication), the Party wishing to publish shall seek approval from the other Party through the publication review procedure set forth in Section 5.7. For clarity, patent office proceedings and submissions described in this Section 2.5.4 refer to proceedings such as USPTO inter partes review or EPO opposition proceedings and submissions, and specifically do not include filing of new patent applications or submissions to further the prosecution of a patent application owned solely by either Party, with the exception of an Alligator Patent or Aptevo Patent as provided in Section 11.5.3(b).

2.5.5 **Joint Legal Support**. If either Party wishes to generate in vitro data or in vivo data in connection with the support of any legal positions or defenses as part of any judicial and/or patent office proceeding or submission (a) with respect to any Joint Technology, or (b) with respect to the potential invalidation or opposition of any Third Party Patent that is relevant to the Product, then the Parties shall meet in good faith to discuss the generation of such data and shall cooperate in connection with the presentation of such generated data in connection with such submission or proceeding.

2.5.6 **Confidential Results**. All information, data and results obtained by a grantee Party pursuant to its Research License, other than Joint Technology, will be solely owned by, and be the Confidential Information of, the grantee Party. For the avoidance of doubt, all information, data and results obtained by Alligator pursuant to its Research License that is directed to the Aptevo Platform, the Aptevo Platform Technology or Aptevo Manufacturing Technology shall be deemed Aptevo Platform Know-How and Aptevo Manufacturing Know-How, as applicable, and shall be solely owned by, and be the Confidential Information of, Aptevo, subject to the rights and licenses granted by Aptevo hereunder.

2.6 **Non-Compete and Exclusivity**.

2.6.1 **Development Exclusivity**. During the Development Period, neither Party nor any of its Affiliates will, directly or indirectly by granting rights to a Third Party, develop, manufacture or commercialize any bispecific or multispecific antibody or antibody-like polypeptide, other than the Product, that contains [***] Binding Domain and [***] Binding Domain ("**Competing Product**"), alone or together with a Third Party.

2.6.2 **Exclusivity Tail**. Notwithstanding the limitations set forth in Section 2.6.1, if either Party Opts Out of this Agreement, then the Party that exercises its right to Opt Out along with its Affiliates shall not, directly or indirectly by granting rights to a Third Party, develop, manufacture or commercialize any Competing Product for a period of [***] following the effective date of the Opt Out. For the avoidance of doubt, (a) the exclusivity obligations in Section 2.6.1 shall expire immediately upon the effective date of any Opt Out with respect to the non-Opt Out Party and its Affiliates and (b) if both Parties exercise their respective right to Opt

Out during the same Opt-Out Window, then the exclusivity obligations in Section 2.6.1 shall expire immediately with respect to each Party or its Affiliates. Notwithstanding the foregoing, if at any time during the exclusivity period, the non-Opt Out Party and its Affiliates cease all development and commercialization efforts with respect to the Product (direct or indirect), then the exclusivity obligations in Section 2.6.1 (including the tail in Section 2.6.2) shall expire immediately with respect to each Party and its Affiliates.

2.7 Confidentiality. Subject to the exceptions set forth in Section 5.1 (a)–(e), each Party shall treat as each Party's Confidential Information the Development Records and the contents of any report of Development Data provided to it under Section 2.4.2. Any Confidential Information relating to the Product that is disclosed by a Party, but was not developed, produced or obtained through the Development Activities (for example, a Party's independently obtained and funded marketing reports, business plans, pricing information and the like), shall be and remain the Confidential Information of the Disclosing Party.

2.8 Use. Subject to the terms and conditions set forth in this Agreement (including Section 14.3), each Party may use the Development Data, and may allow its Affiliates to use the Development Data, solely for the performance of Development Activities and efforts to enter into one or more Third Party License Agreements. Except as permitted in Section 2.5, or with respect any intellectual property assigned to Aptevo under this Agreement, neither Aptevo nor Alligator may use the Development Data or Joint Technology outside of the Field.

2.9 Regulatory Matters.

2.9.1 General Responsibilities; Ownership of CTAs.

(a) The Development Plan shall state which Party shall be the sponsor of any CTA and responsible for the preparation of all Regulatory Materials necessary or desirable for conducting any Clinical Trial. The Parties agree that for EU regulatory filings, Alligator shall be responsible for day-to-day decision-making and for US regulatory filings, Aptevo shall be responsible for day-to-day decision making. The other Party shall have the right to review and approve any essential materials and may provide advice on the proposed strategy and documentation for submission to the Regulatory Authorities and the sponsoring Party shall consider such comments in good faith.

(b) To the extent not prohibited by Applicable Laws, each Party shall be entitled to attend key meetings with the relevant Regulatory Authorities and to participate fully in such meetings.

(c) Each Party shall cooperate with and provide reasonable assistance to the other Party in connection with all activities undertaken by such Party relating to the obtaining and maintaining of the CTAs.

(d) Aptevo shall be responsible for preparing those portions of any Regulatory Materials related to the Manufacture of the Product, including any DMFs and CMC (or equivalent) section of any Regulatory Materials and shall provide any such sections to Alligator as may be required for the submission of such Regulatory Materials to the Regulatory Authorities.

Aptevo shall cooperate with and provide reasonable assistance to Alligator in connection with submitting those portions of any Regulatory Materials related to the Manufacture of the Product.

(e) All costs incurred in connection with the preparation and filing of CTAs for the Product under the Development Plan shall be Development Costs.

(f) To the extent required by Applicable Law or otherwise determined by the Steering Committee, the sponsoring Party shall obtain and maintain clinical trial insurance in respect of all Clinical Trials for which it is the sponsor and Aptevo shall obtain and maintain appropriate insurance in respect of the Manufacturing of the Product.

2.9.2 Reporting and Review.

(a) Each Party shall keep the other Party reasonably and regularly informed in connection with the preparation of all material Regulatory Materials and Regulatory Authority review of Regulatory Materials. Upon reasonable request, each Party shall provide the other Party, in a timely manner, with copies of all material notices, questions, and requests for information in tangible form which it receives from a Regulatory Authority with respect to the Product. Without limiting the foregoing, upon a Party's reasonable request, the other Party shall copy the requesting Party and seek to cause Regulatory Authorities to copy the requesting Party on all substantive correspondence with any Regulatory Authority related to the Product.

(b) The Parties shall cooperate in communicating with any Regulatory Authority having jurisdiction regarding the Product and each Party shall keep the other Party informed of planned regulatory submissions and material communications, either on its own initiative in accordance with this Agreement or as a result of such a Regulatory Authority initiating contact with such Party in connection therewith.

(c) The Party sponsoring a CTA shall be responsible for the collection, review, assessment, tracking and filing of information related to adverse events associated with the Product in the applicable Clinical Trial in accordance with Applicable Laws. Prior to the submission of the first CTA, the safety representatives from each of the Parties shall meet and agree upon a written pharmacovigilance agreement to delineate the Parties respective pharmacovigilance obligations and safety data reporting responsibilities for the Product to ensure that there is adequate coordination and sharing of relevant safety information [***]. Such pharmacovigilance agreement shall ensure that adverse event and other safety information is exchanged according to a schedule that will permit each Party (and its Affiliates, or subcontractors) to comply with Applicable Laws.

(d) Each Party shall promptly inform the other Party of notification of any action by, or notification or other information that it receives (directly or indirectly) from, any Regulatory Authority that (i) raises any material concerns regarding the safety or efficacy of the Product, (ii) indicates or suggests a potential material liability of either Party to Third Parties in connection with the Product, or (iii) relates to expedited exchange of individual case safety reports and periodic safety reports with respect to the Product. Each Party shall reasonably cooperate with

and assist the other Party in complying with regulatory obligations, including by providing to the other Party [***] such information and documentation which is in such Party's possession as may be necessary or reasonably helpful for the other Party to prepare a response to an inquiry from a Regulatory Authority.

3. GOVERNANCE

3.1 Steering Committee; Day-to-Day Activities. Within thirty (30) calendar days after the Effective Date, the Parties shall establish a joint steering committee comprised of an equal number of representatives from Aptevo and Alligator to oversee and guide the Development Activities , and the collaboration of the Parties under this Agreement (the "**Steering Committee**"). The Steering Committee will act as a forum for information exchange between the Parties, provide high-level guidance and strategy to both Parties with respect to Development Activities, and be responsible for making key strategic decisions in connection with the Development Activities and the conduct thereof, but it is not intended to manage the day-to-day operations of either Party. For the avoidance of doubt, the day-to-day decision making of either Party with respect to its operations and its implementation of the Development Activities for which it is responsible is outside of the purview of the JSC, except to the extent that the JSC defines such roles in the Development Plan, [***] and, [***]. Without limiting the foregoing, and except to the extent that the Steering Committee expressly agrees to delegate any function or decision to the responsible Party (or to a sub-committee formed by the Steering Committee), the Steering Committee shall perform the following functions and be responsible for the following key decisions:

3.1.1 Review, coordinate and discuss the overall strategy for Development Activities, including the overall strategy for seeking Regulatory Approvals for the Product, and approve such overall strategy for Developing the Product, in each case under the Development Plan;

3.1.2 Manage and oversee the preparation and implementation of the Development Plan;

3.1.3 Review and discuss updates and non-material amendments to the Development Plan;

3.1.4 Approve all matters expressly referred to in the Development Plan as requiring the joint approval of the Parties;

3.1.5 Review and approve (or decline to recommend) any material amendments to the Development Plan (including, for example, adding or modifying a Stage Gate(s) described in the then-current Development Plan), and decide upon which Party will be responsible for the performance of the various activities set forth in the Development Plan on the basis of each Party's respective experience, capabilities and capacity;

3.1.6 Review and discuss inclusion of Excess Overage Amounts;

3.1.7 Review, discuss and approve Clinical Trials or other Development Activities proposed by either Party to be included in the Development Plan;

3.1.8 Facilitate the exchange of information between the Parties under this Agreement regarding the strategy for implementing the Development Activities, including sharing of Development Data and establishing procedures for the efficient sharing of other information;

3.1.9 Coordinate and facilitate exchange by both Parties of [***] Regulatory Data and Regulatory Materials in support of filings and facility inspections;

3.1.10 Review, discuss and approve a plan for (a) the conduct of [***], (b) the conduct of [***] and (c) the conduct of [***];

3.1.11 Review, discuss and approve the design of the Clinical Trial protocols and endpoints and oversee the conduct of all Clinical Trials required as set forth in the Development Plan;

3.1.12 Review and discuss the contents of informed consent form templates and case report form templates;

3.1.13 Review and discuss the contents of all submissions to Regulatory Authorities and Governmental Authorities for Regulatory Approvals, Regulatory Materials and all necessary filing and registration activities related thereto;

3.1.14 Discuss, and during Development approve, which Party will be responsible for the maintenance of the global safety database;

3.1.15 Review and approve all content of any CTA and any annual regulatory filings prior to submission;

3.1.16 Review, discuss and oversee issues regarding pharmacovigilance and safety (including the maintenance of the global safety database);

3.1.17 Oversee and discuss the [***];

3.1.18 Establish procedures for seeking Third Party Licensees and the negotiation of Third Party License Agreements;

3.1.19 Review and discuss the amounts and timelines of Product for supply of Development Activities;

3.1.20 Review the progress of the subcommittees of the Steering Committee;

3.1.21 Discuss and approve the drafts of reports resulting from activities conducted under the Development Plan;

3.1.22 Discuss and approve the potential development of possible modifications of Product, as well as any combination products, follow-on or backup products in relation to the Product;

3.1.23 Discuss and approve the potential development of possible modifications of the Product under Development;

3.1.24 Discuss and approve the potential development of possible diagnostic products;

3.1.25 Review, discuss and approve subcontractors for Development Activities, including the material terms of subcontract agreements;

3.1.26 Resolve disputes and other matters referred to the Steering Committee by any other subcommittee, if any;

3.1.27 Resolve disputes which are stated herein to be referred to the Steering Committee for resolution;

3.1.28 Review and approve publications, including scientific articles, conference presentations and press releases; and

3.1.29 Have such other responsibilities as may be assigned to the Steering Committee pursuant to this Agreement or as may be mutually agreed upon by the Parties in writing from time to time.

3.2 Membership; Meetings. The Steering Committee shall have [***], with [***] designated by Aptevo and [***] designated by Alligator. The initial members of the Steering Committee are identified in Schedule 3.2. Each Party may change its Steering Committee representatives from time to time, in its sole discretion, effective upon delivery of written notice to the other Party. The Steering Committee shall be co-chaired by a representative of Aptevo and a representative of Alligator. The co-chairs or their delegates shall coordinate the scheduling of the Steering Committee meetings and the provision of the minutes described below. The Steering Committee shall meet at such times as agreed to by the Steering Committee members, but no less [***]. Each Party shall bear the expense of its respective Steering Committee members' participation in the Steering Committee meetings. Promptly after each Steering Committee meeting, the Steering Committee co-chairs shall provide the Parties with reasonably detailed written minutes of such meeting. To the extent required in connection with the agenda of a meeting of the Steering Committee, each Party may bring a reasonable number of non-voting observers to observe such meeting , at such Party's sole expense; *provided* that (a) such Party notifies the other Party of its non-voting observers reasonably in advance of the Steering Committee meeting, (b) such observers are reasonably acceptable to the other Party, and (c) such observers are subject to obligations of confidentiality owed to the inviting Party that are no less restrictive than those obligations set forth in Article 5.

3.3 **Voting**. Each Party's representatives on the Steering Committee will collectively have one (1) vote on all matters that are within the responsibility of the Steering Committee. The members of the Steering Committee will use reasonable efforts to reach unanimous consensus on all decisions. If the members of the Steering Committee are unable to reach consensus on a particular issue within [***] after such issue is first presented to the Steering Committee, then such issue shall be [***]. For the avoidance of doubt, no decision of the Steering Committee may waive or amend a Party's express rights or obligations under this Agreement or to resolve contractual disputes between the Parties.

3.4 **Subcommittees**. The Steering Committee is authorized to propose and form sub-committees that will focus on specific Development functions throughout the Development Period, which may include (for example) sub-committees for certain research and development functions [***], certain patent-related activities, certain Product-related clinical activities and seeking and engaging Third Party Licensees.

3.5 **Intellectual Property Subcommittee**. The Parties shall, within thirty (30) days after formation of the Steering Committee, establish an intellectual property subcommittee (the "**Intellectual Property Subcommittee**" or "**IPSC**"). The IPSC shall provide a collaborative forum for the Parties to address intellectual property matters under this Agreement. The IPSC shall (a) be the primary point of contact for the Parties regarding the exchange of information on Prosecution, enforcement and defense matters set forth in Article 11, and (b) develop and implement the overall strategy for Prosecuting and enforcing Patent protection and aligning the patenting strategy with other exclusivities available for the Product. [***].

4. INTELLECTUAL PROPERTY; OPTION GRANT TO APTEVO

4.1 **Inventorship.** Inventorship of patentable inventions shall be determined in accordance with the patent law of the relevant country. Notwithstanding Article 15, if the Parties are unable to agree on inventorship of an invention arising from Development Activities, the Parties will jointly hire an independent patent counsel or patent agent that is licensed to practice in the relevant country to determine inventorship. Such determination shall be used for Patent filing purposes only, and not to determine ownership, which shall be determined as set forth in Section 4.2.

4.2 **Ownership**.

4.2.1 All Aptevo Background IP remains the sole property of Aptevo, and all Alligator Background IP remains the sole property of Alligator.

4.2.2 Aptevo Platform Technology and Aptevo Manufacturing Technology shall be solely owned by Aptevo, subject to the licenses and rights granted to Alligator under this Agreement.

4.2.3 No data generated by Aptevo under the MTA shall [***], without prior written consent of Aptevo. Regardless of inventorship, the Parties agree that any incorporation of data generated by Aptevo under the MTA, [***]

[***] generated by Aptevo under the MTA in [***].

4.2.4 Joint Technology shall be jointly owned by the Parties, with each Party owning a [***] percent ([***]%) undivided interest in all Joint Technology. Except as otherwise provided in this Agreement: (a) neither Party shall be entitled to use the Joint Technology outside of Development Activities without the prior written consent of the other Party, and (b) except as provided in Section 7.5.2, neither Party is entitled to grant licenses or other rights to the Joint Technology without the prior written consent of the other Party.

4.3 **Assignment by Alligator**. To the extent legally possible, Alligator hereby assigns to Aptevo all right, title and interest in and to any Improvements conceived, generated or otherwise made by or on behalf of Alligator during the course of conducting Development Activities, and Alligator shall execute and deliver such documents, and provide such assistance, as Aptevo may reasonably request, in order to vest in Aptevo all right, title and interest therein and thereto. To the extent such assignment is not legally possible, such inventions shall be subject to the license grant to Aptevo that is described in Section 6.1.3.

4.4 **Disclosure of Inventions**. Each Party shall promptly disclose to the other Party in writing, and shall cause its Affiliates and licensees, and its and their employees, consultants agents and contractors to so disclose, the development, making, conception or reduction to practice of any potentially patentable inventions included in the Joint Know-How.

4.5 **Obligation to Assign**. Each Party will require all of its employees, consultants agents and contractors, and will cause its Affiliates and licensees to require all of their employees, consultants agents and contractors to assign all Joint Know-How that are conceived, generated or otherwise made by such employees, consultants agents and contractors to it or such Affiliate, respectively, for further assignment according to the ownership principles described in this Article 4. The applicable Party shall ensure that such assignment complies with Applicable Laws, including making any required payments to the individual who conceived, generated or otherwise made such Know-How, which payments shall not be Development Costs.

4.6 **Additions to Schedules**. Without limiting a Party's warranty provided under Article 12, if either Party identifies an Alligator Patent, Aptevo Patent, Aptevo Platform Patent or Aptevo Manufacturing Patent that existed as of the Effective Date but which was not previously included on Schedule 1.4, Schedule 1.11, Schedule 1.13 or Schedule 1.17, as applicable, then such Patent shall be added to the applicable Schedule.

4.7 **Disclosure; Confidentiality**. Subject to the exceptions set forth in Section 5.1 (a)–(e), each receiving Party shall (a) treat as Confidential Information of the other Party the contents of any notice provided to it under this Article 4 to the extent such notice discloses Know-How owned solely by the other Party, and (b) treat as each Party's Confidential Information the contents of any notice provided to it under this Article 4 to the extent such notice discloses Joint Know-How.

4.8 **Aptevo Option**. Alligator hereby grants to Aptevo an exclusive option to enter into an agreement with Alligator [***] to co-develop

one bispecific antibody-like polypeptide on the Aptevo Platform that contains the 4-1BB Binding Domain plus a second Binding Domain [***] (the "**Aptevo Option Product**," and such option, the "**Aptevo Option**"), subject to the following:

4.8.1 In order to avoid competition between the Aptevo Option Product and any Alligator constructs containing a 4-1BB Binding Domain, [***].

4.8.2 The Aptevo Option may be exercised by written notice to Alligator at any time, but Parties must then work together to agree on a second Binding Domain within [***] following the Effective Date (the "**Option Period**"); if a second Binding Domain is not selected during the Option Period, despite good faith collaborative efforts to identify and select a second Binding Domain by each Party, then the Option shall terminate. The second Binding Domain of an Aptevo Option Product shall be selected as follows:

(a) Within [***] after the Effective Date, the Parties will agree upon an independent, neutral Third Party attorney with substantial experience in the field of antibodies and/or Binding Domains (such attorney, the "**Target Clearance Attorney**").

(b) Following Aptevo's notice of its exercise of the Aptevo Option, each Party will provide a list of [***] proposed [***] ("**Targets**") to the Target Clearance Attorney that are of interest to such Party as the target of a Binding Domain (such lists, the "**Target Lists**"). The Target Clearance Attorney will review the Target Lists and inform the Parties if there are Targets of mutual interest on each Party's Target List. All Targets submitted by either Party shall include sufficient information to uniquely identify the Target, such as "GeneID" number or "UGID" number, as those terms are defined and used in the Entrez Gene and UniGene databases maintained by the United States National Center for Biotechnology Information. The Target Clearance Attorney shall take reasonable measures and implement reasonable procedures to ensure that only he/she has knowledge of and access to the Target Lists submitted by each Party. The Target List submitted by each Party shall be considered Confidential Information of such Party, and except as expressly permitted under this Agreement, the Target Clearance Attorney shall not use or disclose a Party's target list, or any other information set forth therein, to the other Party or any of its Affiliates, to any Third Party, or to any employees, officers or agents of such Party other than (if applicable) those designated by such Party as a permitted recipient of such information.

(c) If the Target Clearance Attorney notifies the Parties that there are Targets of mutual interest on each Party's Target List, the Parties [***] and [***]. If the Target Clearance Attorney notifies the Parties that there are no Targets of mutual interest on each Party's Target List, [***].

(d) Following selection of the second Binding Domain for the Aptevo Option Product, the Parties shall negotiate in good faith [***]

[***] toward an agreement reflecting [***] commercially reasonable and customary terms. The Parties further understand and agree that such agreement shall include [***], a requirement to [***], development plans and budgets applicable to the Aptevo Option Product and other terms that may be applicable [***]. For clarity, [***].

4.9 Third Party IP Rights.

4.9.1 If either Party determines that [***] to obtain a license under any Patent of a Third Party relevant to the Development Activities or the Manufacture ("**Third Party IP**"), it shall inform the IPC of such determination along with documentation supporting such determination. The IPC shall discuss the desirability of obtaining a license to or acquiring such Third Party IP, and, if it is determined by the Parties to obtain a license to or acquire such Third Party IP, discuss and recommend appropriate financial terms and conditions (including the scope of the license to be negotiated) for such license or acquisition agreement (such agreement, a "**Third Party IP Agreement**"). The IPC shall also designate one Party, or that the Parties jointly, be responsible for handling negotiations of a Third Party IP Agreement. [***]. The negotiating Party shall have responsibility and authority for negotiating and executing such Third Party IP Agreement; *provided*, that, through their representatives on the IPC, the negotiating Party shall keep the other Party reasonably informed with respect to the negotiations and deal terms relating to such Third Party IP Agreement (including scope of the license and financial terms) and such negotiating Party shall consider in good faith any comments, recommendations or analysis provided by the other Party. [***]. To the extent allocable to the Product, all payments under such Third Party IP Agreement incurred during the Development Period shall be Development Costs; *provided* that [***]. For purposes of clarity, a cell line license shall not be considered a manufacturing license.

4.9.2 Notwithstanding anything to the contrary in this Agreement and except for Third Party IP referred to in Section 4.9.1, the licenses granted under Article 6 shall not include rights to any Know-How or Patents acquired by license or otherwise by either Party from a Third Party after the Effective Date (the "**Acquired Third Party IP**"), except to the extent the other Party elects to include part of or all of such Know-How or Patents under any such license and

agrees to comply with all obligations to such Third Party applicable to such rights and to include payments to such Third Party that are allocable to the Product as Development Costs.

5. CONFIDENTIALITY

5.1 Definitions. As used in this Agreement, the term "**Confidential Information**" means all information, whether it be in written form, visually or orally, including all production schedules, lines of products, volumes of business, processes, new product developments, product designs, formulae, technical information, laboratory data, clinical data, patent information, know-how, trade secrets, financial and strategic information, marketing and promotional information and data, and other material relating to any products, projects or processes of one Party (the "**Disclosing Party**"), that is provided to, or otherwise obtained by, the other Party (the "**Receiving Party**") in connection with this Agreement (including information exchanged prior to the date hereof in connection with the transactions set forth in this Agreement, and including any information disclosed by a Party under the MTA or that certain Confidentiality Agreement entered into by Alligator and Aptevo, dated as of February 19, 2016 (the "**Prior CDA**"). Confidential Information shall not include any information or materials that:

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

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

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

(d) were rightfully disclosed to a Party, other than under an obligation of confidentiality, by a Third Party; or

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

5.2 Obligations.

5.2.1 Each of Alligator and Aptevo shall keep all Confidential Information received from or on behalf of the other Party with the same degree of care with which it maintains the confidentiality of its own Confidential Information, but in all cases no less than a reasonable degree of care. Neither Receiving Party shall use such Confidential Information for any purpose other than in performance of this Agreement or disclose the same to any Third Party other than to such of its and its Affiliates' directors, officers, managers, employees, independent contractors, agents, consultants, authorized potential sublicensees, or actual or potential investors who have a need to know such Confidential Information to implement the terms of this Agreement or enforce

its rights under this Agreement and who are bound by legally enforceable confidentiality obligations not less strict than those contained herein prior to any such disclosure. A Receiving Party shall advise any of its and its Affiliates' directors, officers, managers, employees, independent contractors, agents, consultants, authorized potential sublicensees, or actual or potential investors who receive such Confidential Information of the confidential nature thereof and of the obligations contained in this Agreement relating thereto, and the Receiving Party shall ensure (including, in the case of a Third Party, by means of a written agreement with such Third Party having terms at least as protective as those contained in this Article 5 that all such directors, officers, managers, employees, independent contractors, agents, consultants, authorized (potential) sublicensees, or (potential) investors comply with such obligations. It is understood that receipt of Confidential Information under this Agreement will not limit the Receiving Party from assigning its employees to any particular job or task in any way it may choose, subject to the terms and conditions of this Agreement, including Section 5.2.2. For the avoidance of doubt, neither Party is required to share any solely owned Confidential Information with the other Party except as expressly contemplated by this Agreement.

5.2.2 Without limiting any obligation in Section 5.2.1, the Parties understand and agree that certain Confidential Information disclosed by the Parties hereunder may constitute trade secret information. Either Party may specifically indicate to the other Party whether any such information should be subject to the additional terms of this Section 5.2.2 ("**Designated Information**"), *provided* that the Parties agree that all Aptevo Manufacturing Know-How shall be subject to the terms of this Section 5.2.2 as Designated Information. Each Party agrees to limit disclosure of any Designated Information to the fewest number of its employees (and consultants with the prior consent of the disclosing Party, on a case-by-case basis, not to be unreasonably withheld) who reasonably need access to Designated Information for the purpose of conducting or managing Development Activities. Prior to the receipt of any Designated Information, each Party shall implement commercially reasonable levels of protection to prevent the unauthorized access to and unauthorized use of any Designated Information, including implementing physical and technical safeguards. In the event of a Transition Event under Section 6.2.2, Alligator shall use commercially reasonable efforts to put in place a firewall for the purpose of preventing Aptevo Manufacturing Know-How from being misused for the benefit of other bispecific therapeutics.

5.3 Return of Confidential Information. Upon the expiration or termination of this Agreement, the Receiving Party shall return or destroy all documents, tapes or other media containing Confidential Information of the Disclosing Party that remain in the possession of the Receiving Party or its directors, officers, managers, employees, independent contractors, agents, consultants, authorized potential sublicensees, actual or potential investors, except that the Receiving Party may keep one (1) copy of the Confidential Information in the legal department files of the Receiving Party, solely for archival purposes to comply with its obligations under this Agreement. Such archival copy shall be deemed to be the property of the Disclosing Party, and shall continue to be subject to the provisions of this Article 5. The provisions of this Section 5.3 shall not apply to copies of electronically exchanged Confidential Information made as a matter of routine information technology backup, *provided*, that it is not otherwise accessible to Receiving Party other than its information technology representatives responsible for maintaining the Receiving Party's electronic backup systems, and to Confidential Information or copies thereof which must be stored according to provisions of mandatory Applicable Laws.

5.4 Permitted Disclosure and Use. Notwithstanding anything to the contrary in this Article 5: (a) a Receiving Party may disclose Confidential Information belonging to the other Party only to the extent such disclosure is reasonably necessary to comply with Applicable Laws; and (b) a Receiving Party may disclose Confidential Information belonging to the other Party related to a Product only to the extent such disclosure is reasonably necessary to obtain or maintain CTAs of a Product to the extent such disclosure is made to a Governmental Authority. If a Receiving Party deems it necessary to disclose Confidential Information of the other Party pursuant to this Section 5.4, such Receiving Party shall give reasonable advance written notice of such disclosure to the other Party to permit such other Party sufficient opportunity to object to such disclosure or to take measures to ensure confidential treatment of such information, including seeking a protective order or other appropriate remedy.

5.5 Notification. The Receiving Party shall notify the Disclosing Party promptly upon discovery of any unauthorized use or disclosure of the Disclosing Party's Confidential Information, and will cooperate with the Disclosing Party in any reasonably requested fashion to assist the Disclosing Party to regain possession of such Confidential Information and to prevent its further unauthorized use or disclosure.

5.6 Publicity; Filing of this Agreement.

5.6.1 Publicity. Each Party may issue the press release set forth on Schedule 5.6.1. Except as otherwise provided in this Section 5.6, each Party shall maintain the confidentiality of all provisions of this Agreement, and without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed, neither Party nor its respective Affiliates shall make any press release or other public announcement of or otherwise disclose the provisions of this Agreement to any Third Party, except for: (a) disclosure to those of its directors, officers, employees, accountants, attorneys, underwriters, lenders and other financing sources, potential strategic partners, authorized potential sublicensees, advisors, and agents whose duties reasonably require them to have access to this Agreement; provided that such directors, officers, employees, accountants, attorneys, underwriters, lenders and other financing sources, advisors, agents, strategic partners or authorized potential sublicensees, are required to maintain the confidentiality of this Agreement; (b) disclosures required by NASDAQ regulation or any listing agreement with a national securities exchange, in which case the disclosing Party shall provide the non-disclosing Party with [***] advance written notice unless otherwise not practicable, but in any event no later than the time the disclosure required by such NASDAQ regulation or other stock exchange regulation or listing agreement is made; (c) disclosures as may be required by Applicable Law, in which case the disclosing Party shall provide the non-disclosing Party with prompt advance written notice of such disclosure and cooperate with the non-disclosing Party to seek a protective order or other appropriate remedy, including a request for confidential treatment in the case of a filing with the Securities and Exchange Commission; (d) disclosure of the Targets of the Product after a date to be mutually agreed by the Parties, but not later than publication of the Alligator Patent disclosing the Target to which the Product is directed; and (e) other disclosures for which consent has previously been given. A Party may publicly disclose without regard to the preceding requirements of this Section 5.6 any information that was previously publicly disclosed pursuant to this Section 5.6.

5.6.2 Redacted Agreement. The Parties acknowledge that, if legally required, either or both Parties may be obligated to file a copy of this Agreement with the SEC or other Governmental Authorities. Each Party shall be entitled to make such a required filing; *provided* that it initially files a redacted copy of this Agreement approved by both Parties ("**Redacted Agreement**") and requests confidential treatment of the terms redacted from this Agreement for a reasonable period of time. In the event of any such filing, each Party shall (a) permit the other Party to review and comment upon such request for confidential treatment and any subsequent correspondence with respect thereto [***] in advance of its submission to the SEC or such other Governmental Authorities, if possible, (b) reasonably consider and reasonably endeavor to incorporate the other Party's comments thereon to the extent consistent with the then-current legal requirements governing redaction of information from material agreements that must be publicly filed, (c) promptly deliver to the other Party any written correspondence received by it or its representatives from such Governmental Authority, if any, with respect to such confidential treatment request and promptly advise the other Party of any other communications between it or its representatives with such Governmental Authority with respect to such confidential treatment request, (d) upon the written request of the other Party, request an appropriate extension of the term of the confidential treatment period, where available and (e) if such Governmental Authority requests any changes to the redactions set forth in the Redacted Agreement, use reasonable efforts to support the redactions in the Redacted Agreement as originally filed (to the extent consistent with the then-current legal requirements governing redaction of information from material agreements that must be publicly filed) and, to the extent reasonably practicable, not agree to any changes to the Redacted Agreement without first discussing such changes with the other Party and taking the other Party's comments into consideration when deciding whether to agree to such changes. Each Party shall be responsible for its own legal and other external costs in connection with any such filing, registration or notification.

5.7 Publication. The Parties intend to publish or present the conduct and the outcomes of Clinical Trials, and may mutually agree to publish or present other Development Data and/or Development results, and in each case the Parties will use reasonable efforts to align such publication or presentation to the public. Each Party shall submit, through the Steering Committee, for the other Party's approval, such approval not to be unreasonably withheld, conditioned or delayed, copies of each proposed academic, scientific, medical and other publication or presentation that contains or refers to the Aptevo Technology, Alligator Technology or otherwise relates to the Product or any research or Development Activities under this Agreement to the other Party at least [***] in advance of submitting such proposed publication or presentation to a publisher or other Third Party. The other Party shall have the right to review and comment on each such proposed publication or presentation and the publishing Party shall consider any comments in good faith. The other Party shall have the right to remove any of its own Confidential Information prior to submission for publication or presentation by the publishing Party. The publishing Party shall redact or otherwise modify the proposed publication or presentation to remove any such Confidential Information of the other Party (or any Joint Know-How). In addition, in the event that the document includes data, information or material generated by the other Party's scientists, and professional standards for authorship would be consistent with including the other Party's scientists as co-authors of the document, the names of such scientists will be included as coauthors. Alligator shall not publish or present information that contains the

Aptevo Platform Technology or Aptevo Manufacturing Technology, without the prior written consent of Aptevo.

5.8 Use of Names. Except as otherwise set forth in this Agreement, neither Party shall use the name of the other Party in relation to this transaction in any public announcement, press release or other public document without the written consent of such other Party, which consent shall not be unreasonably withheld, conditioned or delayed; *provided*, however, that subject to Section 5.6, either Party may use the name of the other Party in any document filed with any Regulatory Authority or Governmental Authority, including the FDA, EMA and the Securities and Exchange Commission.

5.9 Survival. The obligations and prohibitions contained in this Article 5 as they apply to Confidential Information shall survive the expiration or termination of this Agreement for a period of [***] following the effective date of such expiration or termination; *provided, that*, if the Confidential Information is of the nature that could reasonably be expected to qualify as a trade secret pursuant to Applicable Laws, the obligations contained in this Article 5 as they apply to such Confidential Information shall survive as long as it qualifies as a trade secret pursuant to Applicable Laws, including Confidential Information relating to the development and manufacture of the Product, quality control measures, production, sales, distribution and similar data and information, and compilations of data and results that would reasonably be expected to qualify as a trade secret pursuant to 21 CFR § 20.61.

6. LICENSES

6.1 License Grants.

6.1.1 Grant to Alligator. Subject to the terms and conditions set forth in this Agreement, Aptevo hereby grants to Alligator, a co-exclusive license (with Aptevo) under the Aptevo Technology, Aptevo Platform Technology, and Aptevo Manufacturing Technology, in each case, solely to Develop the Product in the Field during the Development Period pursuant to the Development Plan in collaboration with Aptevo.

6.1.2 Grant to Aptevo. Subject to the terms and conditions set forth in this Agreement, Alligator hereby grants to Aptevo, (a) a co-exclusive license (with Alligator) under the Alligator Technology solely to Develop the Product in the Field during the Development Period pursuant to the Development Plan in collaboration with Alligator; and (b) an exclusive license under the Alligator Technology to Manufacture the Product worldwide for Development in the Field pursuant to the Development Plan.

6.1.3 Additional Grant to Aptevo. Subject to the terms and conditions of this Agreement, to the extent that it is not legally possible for Alligator to assign to Aptevo pursuant to Section 4.3 all right, title and interest in and to the Improvements conceived, generated or otherwise made by or on behalf of Alligator during the course of conducting Development Activities, Alligator hereby grants to Aptevo an exclusive (even as to Alligator), perpetual license, including the right to sublicense through multiple tiers, to use such Improvements to make, have made, use, have used, sell or have sold the Product in accordance with the licenses granted under this Article 6 or any other product.

6.2 Additional Licensing Provisions.

6.2.1 Negative Covenant. Each Party covenants that it will not use or practice any of the other Party's Patents, Confidential Information or other intellectual property rights licensed (or sublicensed, as applicable) to it under this Article 6 except for the purposes as permitted under this Agreement.

6.2.2 Manufacturing.

(a) Manufacture by Alligator CMO. If Aptevo exercises its right to Opt Out under Section 14.2.1 or Alligator rightfully terminates this Agreement pursuant to Sections 14.2.2 or 14.2.3 (each, a "**Transition Event**"), then, promptly following such Transition Event, Aptevo and Alligator shall enter into an agreement intended to permit Alligator to have the Product manufactured through a CMO (the "**Manufacturing Transition Agreement**"), including, as may the case may be, the CMO that is manufacturing the Product as of the effective date of such Transition Event (such CMO, the "**Existing CMO**"), or a new CMO nominated by Alligator (subject to the remainder of this Section 6.2.2(a)) to replace or supplement such Existing CMO (the "**New CMO**"). If Alligator elects to nominate a New CMO, then [***], [***]. If [***]. The Existing CMO and/or the New CMO, [***] is referred to herein as the "**Alligator CMO**".

(b) Manufacturing Transition Agreement.

(i) General Terms. The Manufacturing Transition Agreement shall be between Alligator and Aptevo (and not the Alligator CMO) and shall include, along with commercially reasonable terms common in the industry in similar agreements, requirements that Aptevo:

(A) on Alligator's request, [***];

(B) grant to Alligator a limited, worldwide, exclusive, sublicensable license under Aptevo's interest in the Joint Technology, Aptevo Technology, Aptevo Platform Technology, and Aptevo Manufacturing Technology, in each case, solely to the extent necessary to enable the Alligator CMO to manufacture Product for Alligator (but for clarity such limited license will not include the right for Alligator to practice the license to manufacture the Product itself or through any other Affiliate or Third Party);

(C) provide reasonable assistance and personnel resources to enable such CMO to replicate and implement the manufacturing process and to manufacture and supply the Product to Alligator, [***]

[***];

(D) upon the reasonable request from Alligator, disclose Aptevo certain Manufacturing Know-How to Alligator, but only to the extent necessary to enable Alligator to address any manufacturing issues, to comply with Applicable Laws or perform other customary obligations in connection with Alligator's role as the Continuing Party [***] which information shall be subject to the obligations of confidentiality and non-use as set forth in this Agreement, including the additional protections for such information set forth in Section 5.2.2;

(E) an allocation of costs between the Parties in connection with each of the foregoing, consistent with the principles set forth in Section 6.2.2(c); and

(F) a negative covenant restricting Alligator from using any CMO Improvement in connection with any Aptevo Platform Product other than the Product.

Notwithstanding the foregoing, Aptevo's obligations to assist in technology transfer under this Section 6.2.2(b)(i) shall be limited to activities that cannot be performed by the Alligator CMO and to activities that require Aptevo's specific knowledge with respect the manufacture of the Product.

(ii) Alligator right to Sublicense. Alligator shall have the right to sublicense the license granted to it under the Manufacturing Transition Agreement solely to an Alligator CMO, and provided that each such sublicense under the Manufacturing Transition Agreement requires that:

(A) the Alligator CMO undertakes in writing obligations of confidentiality and non-use regarding the Joint Technology, Aptevo Technology, Aptevo Platform Technology, and Aptevo Manufacturing Technology [***] that include appropriate (as determined by Aptevo in good-faith) provisions restricting the exchange of such information between Alligator and such Alligator CMO [***];

(B) the Alligator CMO agrees in writing to assign all intellectual property (including CMO Improvements) created or conceived in the course of performing any such work [***]; and

(C) that appropriate provisions are included to ensure that Aptevo is afforded third party beneficiary status to enforce any provisions [***].

Alligator shall provide Aptevo with a copy of any such sublicense agreement prior to execution to allow Aptevo to review and confirm compliance with the above; *provided* that, the terms of any such sublicense agreement may be redacted to the extent not relevant to the determination or enforcement of Aptevo's rights under this Agreement or the Manufacturing Transition Agreement. For purposes of clarity, all terms related to the confidentiality and non-use of proprietary information and ownership of intellectual property should not be redacted.

(c) Costs; Aptevo Interim Obligations. Costs and responsibilities with respect to Process Development and technology transfer of such manufacturing process from Aptevo (or its Existing CMO) to a New CMO shall be allocated in accordance with the following table and not subject to the general cost sharing principles following any Termination Date, as applicable:

Window of Termination Event	Continuing Responsibilities / Cost
[***]	[***]

Pending the validation of, and the production of Product by the Alligator CMO in accordance with all applicable specifications, Aptevo shall continue to Manufacture and supply Product on commercially reasonable terms.

(d) Manufacturing Process Improvements. For the avoidance of doubt, the technology transfer described in this Section 6.2.2, will cover the manufacturing process for the Product as such manufacturing process and Product exist on the effective date of the Transition Event or, if the Transition Event occurs following the initiation of Process Development but prior to technology transfer of the manufacturing process to a first CMO for GMP manufacturing, as developed by Aptevo pursuant to Section 6.2.2(c), and will not include any rights to any future developments owned or controlled by Aptevo, unless otherwise agreed in

writing. [***].

6.2.3 **Third Party Licensees**. If following a Transition Event, Alligator subsequently negotiates and enters into a Third Party License Agreement as contemplated in Article 7 hereof, then Aptevo agrees, upon Alligator's request in connection with such Third Party License Agreement, to grant to such Third Party Licensee a license to manufacture the Product under Aptevo's interest in the Joint Technology, Aptevo Technology, Aptevo Platform Technology, Aptevo Manufacturing Technology, as contemplated in Section 7.3.2, in each case, as such Joint Technology, Aptevo Technology, Aptevo Platform Technology, Aptevo Manufacturing Technology exists on the effective date of the applicable Transition Event or, if the Transition Event occurs following the initiation of Process Development but prior to technology transfer of the manufacturing process to a first CMO for GMP manufacturing, as developed by Aptevo pursuant to Section 6.2.2(c).

6.2.4 **Additional Agreement Terms.** Without limiting the requirements set forth in Section 6.2.2(b), any transfer by or on behalf of Aptevo of any of the Aptevo Platform Technology and Aptevo Manufacturing Technology to an Alligator CMO pursuant to Section 6.2.2(a)-(d), in connection with a license granted from Aptevo to a Third Party Licensee pursuant to Section 6.2.3, or in connection with the entry into a Third Party License by the Parties pursuant to Article 7 shall be performed under a written agreement between Aptevo and the applicable CMO in a form reasonably acceptable to the Parties that provides, at a minimum:

(a) provisions ensuring continued protection of Aptevo's intellectual property and propriety rights, including specifically those rights related to the manufacture of the Product and the Aptevo Platform, including provisions obligating the contracting parties to establish appropriate firewalls to prevent the unauthorized use or disclosure of any Joint Technology, Aptevo Technology, Aptevo Platform Technology and Aptevo Manufacturing Technology or misuse of such Technology; and

(b) provisions equitably allocating responsibility (including with respect to product liability) as between Alligator, Aptevo and the applicable Third Party to appropriately reflect the roles and the responsibilities of each party under such agreement, including, in the case of a Transition Event, provisions protecting Alligator from liability attributable to the manufacture of the Product. For clarity, Alligator and its CMOs shall not be required to disclose any inventions or improvements that arise or result from performance under such agreements.

6.3 No Other Grant of Rights. Except as otherwise expressly provided herein, nothing in this Agreement will be construed to confer any ownership interest, license, or other rights upon a Party by implication, estoppel, or otherwise as to any technology, intellectual property rights, products, or biological materials of the other Party.

7. THIRD PARTY LICENSE AGREEMENTS.

7.1 One Party or Both Parties Wish to Obtain Product Rights and Licenses. The intention of the Parties, as of the Effective Date, is to identify, negotiate with and grant to one or more Third Party Licensees exclusive rights to enable such Third Party Licensees to continue Development of the Product after the first Phase II Clinical Trial and to obtain Regulatory Approvals, and thereafter to undertake Commercialization of the Product worldwide. However, the Parties also acknowledge that one or both of the Parties or their Affiliates may wish to become the licensee of the Product rights prior to or upon the conclusion of the first Phase II Clinical Trial of the Product. If a Party or its Affiliate desires to obtain such rights, it shall notify the other Party prior to the initiation of the process described in Section 7.2.1 [***] and include an offer for such rights (a "**Partner Offer**") together with such notice. Following such notice [***], the Parties shall negotiate in good faith for [***] the terms of appropriate license and other agreements, *provided* that period shall terminate on either the acceptance or rejection by the other Party of such Partner Offer. If the Parties fail to reach an agreement within such [***], despite engaging in good-faith negotiations, then [***] the Parties shall initiate the process of identifying a Third Party Licensee as provided in Section 7.2.

7.2 Identification of Potential Third Party Licensees.

7.2.1 Potential Third Party Licensees. Except if the Parties have otherwise entered into an agreement under Section 7.1, beginning no later than [***], the Parties will cooperate in good faith to identify and solicit offers from potential Third Party Licensees for such Product. Prior to soliciting such offers and [***], the Parties will [***]. If the Parties are unable to agree on the [***]. The Parties will mutually agree upon one Party that will be the lead Party in seeking and negotiating with potential Third Party Licensees in connection with the solicitation of a Third Party Proposal and, if applicable, the later negotiation of a Third Party License with such potential Third Party Licensee (the "**Lead Party**"), all in accordance with Section 7.5.1. Each Party may be a Lead Party in respect of different potential Third Party Licensees. Notwithstanding the foregoing, [***]

[***], then the other Party shall be designated as the Lead Party. For clarity, [***].

7.2.2 **Third Party Proposals**. If, at any time, the Parties (or either Party) receive any proposal or indication of interest from any Third Party [***] for the continued Development and Commercialization of the Product in the Territory (each a "**Third Party Proposal**"), then the receiving Party will promptly notify the other Party and provide copies of any documents embodying a Third Party Proposal [***] following receipt thereof. Without limiting the foregoing, the Parties will also promptly notify each other of any bona fide interest from any Third Party [***] and shall use all reasonable efforts to respond to Third Party Proposals [***]. The Parties shall jointly consider any Third Party Proposal in good faith, as set forth and in accordance with the process set forth in Section 7.3.

7.3 **Third Party Proposal Consideration Process**.

7.3.1 **Determination of Third Party Best Offer**. The Parties will consider all Third Party Proposals in good faith following the receipt of any such proposals. [***]. If the Parties agree to accept a Third Party Proposal, then Section 7.5 shall apply to the negotiation of a Third Party License with the applicable Third Party.

7.3.2 **Disputes**. If the Parties fail to agree on which Third Party Proposal in Section 7.3.1 is the best offer available, then [***]. The [***]. The Offer that is either agreed by the Parties [***] will be the "**Best Offer,**" and the Parties shall accept such Best Offer and negotiate a definitive license agreement in accordance with the terms of Section 7.5.

7.4 **Alternative Mechanisms**

7.4.1 **No Third Party Offers [***]**. Subject to Section 7.4.3, if by the date that [***] (the "**Decision Date**"), the Parties have

failed to obtain a Third Party Proposal [***], then the following terms shall apply:

(a) In such event, the Parties may in their discretion accept the Partner Offer [***].

(b) If the Parties do not so accept a Partner Offer:

(i) the non-proposing Party may [***].

(ii) In addition, the Lead Party shall [***], in each case, not later than [***]. Following the receipt of such offers, the Parties shall select the Best Offer [***].

(iii) Notwithstanding the terms of Section 7.3 to the contrary, if following such selection process, [***], then the Parties shall accept the [***].

(c) The Parties shall use all reasonable efforts to complete such process not later than [***]. Following any acceptance of [***]

7.4.2 **No Offers Available**. If (a) the Parties do not have an active Third Party Proposal that either Party desires to accept on the Decision Date, [***], then the Parties will meet in good faith and agree to either [***].

7.4.3 **Decision Date Amendment**. Notwithstanding Section 7.4.1, if on the Decision Date there is any Third Party Proposal(s) that were received by the Parties [***]

[***] to allow each Party to properly consider such Third Party Proposal. Without limiting the foregoing, the Decision Date may be modified by mutual agreement of the Parties.

7.5 Accepted Third Party Proposals.

7.5.1 Solicitation and Negotiation Process. Reasonably in advance of the initiation of the process of contacting potential Third Party Licensees, the Parties shall create a new committee under this Agreement charged with managing the process of soliciting with such Third Party License Agreement-related activities (the "**BD Committee**"). The BD Committee will be comprised of an equal number of individuals from each of Alligator and Aptevo. The BD Committee will meet and work in good faith to establish procedures for the Lead Party to contact potential Third Party Licensees and, unless agreed otherwise, each Party shall be responsible for its own expenses associated with such Third Party License Agreement-related activities. Without limiting the foregoing, the Lead Party with respect to soliciting Third Party Proposals from any potential Third Party Licensee shall contemporaneously provide the other Party with all drafts of any term sheet prior to submission of such term sheet to any potential Third Party Licensee and shall seek the other Party's agreement of any material terms. If the Parties agree to accept any Third Party Proposal as set forth in Section 7.3 or 7.4, then the Lead Party with respect to such potential Third Party Licensee and the other Party shall cooperate, and the other Party will support such Lead Party's reasonable efforts and strategy, with regard to negotiating the applicable Third Party License Agreement. The BD Committee shall establish procedures for any Lead Party negotiations with potential Third Party Licensees, including timelines, terms and a determination of the overall licensing strategy. The terms proposed and negotiated with any potential Third Party Licensee and the final terms of any such agreement shall be subject to the approval of both Parties. Each Party shall cooperate in the preparation of such information and materials, participate in such presentations, due diligence procedures and other meetings and otherwise contribute toward such efforts as may be required to negotiate and finalize such Third Party License Agreements. The Lead Party shall keep the other Party fully informed of the status of such negotiations. In addition, the Lead Party shall regularly consult with the other Party with regard to the status of any such negotiations, contemporaneously provide the other Party with all drafts of such Third Party License Agreement prior to submission to any potential Third Party Licensee and shall seek the other Party's agreement of any material terms. The Lead Party shall notify the other Party reasonably in advance of any and all meetings (whether in-person, via telephone or otherwise) with such prospective Third Party Licensee, including negotiations relating to such Third Party License Agreement. The other Party shall have the right, at its expense, to have one employee participate in negotiations with such prospective Third Party Licensee. In addition, the Lead Party shall consult with the other Party regarding the material terms of such Third Party License Agreement, and shall incorporate any reasonable suggestions or requirements communicated by the other Party to the Lead Party. The Parties must jointly agree to the final form of any Third Party License Agreement, such agreement not to be unreasonably withheld.

7.5.2 Scope and General Description of Third Party License Agreements. The Parties acknowledge and agree that each Third Party License Agreement will be limited to the Product in the Field, and will include an exclusive license grant under Joint Technology, Aptevo Technology, Aptevo Platform Technology, Aptevo Manufacturing Technology and/or Alligator Technology, each to the extent necessary for a Third Party Licensee to Develop, manufacture

and/or Commercialize the Product in the Field in the Territory. No Third Party License Agreement will include any right to make, use, sell or otherwise exploit Joint Technology, Aptevo Technology, Aptevo Platform Technology, Aptevo Manufacturing Technology, or Alligator Technology outside the scope of this Agreement or in conflict with a Party's retained rights. Each Party shall be a party to each Third Party License Agreement. Each Party shall solely bear its internal costs incurred in connection with identification of and negotiations with each prospective Third Party Licensee; any Third Party costs incurred in connection with identification of and negotiations with each prospective Third Party Licensee shall be [***]; *provided* that the costs of external legal counsel and other professionals engaged by and representing only one Party shall be borne solely by such Party.

7.5.3 Delivery and Execution of Third Party License Agreements. The Lead Party shall provide to the other Party a copy of any proposed, final Third Party License Agreement before execution by the Third Party Licensee, for the other Party's review and approval [***] days prior to the Parties' execution thereof. A Party shall not execute any Third Party License Agreement without the prior written consent of the other Party. Each Party shall keep all copies of Third Party License Agreements in its confidential files.

7.6 Executed Third Party License Agreements; Expiration or Termination of Third Party License Agreements. A Party shall not amend, modify or waive compliance by any Third Party Licensee with the terms of its Third Party License Agreement without the other Party's prior written consent, and each Party shall use its Commercially Reasonably Efforts to ensure that such Third Party Licensee complies with the terms and conditions of its Third Party License Agreement. If a Third Party License Agreement is executed, the Parties will amend this Agreement or enter into a new agreement that describes each Party's rights and obligations after such execution, including (for example) a mutually agreed allocation of risk, indemnification obligations and retained rights, licenses and limitations regarding Joint Technology and Development Data. [***].

7.7 Third Party License Agreement Revenue Allocation.

7.7.1 General. Absent prior agreement to the contrary and subject to Section 7.7.2 and 7.7.3, each Party will be entitled to 50% all Revenue received under any Third Party License Agreement.

7.7.2 Development Costs not Shared Equally. Notwithstanding Section 7.7.1, if one Party pays for more than 50% of the Development Costs, then, absent agreement otherwise and subject to Section 7.7.3, each Party will be entitled to the percentage of Revenue received under any Third Party License Agreement equal to the percentage of Development Costs borne by such Party. For the avoidance of doubt, for the purposes of determining the Revenue allocation between the Parties pursuant to this Section 7.7, any Development Costs borne solely by one Party pursuant to Section 2.3.2 (in the case that the Parties do not amend the Development Budget) or Section 9.1.3 (in the case that the Steering Committee does not elect to share any Excess Overage Amounts equally) shall not be considered.

7.7.3 Opt-Out and Termination. Notwithstanding Section 7.7.1 or 7.7.2, if either Party exercises its right to Opt-Out under Section 14.2.1 prior to the execution of any Third Party License, then the Continuing Party shall retain all Revenue from any Third Party License, subject to any payment obligations to the Opt-Out Party as contained herein. Additionally, if either Party terminates this Agreement pursuant to 14.2.2 or 14.2.3, all proceeds to the Party that commits material breach or the insolvent Party, respectively, will be limited to those set forth in 14.3.3.

7.8 Payment Mechanism. The Parties shall attempt to have the appropriate Revenue split paid directly from the respective Third Party Licensee to each Party. If such an arrangement is not possible, then the Party receiving such payments shall provide the other Party within [***] after receipt of any Revenue, a statement detailing the Revenues received in accordance with the royalty or other report provided by the respective Third Party Licensee and the corresponding payment payable to the other Party.

8. DILIGENCE

8.1 General. Aptevo and Alligator shall use Commercially Reasonable Efforts (a) to perform Development Activities in accordance with the Development Plan, [***].

8.2 Change of Control. In the event of a Change of Control of a Party, following the closing date of such Change of Control transaction, such Party that is undergoing the Change of Control (or the assignee of such Party if this Agreement is assigned pursuant to Section 15.14), shall continue to be bound by such Party's obligations to fund all Development Activities and Develop the Product in accordance with this Agreement [***]. Without limiting the foregoing, if, following the effective date of such Change of Control transaction, the Parties (i.e. either Aptevo and Alligator, on the one hand, and such Party that is undergoing the Change of Control (or the assignee of such Party if this Agreement is assigned pursuant to Section 15.14) on the other hand) cannot agree on an update to the Development Plan, then, [***], and the Parties shall continue to work in good-faith to update the Development Forecast for the following year.

9. FINANCIALS

9.1 Development Costs.

9.1.1 Development Costs Through the End of Phase II Clinical Trials. The Parties shall split equally all external costs incurred in Development, including all external costs associated with GMP manufacturing (including cell line development, process development,

formulation development and analytical development). In addition to external costs of Development Activities, the Parties shall share equally any other Development Costs, and each Party shall keep a record of its FTEs used for Development. In preparing the Development Plan and conducting Development, the Parties will endeavor to contribute a relatively equal number of FTEs, and to avoid potential reimbursement to each other. The Parties acknowledge that the number of FTEs used by a Party may vary at different stages of Development, with the intention of the Parties to achieve a balance over the Development Period. The Parties will exchange draft invoices setting forth each Party's Development Costs in a given calendar quarter (as further described in Section 9.1.4). The Parties will collaborate and use Commercially Reasonable Efforts to determine a single net payment owed by one Party to reimburse the other Party for fifty percent (50%) of the net excess of the other Party's Development Costs in such calendar quarter (thereby achieving the Parties' equal sharing of Development Costs).

9.1.2 Development Budget Controls Reimbursement. The Development Budget will control the reimbursable Development Costs incurred by each Party in performing Development Activities. The Development Budget may allow for a certain percentage of excess spending over the budgeted amount, and/or may establish a cap on spending that may not be exceeded without amendment of such Development Budget.

9.1.3 Budget Overruns.

(a) Each Party shall promptly inform the other Party upon determining that it is likely to exceed the budgeted amounts set forth in the current or any future annual Development Budget in accordance with Section 2.3.2.

(b) To the extent that a Party (or its Affiliates or subcontractors) incurs Development Costs for its Development Activities in a particular year that exceed the annual Development Budget allocated to such Party for such year [***] (a "**De Minimis Overage Amount**"), then such De Minimis Overage Amount shall automatically be included in the Development Budget for such Calendar Year.

(c) If a Party (or its Affiliates or subcontractors) incurs Development Costs for its Development Activities in a particular year that exceed the annual Development Budget allocated to such Party by more than [***], the "**Excess Overage Amount**"), then the Party that has so exceeded its budget shall provide to the Steering Committee a full explanation for so exceeding its budget. The Steering Committee shall promptly review and discuss such Excess Overage Amount and the reasons therefor, and following such discussion the Parties will agree to include some or an equitable percentage of the Excess Overage Amounts in the Development Budget if, in the reasonable good-faith belief of each Party, the Excess Overage Amount could not have been reasonably foreseen or avoided. If, or to the extent, the Parties do not agree to treat the Excess Overage Amount as Development Costs, then the Party that has exceeded the Development Budget for a Development Activity shall be solely responsible for the Excess Overage Amount, subject to Section 9.1.3(d).

(d) For the avoidance of doubt, and notwithstanding anything to the contrary in this Section 9.1.3, if a Party (or its Affiliates or subcontractors) incurs Development Costs for its Development Activities in a particular year that exceed the annual Development

Budget allocated to such Party [***], as set forth in Section 9.1.3(c), then if (i) the Party that has so exceeded its budget delivered an Expected Overrun Notice in accordance with Section 2.3.2 and (ii) the other Party failed to timely respond to such Expected Overrun Notice within the time periods set forth in Section 2.3.2, then Parties will automatically include such Excess Overage Amount in the applicable Development Budget to be shared equally by the Parties.

9.1.4 **Description of Development Costs**. No later than [***] after the end of each quarter during the Development Period, each Party shall provide to the other Party a description of all Development Costs reasonably incurred in accordance with the Development Budget, including the number of FTEs. Each Party shall provide reasonable evidence supporting any claimed Development Costs upon a reasonable request from the other Party. All amounts specified in this Agreement or in the Development Budget are exclusive of Value Added Tax or any other sales tax or duties.

9.1.5 **Process for Reimbursement of Development Costs**. The Party responsible for a reimbursement payment to the other Party under Section 9.1.1) shall pay such reimbursement amount owed within [***] after the Parties' determination of such amount. Where any part of the reimbursement amount is disputed, reimbursement of the non-disputed part shall occur in accordance with this Section 9.1.5, and the Parties shall resolve the disputed part as expeditiously as possible [***].

9.2 **Principles for Calculating Development Costs**. In calculating any Development Costs the following principles will apply:

9.2.1 Any Development Costs will be incurred on an arms-length basis and each Party will use reasonable efforts to minimize any such costs incurred;

9.2.2 Where any discounts or reductions are available in relation to any Development Costs incurred, such discounts or reductions will apply to any reimbursement under Section 9.1;

9.2.3 All Development Costs shall be calculated in US dollars, unless otherwise expressly provided in this Agreement. Development Costs incurred outside of the US shall be first determined in the currency in which they are incurred, and shall then be converted into an amount in US dollars in accordance with the incurring Party's standard procedures for accounting in accordance with its standard accounting practices;

9.2.4 [***];

9.2.5 Any Development Costs will be provided for [***];

9.2.6 Where any Development Costs incurred by a Party are recoverable from a Third Party, [***].

9.2.7 Where any Development Costs relate to both the Development Activities and any other work effort or research program applicable to either Party, the Development Costs shall be allocated between all applicable research programs on a reasonable pro-rata basis depending on the relative usage for each program; and

9.2.8 Any Development Costs shall be incurred in accordance with [***].

9.3 Audit Right. Where either Party disputes that any costs are not necessarily incurred in the performance of the Development Plan, the dispute shall first be referred to senior managers in accordance with Section 15.4.2. Where the dispute is not resolved within [***] of such referral, either Party may conduct an audit pursuant to Section 10.2; provided that such audit will not count against a either Party's right to conduct an additional, general audit in the applicable year pursuant to Section 10.2.

10. TAXES; RECORDS; LATE PAYMENTS

10.1 Taxes. All sums payable by one Party to the other Party under this Agreement shall be paid in full without any deductions (including deductions in respect of items such as income, corporation, or other taxes, charges and/or duties) except insofar as either Party is required by law to deduct withholding tax from sums payable to the other Party. If the paying Party is required by law to deduct withholding tax, then the Parties shall co-operate in all respects and take all reasonable steps necessary to (a) lawfully avoid the making of any such deduction or (b) to enable the receiving Party to obtain a tax credit in respect of the amount withheld.

10.2 Records. Each Party shall maintain, and shall cause its Affiliates to maintain, complete and accurate records of Revenue and of all FTEs allocated and Development Costs incurred by such Party and its Affiliates, which records may contain information provided by the other Party with respect to its Development Costs. A Party has the right to confirm the accuracy of any reports or notifications delivered by the other Party under this Section 10.2. Each Party and its Affiliates, as applicable, shall retain such records relating to a given calendar quarter for at least five (5) years after the conclusion of that calendar quarter, during which time each Party will have the right, at its expense, to cause an independent, certified public accountant (or, if a non-financial audit, other appropriate auditor) to inspect such records during normal business hours for the purposes of verifying the accuracy of any reports and payments delivered under this Agreement and each Party's and each Affiliate's compliance with the terms hereof. Such certified public accountant or other auditor, as applicable, shall not disclose to a Party any information other than information relating to the accuracy of reports and payments delivered under this Agreement. The Parties shall reconcile any underpayment or overpayment [***] after the accountant delivers the results of the audit. If any audit performed under this Section 10.2 reveals an underpayment [***], the audited Party shall reimburse the other Party for all amounts incurred in connection with such audit. A Party may exercise its rights under this Section 10.2 only once every year per audited entity, and only with reasonable prior written notice to the audited entity.

10.3 **Late Payments**. Any payments by a Party that are not paid on or before the date such payments are due under this Agreement will bear interest at [***]. Interest will accrue beginning on the first day following the due date for payment and will be compounded quarterly. Payment of such interest by a Party shall not limit, in any way, the other Party's right to exercise any other remedies that the other Party may have as a consequence of the lateness of any payment.

11. PATENT FILING, PROSECUTION AND MAINTENANCE; DEFENSE AND ENFORCEMENT

11.1 **Patent Prosecution and Maintenance of Aptevo Patents**. With the exception of any Product Patents containing one or more claims to a multispecific or bispecific polypeptide with 4-1BB [***] Binding Domains ("**Jointly Managed Product Patents**"), as between the Parties, Aptevo shall have the sole right to Prosecute the Aptevo Patents, the Aptevo Platform Patents and the Aptevo Manufacturing Patents, and the costs of Prosecution of such Patents shall be borne by Aptevo.

11.2 **Patent Prosecution and Maintenance of Alligator Patents**. With the exception of any Jointly Managed Product Patents, as between the Parties, Alligator shall have the sole right to Prosecute the Alligator Patents and the costs of Prosecution of Alligator Patents shall be borne by Alligator.

11.3 **Prosecution Cooperation**. The Parties will keep each other informed with regard to the Prosecution of Aptevo Patents and Alligator Patents. The Parties will share and discuss all material aspects of Prosecution, including (a) material communications to and from any patent authorities, and (b) drafts of any material filings or responses to be made to such patent authorities. Such exchange of information shall be made sufficiently in advance in order to allow the other Party to review and comment thereon. The Prosecuting Party shall consider in good faith the comments of the other Party with respect to strategies for filing and prosecuting such Patents. The Parties shall also strive to coordinate and align their activities under this Agreement in a professional and proactive manner.

11.4 **Priority Patent Filing**. Alligator filed the Priority Patent Filing prior to the Effective Date and prior to the date of the MTA and, accordingly, it is an Alligator Patent. The Priority Patent Filing claims all formats of bispecific antibodies with 4-1BB Binding Domains and a second Binding Domain [***]. Alligator has filed a PCT patent application claiming priority to the Priority Patent Filing: this PCT Filing is directed to all subject matter claimed or disclosed in the Priority Patent Filing, and shall remain an Alligator Patent. The patent applications claiming priority to or are derived from the PCT patent application shall be considered Jointly Managed Patent Applications unless the claims of such applications exclude the Product. A new priority application directed to [***] will be filed [***] (the "**Priority Joint Patent**").

11.5 Patent Prosecution and Maintenance of Jointly Managed Product Patents and Joint Patents.

11.5.1 Initial Phase/Patent filing. The Parties shall jointly decide on the optimal strategy for Prosecution of Jointly Managed Product Patents and Joint Patents through the Intellectual Property Subcommittee. The Parties shall endeavor to Prosecute the Jointly Managed Product Patents and Joint Patents in such a way as to broadly claim all inventions disclosed.

11.5.2 Joint Patent Counsel. Aptevo and Alligator shall jointly retain patent counsel(s) (the "**Joint Patent Counsel(s)**") to Prosecute the Jointly Managed Product Patents and the Joint Patents with only one Joint Patent Counsel selected for each Jointly Managed Product Patent. Aptevo and Alligator shall both receive all official patent office correspondence relating to the Jointly Managed Product Patents and Joint Patents and shall be included on all material patent prosecution correspondence to and from the Joint Patent Counsel. Both Parties shall be given the opportunity to comment on all actions and review and comment on all draft responses prior to filing. The Parties agree that Aptevo shall be responsible for instructing Joint Patent Counsel on day-to-day Prosecution and any Jointly Managed Product Patents owned by it; *provided*, however, that such instructions must give reasonable consideration to all comments and changes requested by Alligator. The Parties agree that Alligator shall be responsible for instructing Joint Patent Counsel on day-to-day Prosecution of any Jointly Managed Product Patents owned by it; provided, however, that such instructions must give reasonable consideration to all comments and changes requested by Aptevo.

11.5.3 Foreign Filing and Right to Take Over.

(a) The Parties shall collaborate on all Jointly Managed Product Patents and Joint Patent filing decisions, including the decision as to where to file national stage applications and where to validate European granted patents. [***].

(b) If Aptevo or Alligator does not wish to Prosecute a particular Jointly Managed Product Patent or Joint Patent in a territory or jurisdiction, it shall notify the other Party in writing no less than four (4) weeks prior to the next deadline for any action that may be taken with respect to such Jointly Managed Product Patent or Joint Patent in such territory or jurisdiction, to allow the other Party, in its sole discretion, to assume the control and direction of the Prosecution of such Jointly Managed Product Patent or Joint Patent, at its sole expense.

(c) The Party not wishing to Prosecute a particular Jointly Managed Product Patent or Joint Patent shall execute such documents, and perform such acts, at the continuing Party's expense, as may be reasonably necessary to permit the other Party to Prosecute such Jointly Managed Product Patent or Joint Patent.

11.5.4 Costs. Except as provided in Section 11.5.3(b), all external costs associated with Prosecution of the Jointly Managed Product Patents and Joint Patents, including [***].

11.6 Defense of Third Party Claims.

11.6.1 Infringement of Third Party Patents. Subject to and without limiting the Parties' rights and the procedures set forth under this Article 11 and elsewhere in this Agreement, each of the Parties shall promptly, but in any event no later than ten (10) calendar days after receipt of notice thereof, notify the other Party in writing in the event of any claims by a Third Party of alleged patent infringement by a Party or any of their respective Affiliates or sublicensees with respect to the research, development, manufacture, use, sale, offer for sale or importation of a Product (each, an "**Infringement Claim**").

11.6.2 If a Party shall become engaged in or participate in any suit described in Section 11.6.1, the other Party shall cooperate, and shall cause its and its Affiliates' employees to cooperate, with such Party in all reasonable respects in connection therewith, including giving testimony and producing documents lawfully requested, and using its reasonable efforts to make available to the other, at no cost to the other (other than reimbursement of actually incurred, reasonable out-of-pocket travel and lodging expenses), such employees who may be helpful with respect to such suit, investigation, claim or other proceeding.

11.6.3 Each Party shall keep the other informed of the status of any infringement action or settlement. Any settlement that would involve the waiver of rights (including, but not limited to, the rights to receive payments) or a payment obligation of the other Party shall be deemed a material adverse impact and shall require the consent of the other Party, such consent not to be unreasonably withheld, conditioned or delayed. The Party involved in the litigation dispute shall provide the other Party with copies of all material correspondence from the opposing Third Party and from the court adjudicating the dispute, and shall be provided with draft pleadings and motions prior to submission and any settlement offers and documentation in connection with such Infringement Claim.

11.7 Prosecution of Infringers.

11.7.1 Notice. Except to the extent conflicting with the terms of a Third Party License Agreement, if either Party receives notice of any declaratory judgment action or becomes aware of any infringement of any issued Aptevo Patent, Aptevo Platform Patent, Aptevo Manufacturing Patent, Alligator Patent or Joint Patent by the development, manufacture, sale or other activity by a Third Party in respect of any pharmaceutical product containing (a) both a 4-1BB Binding Domain and [***] Binding Domain or (b) a 4-1BB Binding Domain [***] Binding Domain and shares a therapeutic indication as the Product (an "**Infringing Product**"), it will promptly notify the other Party of such declaratory judgement action or infringement in writing, and the Parties will consult with each other regarding any actions to be taken with respect to such declaratory judgement action or infringing activity. For any infringement action pursued under Section 11.7.2, the Parties shall share with each other all relevant information reasonably available to it regarding such alleged infringement (subject to any confidentiality obligations to Third Parties), pursuant to a mutually agreeable "common interest agreement" executed by the Parties under which the Parties agree to their shared, mutual interest in the outcome of any actions to enforce such Patents against such Infringing Product Infringement. Unless the Parties otherwise agree, enforcing Party in such action shall be determined in accordance with the rules set forth in Section 11.7.2.

11.7.2Enforcement of Patents.

(a) **Aptevo and Alligator Patents**. During the Development Period, unless a Party has Opted-Out pursuant to Section 14.2.1 or terminated pursuant to Sections 14.2.2 or 14.2.3, the Parties shall have the joint right, but neither Party shall be obligated, to take the appropriate steps to enforce any Patent within the Alligator Patents, Aptevo Patents, Aptevo Platform Patents, and Aptevo Manufacturing Patents against an Infringing Product.

(b) **Joint Patents.** During the Development Period, unless a Party has Opted-Out pursuant to Section 14.2.1 or Terminated pursuant to Sections 14.2.2 or 14.2.3, the Parties shall have the joint right, but neither Party shall be obligated, to take the appropriate steps to enforce or defend any Patent within the Joint Patents against any Third Party infringer (such right to not be limited to the Infringing Product).

(c) **Joint Enforcement**. If Alligator and Aptevo elect to jointly enforce any Patent(s) pursuant to Sections 11.7.2(a) or (b), as applicable, the Parties shall be jointly responsible for, and shall bear equally, all costs and expenses of any such suit brought by them. If one Party elects not to participate in the infringement action and the Parties have not obtained a discontinuance of the infringement, then the other Party shall have the right, but not the obligation, to bring suit; *provided* that the pursuing Party shall bear all of the expenses of such suit. The other Party will cooperate with the pursuing Party in any such suit, including joining any suit upon request of the other Party, and shall have the right to consult with the pursuing Party and to participate in and be represented by independent counsel in such litigation at its own expense. Any recoveries obtained by the pursuing Party as a result of any such proceeding against a Third Party infringer shall be allocated as follows: (i) such recovery shall first be used to reimburse the pursuing Party for all reasonable out-of-pocket litigation expenses incurred by such pursuing Party, and, then, to reimburse the non-pursuing Party for all out-of-pocket litigation expenses incurred by such non-pursuing Party; and (ii) [***] of the remainder of the recovery shall go to the pursuing Party and [***] shall go to the other Party. The enforcing Party shall not take any position with respect to, or compromise or settle, any such infringement actions in any way that is reasonably likely to directly and adversely affect the scope, validity or enforceability of any Patents solely owned by the other Party without such other Party' prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

(d) **Opt-Out**. If either Party Opts-Out pursuant to Section 14.2.1 or the Agreement terminates pursuant to Sections 14.2.2 or 14.2.3, the Continuing Party (and its Third Party Licensees) shall have the sole right (but not the obligation) to take the appropriate steps to enforce any Joint Patents or Patents owned solely by the Continuing Party against a Third Party infringer (other than the Jointly Managed Patents), and the Continuing Party (and its Third Party Licensees) shall have the first right (but not the obligation) to take the appropriate steps to enforce Jointly Managed Product Patents against an Infringing Product; *provided* that the Continuing Party provides copies of all material correspondence from the opposing party and from the court adjudicating the dispute and the Terminated Party shall be provided with draft pleadings and motions prior to submission. The Terminated Party shall make any declaration and execute any document necessary for the Continuing Party to take the steps set out in the first sentence of this subsection (d), including joining any suit upon request of the other Party. The enforcing Party shall not take any position with respect to, or compromise or settle, any such infringement action

in any way that is reasonably likely to directly and adversely affect the scope, validity or enforceability of any Patents solely owned by the other Party without such other Party' prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed

(e) Aptevo Sole Rights. Except as set forth in this Section 11.7.2 in respect of an Infringing Product, only Aptevo shall have the right to bring any suit, action or proceeding with respect to the infringement of an Aptevo Manufacturing Patent or an Aptevo Platform Patent.

(f) Licenses. If a Third Party License Agreement exists, the Parties shall comply with its terms relating to the enforcement of Patents in respect of an Infringing Product. If the Third Party Licensee exercises its right to sue under the Third Party License Agreement, the Parties shall equally share any funds recovered that are not retained by the Third Party Licensee. If the Third Party Licensee does not exercise its right to sue under the Third Party License Agreement, then the Parties shall have a right to commence such infringement action in accordance with subsections (a) - (c), to the extent not in conflict with the rights granted under such Third Party License Agreement.

12. WARRANTIES; LIMITATION OF LIABILITY

12.1 Mutual Representations, Warranties and Covenants. Each Party hereby represents and warrants to the other Party, as of the Effective Date, and covenants that:

12.1.1 it is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization;

12.1.2 it has the power and authority to execute, deliver and perform this Agreement, including to grant rights under this Agreement to the other Party;

12.1.3 it will comply with all Applicable Laws relating to the development, manufacture, use, sale and importation of Products;

12.1.4 it is not under any obligation, contractual or otherwise, to any person that conflicts with or is inconsistent in any respect with the terms of this Agreement, or that would impede the diligent and complete fulfillment of its obligations hereunder; and

12.1.5 neither it nor any of its Affiliates has been debarred by the FDA, or is subject to any similar sanction of other regulatory authorities, and neither it nor any of its Affiliates has used, or will engage, in any capacity, in connection with this Agreement or any ancillary agreements (if any), any person who either has been debarred by such a regulatory authority, or is the subject of a conviction described in Section 306 of the FFDCA. Each Party shall inform the other Party in writing promptly if it or any person engaged by such Party or any of its Affiliates who is performing any activities under or in connection with this Agreement or any ancillary agreements (if any) is debarred or is the subject of a conviction described in Section 306 of the FFDCA, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to its knowledge, is threatened, relating to the debarment or conviction of such Party, any of its Affiliates or any such person performing activities.

12.2 Representations, Warranties and Covenants of Alligator. As of the Effective Date, Alligator hereby represents, warrants and covenants to Aptevo that:

12.2.1 Schedule 1.4 contains an accurate listing by owner, inventor(s), serial number, filing date, country, and status of all Patents Controlled by Alligator as of the Effective Date that, to Alligator's knowledge, may be necessary or useful for the Development, Commercialization, manufacture, use, offer for sale, sale or import of the Product as contemplated herein or as embodied by the candidates for Product that were identified in the conduct of activities under the MTA;

12.2.2 To Alligator's knowledge, each of the patent applications listed in Schedule 1.4 or included in the Alligator Patents is currently pending and in good standing, and has not been abandoned.

12.2.3 there are no claims, judgments or settlements against or owed by Alligator with respect to the Alligator Technology, including the 4-1BB [***] Binding Domains;

12.2.4 there is no fact or circumstance known to Alligator that would cause Alligator to reasonably conclude that any of the issued Alligator Patents is invalid or unenforceable;

12.2.5 there are no pending, and to Alligator's knowledge, no threatened, adverse actions, suits or proceedings (including interferences, reissues, reexaminations, cancellations, oppositions, nullity actions, invalidation actions or post-grant reviews) against Alligator involving the Alligator Technology or the 4-1BB Binding Domain or [***] Binding Domain;

12.2.6 Except with respect to the Patents listed in Schedule 1.4, Alligator has not publicly disclosed, and has not permitted any Third Party to publicly disclose, the composition of matter, sequence or other patentable information relating to any bispecific antibody comprising a 4-1BB Binding Domain [***] Binding Domain.

12.2.7 Alligator has not received any written notice or written threat from any Third Party asserting or alleging that the use of Alligator Technology in relation to manufacture, use, sale, offer for sale or import of the Product, or to any product containing [***], (a) infringes the issued patents of such Third Party, or (b) misappropriates the intellectual property rights of such Third Party; and

12.2.8 to Alligator's knowledge, (a) no Third Party is infringing or has infringed any issued Alligator Patent or has misappropriated any Alligator Know-How and (b) there are no Patents held by Third Parties (including, if issued with their published claims, published patent applications) that it has determined to have claims that may cover the development, manufacture or sale of any of the current lead Product candidates[***].

12.3 Representations, Warranties and Covenants of Aptevo. As of the Effective Date, Aptevo hereby represents, warrants and covenants to Alligator that:

12.3.1 Schedule 1.11, Schedule 1.13 and Schedule 1.17 collectively contain an accurate listing by owner, inventor(s), serial number, filing date, country, and status of all Patents Controlled by Aptevo as of the Effective Date that, to Aptevo's knowledge, may be necessary or useful for the Development, Commercialization, manufacture, use, offer for sale, sale or import of the Product as contemplated herein or as embodied by the candidates for Product that were identified in the conduct of activities under the MTA;

12.3.2 To Aptevo's knowledge, each of the patent applications listed in Schedule 1.11, Schedule 1.13 and Schedule 1.17, or otherwise included in the Aptevo Patents, is currently pending and in good standing, and has not been abandoned.

12.3.3 there are no claims, judgments or settlements against or owed by Aptevo with respect to the Aptevo Technology, Aptevo Platform Technology or Aptevo Manufacturing Technology;

12.3.4 there is no fact or circumstance known to Aptevo that would cause Aptevo to reasonably conclude that any of the issued Aptevo Patents, Aptevo Platform Patents or Aptevo Manufacturing Patents is invalid or unenforceable;

12.3.5 there are no pending, and to Aptevo's knowledge, no threatened, adverse actions, suits or proceedings (including interferences, reissues, reexaminations, cancellations, oppositions, nullity actions, invalidation actions or post-grant reviews) against Aptevo involving [***];

12.3.6 Aptevo has not received any written notice or written threat from any Third Party asserting or alleging that the use of [***] (a) infringes the issued patents of such Third Party, or (b) misappropriates the intellectual property rights of such Third Party; and

12.3.7 to Aptevo's knowledge, (a) no Third Party is infringing or has infringed any [***]; and (b) there are no Patents held by Third Parties (including, if issued with their published claims, published patent applications) that it has determined to have claims that may cover the development, manufacture or sale of any [***].

12.4 No Warranty.

12.4.1 NOTHING CONTAINED HEREIN SHALL BE DEEMED TO BE A WARRANTY BY ALLIGATOR OR APTEVO THAT IT CAN OR WILL BE ABLE TO OBTAIN PATENTS ON PATENT APPLICATIONS INCLUDED IN THE PATENTS, OR THAT ANY OF THE PATENTS WILL AFFORD ADEQUATE OR COMMERCIALLY WORTHWHILE PROTECTION.

12.4.2 NEITHER PARTY MAKES ANY WARRANTIES WHATSOEVER AS TO THE COMMERCIAL OR SCIENTIFIC VALUE OF DEVELOPMENT, DEVELOPMENT

DATA, PATENTS, MATERIALS OR TECHNOLOGY. NEITHER PARTY MAKES ANY REPRESENTATION THAT THE PRACTICE OF THE PATENTS OR USE OF THE DEVELOPMENT DATA, MATERIALS OR TECHNOLOGY, OR THE DEVELOPMENT, MANUFACTURE, USE, SALE OR IMPORTATION OF ANY PRODUCT, OR ANY ELEMENT THEREOF, WILL NOT INFRINGE THE PATENT OR PROPRIETARY RIGHTS OF ANY THIRD PARTY.

12.4.3 EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY WARRANTY WITH RESPECT TO ANY TECHNOLOGY, DEVELOPMENT, DEVELOPMENT DATA, PATENTS, GOODS, SERVICES, RIGHTS OR OTHER SUBJECT MATTER OF THIS AGREEMENT AND EACH HEREBY DISCLAIMS WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT WITH RESPECT TO ANY AND ALL OF THE FOREGOING.

12.5 Limitation of Liability. A Party will not be liable to the other Party with respect to any subject matter of this Agreement under any contract, negligence, strict liability or other legal or equitable theory for any indirect, incidental, consequential or punitive damages or lost profits, except to the extent such damages are claimed by a Third Party for such Party is required to indemnify the other Party under Article 11, arise out of a breach of Article 5 or from the gross negligence or willful misconduct of a Party.

13. INDEMNIFICATION

13.1 Aptevo. Aptevo shall indemnify, hold harmless and defend Alligator , its Affiliates and licensors, and their directors, officers, employees and agents (collectively, the "**Alligator Indemnitees**") from and against any and all losses, expenses, cost of defense (including reasonable attorneys' fees, witness fees, damages, judgments, fines and amounts paid in settlement) ("**Losses**") arising in connection with any and all charges, complaints, actions, suits, proceedings, hearings, investigations, claims, demands, judgments, orders, decrees, stipulations or injunctions by a Third Party (each a "**Third Party Claim**") to the extent resulting or otherwise arising from:

(a) the gross negligence, or willful misconduct or act or failure to act of Aptevo or any of its Affiliates;

(b) any breach by Aptevo of its representations, warranties under this Agreement;

(c) the infringement or misappropriation of intellectual property rights of a Third Party arising from the Manufacture of Product, excluding any Manufacturing processes specific to the Binding Domains of the Product and further excluding any improvement or modification to the manufacturing process jointly requested by the Parties, in each case, in connection with the Development Activities; and

(d) except to the extent provided in subsections (a) through (c) above or Section 13.2(a) through (c) below, [***] arising out of Development Activities.

13.2 **Alligator**. Alligator shall indemnify, hold harmless and defend Aptevo , its Affiliates and licensors, and their directors, officers, employees and agents (collectively, the "**Aptevo Indemnitees**") from and against any and all Losses arising in connection with any and all Third Party Claims to the extent resulting or otherwise arising from:

(a) the gross negligence, or willful misconduct or act or failure to act of Alligator or any of its Affiliates;

(b) any breach by Alligator of its representations, warranties under this Agreement;

(c) the infringement or misappropriation of intellectual property rights of a Third Party arising from the use of the Alligator antibody library, excluding the use of any Binding Domain in the Product, in each case, in connection with the Development Activities; and

(d) except to the extent provided in subsections (a) through (c) above or Section 13.1(a) through (c) above, [***] arising out of Development Activities.

13.3 **Procedure**. In the event of a Third Party Claim against an Alligator Indemnitee or an Aptevo Indemnitee (an "**Indemnified Party**") that is subject to indemnification by the other Party (the "**Indemnifying Party**") pursuant to Section 13.1 or 13.2, as applicable, the Indemnified Party shall promptly notify the Indemnifying Party in writing of the Third Party Claim, and the Indemnified Party shall permit the Indemnifying Party to assume direction, undertake and solely manage and control, at its sole expense, the defense of the Third Party Claim (including the right to settle the Third Party Claim solely for monetary consideration). The Indemnified Party shall cooperate with the Indemnifying Party as reasonably requested in the defense of the Third Party Claim, and may, at its option and expense, be represented in any such action or proceeding by counsel of its choice. The Indemnifying Party shall not settle any such Third Party Claim unless such settlement fully and unconditionally releases the Indemnified Party from all liability relating thereto, and does not impose any cost or restriction on the Indemnified Party, unless the Indemnified Party otherwise agrees in writing, which agreement shall not be unreasonably withheld, conditioned, or delayed.

14. TERM AND TERMINATION

14.1 **Term**. The term of this Agreement shall commence on the Effective Date and, unless earlier terminated as provided in this Article 14, shall continue in full force and effect until the expiration of the last active Third Party License Agreement and the expiration of all payment obligations under this Agreement, including Section 14.4 (the "**Term**").

14.2 **Termination**.

14.2.1 **Opt Out**.

(a) **Generally**. Each Party shall have the right to elect not to continue the Development Activities and sharing of Development Costs ("**Opt-Out**") (the Party so electing hereinafter referred to as the "**Opt-Out Party**"), by sending notice thereof to the other Party (the "**Opt-Out Notice**") during specified time periods (each such period an "**Opt-Out Window**").

Each Opt-Out Window will commence on the date upon which one of the events specified in Schedule 14.2.1 occurs, and will remain open for [***] period following such commencement, as may be extended in accordance with Section 14.2.1.

(b) Consideration Period. If either Party delivers an Opt-Out Notice in accordance with Section 14.2.1(a) above during an Opt-Out Window, then the applicable Opt-Out Window will be automatically extended for a period of [***] from the date the non-Opt-Out Party's received the Opt-Out Notice (the "**Consideration Period**") in order to permit such Party to evaluate whether it wishes to continue Development Activities as the sole developing Party. To that end, prior to the expiration of the Consideration Period, the non-Opt-Out Party shall notify the Opt-Out Party whether it (i) intends to continue the Development Activities as the sole developing Party, or (ii) intends to exercise its right to Opt-Out.

(c) Effective Date of Opt-Out. If only one Party elects to Opt-Out, then the Opt-Out shall be effective [***] after the date of receipt of the Opt-Out Notice (the "**Opt-Out Date**"). Notwithstanding the foregoing, [***]. If, during the Consideration Period, the non-Opt-Out Party does not elect to continue Development and delivers a notice to the other Party in respect of the same (the "**Final Notice**"), then this Agreement shall be deemed mutually terminated (irrespective of which Party delivered the initial Opt-Out Notice) and the Parties will cooperate to timely wind down all Development Activities and Manufacturing activities related to the Product. For the avoidance of doubt, if one Party delivers an Opt-Out Notice, and the second Party delivers a Final Notice, then, for the purposed of this Agreement, the Opt-Out Date shall be considered the date of delivery of the Final Notice, and the Parties shall share equally in all costs incurred in the period between the initial Opt-Out Notice and the delivery of the Final Notice.

14.2.2 Termination for Default. If a Party commits a material breach of its obligations under this Agreement and fails to cure that breach within [***] after receiving written notice describing such material breach and demanding its cure, the other Party may terminate this Agreement immediately upon written notice to the breaching Party; provided, that if such breach is unable to be cured within such [***] period, but is curable within a longer period, then the non-breaching Party's right to terminate shall be suspended only if and for so long as the breaching Party has provided to the non-breaching Party a written plan that is reasonably calculated to effect a cure, and the breaching Party uses Commercially Reasonable Efforts to diligently carry out such plan as provided to the non-breaching Party.

14.2.3 Bankruptcy. A Party may terminate this Agreement upon notice to the other Party if the other Party becomes insolvent, is adjudged bankrupt, applies for judicial or extra-judicial settlement with its creditors, makes an assignment for the benefit of its creditors, voluntarily files for bankruptcy or has a receiver or trustee (or the like) in bankruptcy appointed by reason of its insolvency, or if an involuntary bankruptcy action is filed against a Party and not dismissed within sixty (60) days, or if a Party becomes the subject of liquidation or dissolution proceedings or otherwise discontinues doing business.

14.2.4 **Mutual Termination at Stage Gate.** If a Product candidate does not satisfy the applicable go/no go criteria for any one of the Stage Gates, as contemplated in Section 2.3.4, then, unless the Parties otherwise agree in writing to continue the Development Activities, the Parties' obligations with respect to any Development Activities under the Development Plan shall end and this Agreement will be automatically terminated. Upon any termination pursuant to this Section 14.2.4, the Parties will cooperate to wind down all Development (and Commercialization activities, if applicable) related to the Product.

14.3 Effect of Termination

14.3.1 **Product, Joint Technology and Development Data Are Transferred to Continuing Party**. If a Party Opts-Out pursuant to Section 14.2.1 or a Party terminates this Agreement under Sections 14.2.2, or 14.2.3 (the Opt-Out Party or such terminating Party, the "**Terminating Party**", and the other Party, the "**Terminated Party**"), then from and after the Opt-Out Date or the effective date of termination, as applicable (the Opt-Out Date or the effective date of termination, as applicable, the "**Termination Date**"), the Opt-Out Party or the Terminated Party, as the case may be, shall:

(a) cease all Development Activities, and all rights and licenses granted to such Party shall be automatically terminated and shall revert to the other Party as of the Termination Date (unless the Parties otherwise mutually agree in writing); *provided* that the Opt-Out Party or the Terminated Party, as the case may be Party shall continue to meet its obligations under this Agreement during the period preceding the Termination Date, [***];

(b) assign to the other Party (the "**Continuing Party**") all CTAs in respect of the Product;

(c) grant the Continuing Party an exclusive license (with right to sublicense through multiple tiers) under Joint Technology and, if Alligator is the Opt-Out Party or Terminated Party, under Alligator Technology or, if Aptevo is the Opt-Out Party or Terminated Party, under Aptevo Technology, Aptevo Platform Technology and Aptevo Manufacturing Technology to Develop and Commercialize the Product in the Territory in the Field. In the case that Aptevo is the Continuing Party, the foregoing license shall include the right to manufacture the Product for use in the Territory in the Field, and for clarity, in the case that Alligator is the Continuing Party the foregoing license shall exclude the right to manufacture the Product, provided that such right and license shall be granted to Alligator in accordance with the process set forth in Section 6.2.2;

(d) continue to be obligated to pay for [***] of any Development Costs incurred prior to the Termination Date; and

(e) before or promptly after the Termination Date, transfer to the other Party (by assignment (to the extent possible), contract or otherwise) Product-specific Regulatory Materials, any agreements with Third Parties related to the Development, or Commercialization of the Product (such agreements shall be assigned to the Continuing Party to the extent possible,

and if not possible, such rights shall be transferred by means of contract, or with each Party's full cooperation, by means of a direct agreement between the Continuing Party and such Third Party(ies)), Development Data and all other jointly owned tangible materials. Each Party shall take all actions and execute such instruments, assignments and documents as may be necessary to effect, evidence, register and record the transfer, assignment or other conveyance of rights under this Section 14.3.1 to the Continuing Party.

14.3.2 Post-Termination Agreement. Upon request of either Party following the Termination Date, the Parties will negotiate in good faith the commercially reasonable terms and conditions of a license, development and commercialization agreement that will enable such Continuing Party to advance the Product, either itself or with an Affiliate or Third Party, including the terms set forth in this Agreement that would apply and/or that would clarify the terms set forth in this Agreement with respect to the continuing Development or Commercialization of the Product by the Continuing Party. In any event the Opt-Out Party or, if applicable, the Terminated Party shall be eligible to receive remuneration pursuant to Section 14.4. The Opt-Out Party or, if applicable, the Terminated Party shall be reimbursed by the Continuing Party for reasonable costs that it incurs as part of its activities in 14.3.1.

14.3.3 Continuing Party Bears Costs. Following the Termination Date, as between the Parties, the Continuing Party shall be solely responsible for all costs of Development, manufacture, regulatory matters and Commercialization of the Product.

14.3.4 Aptevo Option Product. Upon Opt-Out by Alligator or termination of this Agreement by Aptevo pursuant to Sections 14.2.2 or 14.2.3, the Aptevo Option and rights granted to Aptevo under Section 4.8 will survive for [***] after the effective date of Opt-Out or termination, but not later than [***] of the Effective Date. Upon the date of a notice of termination of this Agreement by Alligator pursuant to Sections 14.2.2 or 14.2.3, the Aptevo Option and rights granted to Aptevo under Section 4.8 shall terminate. For clarity, any license or other agreement executed by the Parties pursuant to Aptevo's exercise of the Aptevo Option under Section 4.8 prior to such applicable date will be unaffected by termination of this Agreement.

14.4 Opt-Out or Termination Financials. In the case of any Opt-Out or termination of this Agreement pursuant to Sections 14.2.2 or 14.2.3, the Opt-Out Party or, if applicable, the Terminated Party shall be entitled to receive, as applicable, (a) a percentage of Revenue from any Third Party License that is Developing or Commercializing the Product under any Third Party Licensee, as set forth in Section 14.4.1, and, (b) a percentage of Net Sales of the Product made by or on behalf of the Continuing Party or its Affiliates, as set forth in Section 14.4.2. The Continuing Party shall be responsible for making all such payments in accordance with the procedure set forth in Section 14.4.3.

14.4.1 Allocable Percentage of Revenue; Revenue Sharing. In the case of any Opt-Out or termination of this Agreement pursuant to Sections 14.2.2 or 14.2.3, the Opt-Out Party or the Terminated Party shall be entitled to a percentage of Revenue received from a Third Party Licensee (prior to any allocation of such Revenue to a Third Party providing Third Party Development Funding) equal to the following percentage (the "**Allocable Percentage of Revenue**" or the "**APR**"):

[***]

For the avoidance of doubt, this Section 14.4.1 does not apply to revenue generated by sales of Product by the Continuing Party or its Affiliates, which is addressed in Section 14.4.2.

The following example illustrates the calculation of the Allocable Percentage of Revenue and the amount of Revenue that would be payable by the Continuing Party, as described in Section 14.4.1, *provided* that the applicable Third Party License Agreement was entered [***] after the Termination:

	Opt-Out or Terminated Party	Continuing Party
[***]	[***]	[***]

14.4.2 Opt-Out Royalty on Net Sales. In the case of any Opt-Out or termination of this Agreement pursuant to Sections 14.2.2 or 14.2.3, the Opt-Out Party or the Terminated Party shall be entitled to a percentage of Net Sales of the Product made by the Continuing Party or its Affiliates equal to the amounts set forth in the table below and based on the Termination-Out Date, which shall be payable for the period commencing upon the first commercial sale of the Product and continue on a Product-by-Product and country-by-country basis, which shall be payable for the period commencing upon the first commercial sale of the Product and continue on a Product-by-Product and country-by-country basis ending on the later of (a) [***], and (b) [***] years from the date of the first commercial sale of such Product in such country.

Termination Date	Royalty Rate
[***]	[***]

The Parties agree that, similar to the Revenue sharing in Section 14.4.1, such royalties reflect compensation for the grant of rights (including the license grants to Patents and other intellectual property under Section 14.3.1(c)) and for the costs and risk sharing undertaken by the Terminating Party prior to the Termination Date. Accordingly and for reasons of convenience, the Parties have determined that a single, blended royalty rate, regardless of the existence of any relevant Patents or other intellectual property, will apply and that the utilization of such blended royalty rate is advantageous to both Parties.

14.4.3 Payment Terms for Opt Out and Termination Payments. If the Continuing Party (a) receives any Revenue or (b) generates Net Sales, in each case, in a given calendar quarter following the Termination Date, then the Continuing Party shall provide to the other Party, [***] after the end of such calendar quarter a written report (each, a "**Financial Report**") detailing the Revenue received and/or Net Sales booked in such calendar quarter. The Financial Report shall include: [***]. The Continuing Party shall pay to the Opt-Out Party or Terminated Party any amounts required by Section 14.4 simultaneously with the delivery of the Financial Report.

14.5 Accruing Obligations. Expiration or termination of this Agreement shall not relieve the Parties of obligations accruing prior to such termination or expiration, including obligations to pay amounts accruing hereunder up to the effective date of termination or expiration.

14.6 Rights in Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by one Party to the other Party are, and will otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code or comparable provision of applicable bankruptcy or insolvency laws, licenses of right to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code or comparable provision of applicable bankruptcy or insolvency laws. A Party that is a licensee of such rights under this Agreement will retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code or comparable provision of applicable bankruptcy or insolvency laws. In the event of the commencement of a bankruptcy proceeding by or against a Party to this Agreement under the U.S. Bankruptcy Code or comparable provision of applicable bankruptcy or insolvency laws, the other Party will be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and same, if not already in its possession, will be promptly delivered to it (a) upon any such commencement of a bankruptcy or insolvency proceeding upon its written request therefor, unless the bankrupt Party elects to continue to perform all of its obligations under this Agreement, or (b) if not delivered under (a) above, following the rejection of this Agreement by or on behalf of the bankrupt Party upon written request therefor by the other Party. The Parties acknowledge and agree that all payments required to be made under Sections 7.7 and 14.4.2 constitute "royalties" within the meaning of Section 365(n) of the Bankruptcy Code or relate to licenses of intellectual property hereunder.

14.7 **[***]**.

14.8 **Survival**. The Parties' respective rights, obligations and duties under Articles 1, 5, 9 (solely with respect to payment obligations that have accrued prior to the effective date of termination or expiration), 10, 13 and 15, along with individual Sections 2.4.3(a), 2.5.6, 2.6 (for the period set forth in 2.6.2), 2.7, 2.8, 4.1 - 4.8, 6.2, 7.5.2 (with respect to the terms of any Third Party License), 7.8 (with respect to the terms of the Third Party License), 11.7.2(d), 12.4, 12.5, and 14.3 – 14.8 as well as any rights, obligations and duties which by their nature extend beyond the expiration or termination of this Agreement, shall survive any expiration or termination of this Agreement.

15. MISCELLANEOUS

15.1 **Entire Agreement**. This Agreement is the sole agreement with respect to the subject matter hereof and except as expressly set forth herein, supersedes all other agreements and understandings between the Parties with respect to the same, except that the Prior CDA shall remain valid and in force.

15.2 **Notices**. Unless otherwise specifically provided, all notices required or permitted by this Agreement shall be in writing and may be delivered personally, or may be sent by electronic mail, expedited delivery, or certified mail, return receipt requested, to the following addresses, unless the Parties are subsequently notified of any change of address in accordance with this Section 15.2:

If to Aptevo [***]

With copy to:

[***]

If to Alligator [***]

Any notice shall be deemed to have been received as follows: (a) by personal delivery, upon receipt; (b) by electronic mail or expedited delivery, one business day after transmission or dispatch; and (c) by certified mail, as evidenced by the return receipt. If notice is sent by electronic mail, a confirming copy of the same shall be sent by mail to the same address.

15.3 **Governing Law and Jurisdiction**. This Agreement and any claims arising in connection with the activities conducted hereunder or the breach of its terms and conditions, whether sounding in contract, tort or otherwise, will be governed by, and construed in accordance with, the substantive laws of the State of New York (USA), without giving effect to any choice or conflict of law provision, except that questions affecting the construction and effect of any patent shall be determined by the law of the country in which the patent shall have been granted.

15.4 **Dispute Resolution Generally**.

15.4.1 **Disputes**. The Parties recognize that, from time to time during the Term, disputes may arise as to certain matters which relate to either Party's rights and/or obligations hereunder. It is the objective of the Parties to establish procedures to facilitate the resolution of disputes arising under this Agreement in an expedient manner by mutual cooperation and without resort to litigation. To accomplish this objective, the Parties agree to follow the procedures set forth in this Section 15.4 to resolve all disputes, controversies or claims arising out of, relating to or in connection with this Agreement (including any question regarding its formation, existence, validity, enforceability, performance, or termination) (a "**Dispute**").

15.4.2 **Negotiation**. The Parties shall endeavor in good faith to resolve any Dispute by negotiation. If either Party gives notice in writing to the other Party that a Dispute has arisen, and the Parties are unable to resolve such Dispute [***] of such notice, then the Dispute shall be referred to the CEO of Aptevo and the CEO of Alligator (the "**CEOs**"). If the CEOs are unable to resolve the dispute [***] after referral of the Dispute ("the **CEO Negotiation Period**"), then either Party may submit the Dispute to arbitration in accordance with Section 15.4.3.

15.4.3 **Arbitration**. Except for Disputes resolved by the procedures set forth in Sections 15.5 and other than those intellectual property related disputes described in Section 15.6, all Disputes that remain unresolved after the CEO Negotiation Period shall be finally resolved through arbitration under the LCIA Rules, as modified by the remainder of this Section 15.4.3.

(a) The number of arbitrators shall be one if the amount in dispute is [***] or three if the amount in dispute [***]. The amount in dispute shall be determined following submission of the Answer and take into account the monetary value of the counterclaims (if any). If there is a sole arbitrator, that arbitrator shall be

nominated jointly by the Parties [***] after submission of the Answer. If there are two arbitrators, the Parties shall each nominate one arbitrator [***] after submission of the Answer, and the third arbitrator, who shall be the presiding arbitrator, shall be jointly nominated by the two-Party nominated arbitrators in consultation with the Parties [***] of the appointment of the second arbitrator. If any arbitrator is not nominated within these time periods, the LCIA shall appoint such arbitrator. Neither the sole arbitrator nor the presiding arbitrator (as applicable) shall have the same nationality as either Party or its parent company. Each arbitrator shall comply with the requirements of the IBA Guidelines on Conflicts of Interest in International Arbitration.

(b) The seat, or legal place of arbitration shall be [***]. The language of the arbitration shall be English. Any written evidence originally in another language shall be submitted in English translation accompanied by the original or a true copy thereof. In addition to the authority conferred upon the arbitral tribunal by the LCIA Rules, the arbitral tribunal shall have the authority to order production of documents and shall be guided by the IBA Rules on the Taking of Evidence in International Arbitration.

(c) The arbitrators shall be instructed and required (a) to deliver [***]; and (b) to render a final award, which shall be delivered to the Parties as expeditiously as possible, [***]; *provided* that, if the arbitrators are unable to meet the foregoing timelines despite the use of their respective best efforts to do so, then the arbitrators shall have the authority to extend any of the foregoing timelines as necessary in connection with delivery of a final award.

(d) Judgment on the award may be entered in any court of competent jurisdiction. Each Party agrees that, notwithstanding any provision of Applicable Law or of this Agreement, it shall not request, and the arbitrators shall have no authority to award, punitive or exemplary damages against any Party. Neither Party shall be permitted to recover amounts that it has previously set-off pursuant to Section 14.7.

(e) Any payment to be made by a Party pursuant to a decision of the tribunal shall be made payable in United States dollars, without any deductions made for tax obligations or any other deductions.

15.4.4 Interim Relief; Confidentiality and other Limitations. Nothing in this Agreement shall limit the right of either Party to apply to the arbitrators or any court of competent jurisdiction for any interim relief or provisional relief, including a temporary restraining order, preliminary injunction or other interim or conservatory relief without requiring posting a bond or other security. The arbitrators shall have the authority to grant any provisional or interim remedy that would be available from a court of law or equity in New York, New York. Except to the extent necessary to confirm or obtain judgment on an award or decision or as may be required by Applicable Law, neither Party may, and the Parties shall instruct the arbitrators not to, disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable

proceeding based on the Dispute would be barred by the applicable New York statute of limitations, or, if no New York statute of limitation applies, the shortest of any other statutory or other time limitation that may apply to the claim.

15.5 Baseball Arbitration. All Disputes arising under [***], shall be determined by arbitration administered by the International Centre for Dispute Resolution (the "**ICDR**") in accordance with its International Arbitration Rules and the Final Offer Supplementary Arbitration Rules, as modified herein. Baseball arbitration shall be conducted by one (1) arbitrator who shall be selected jointly by the Parties. If the Parties are unable to select an arbitrator within [***] after commencement of the arbitration, then the arbitrator shall be appointed by the ICDR in accordance with its Rules. Any arbitrator chosen hereunder shall have educational training and industry experience sufficient to demonstrate a reasonable level of scientific, financial, medical and industry knowledge relevant to the Dispute. Within [***] after commencement of the arbitration, the responding party shall submit its written Answer to the Notice of Arbitration. Within [***] after appointment of the arbitrator, each Party shall submit to the arbitrator and the other Party a proposed resolution of the Dispute that is the subject of the arbitration, together with any relevant evidence in support thereof (collectively, the "**Proposals**"). Within [***] after the delivery of the last Proposal to the arbitrator, each Party may submit a written rebuttal of the other Party's Proposal and may also amend and re-submit its original Proposal. The Parties and the arbitrator shall meet within [***] after the Parties have submitted their final Proposals (and rebuttals, if any), at which time each Party shall have [***] to argue in support of its Proposal. The Parties may not call any witnesses in support of their arguments, nor compel any production of documents or take any discovery from the other Party in preparation for the hearing. Within [***] after such hearing, the arbitrator shall select one of the final Proposals so submitted by one of the Parties as the resolution of the Dispute, but may not alter the terms of either final Proposal and may not resolve the Dispute in a manner other than by selection of one of the submitted final Proposals. If a Party fails to submit a Proposal within the initial [***] time frame set forth above, the arbitrator will select the Proposal of the other Party as the resolution of the Dispute. The place of arbitration shall be New York City, New York; the language of the arbitration shall be English; and judgment on the award may be entered in any court of competent jurisdiction.

15.6 Intellectual Property Dispute Resolution. Any dispute, controversy or claim relating to the scope, validity, enforceability or infringement by a Party of any Patent rights owned by a Party covering any Product (or any portion thereof)(except in respect of any matter arising under Section 14.4.2), any alleged misappropriation of any trade secret within the Aptevo Manufacturing Know-How, or related to any trademark rights covering the Product (or any portion thereof) shall be submitted to a court of competent jurisdiction in which such Patent rights, trademark rights were granted or arose or, in the case of any alleged trade secret misappropriation, any court of competent jurisdiction.

15.7 Cumulative Remedies. Except to the extent expressly stated in this Agreement, no remedy referred to in this Agreement is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under equity or law.

15.8 **Binding Effect**. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors and permitted assigns.

15.9 **Further Assurances**. Each Party shall, as and when requested by the other Party, execute all documents as may be reasonably necessary to give effect to the provisions of this Agreement and the obligations herein, including as applicable any such documents that may be necessary to give effect to or to perfect the assignment of any intellectual property right or other proprietary right purported to be assigned hereunder.

15.10 **Headings**. Section and subsection headings are inserted for convenience of reference only and do not form a part of this Agreement.

15.11 **Counterparts**. The Parties may execute this Agreement in one or more counterparts, each of which shall be deemed an original.

15.12 **Amendment; Waiver**. This Agreement may be amended, modified, superseded or canceled, and any of the terms may be waived, only by a written instrument executed by each Party or, in the case of waiver, by the Party waiving compliance. The delay or failure of either Party at any time or times to require performance of any provisions hereof shall in no manner affect the rights at a later time to enforce the same. No waiver by either Party of any condition or of the breach of any term contained in this Agreement, whether by conduct, or otherwise, in any one or more instances, shall be deemed to be, or considered as, a further or continuing waiver of any such condition or of the breach of such term or any other term of this Agreement.

15.13 **No Agency or Partnership**. Nothing contained in this Agreement shall give either Party the right to bind the other, or be deemed to constitute either Party as agent for or partner of the other or any Third Party. Aptevo will not have the right to direct or control the activities of Alligator in performing Development, and Alligator will not have the right to direct or control the activities of Aptevo in performing Development. Alligator and Aptevo shall act hereunder only as independent contractors, and nothing herein contained shall be construed to be inconsistent with that relationship or status.

15.14 **Assignment and Successors**. This Agreement (nor any rights or obligations of either Party) may not be assigned or delegated by either Party without the consent of the other, which consent shall not be unreasonably withheld, conditioned, or delayed, except that each Party may, without such consent:

(a) assign this Agreement and the rights, obligations and interests of such Party to any of its Affiliates so long as such entity remains an Affiliate;

(b) to any purchaser of all or substantially all of its assets, or to any successor entity resulting from any merger or consolidation of such Party with or into such entity; or

(c) subcontract its obligations pursuant to Section 2.2;

provided, in each case, that the assignee agrees in writing to be bound by the terms of this Agreement and the assigning Party remains primarily liable for all of its obligations hereunder.

Any assignment purported or attempted to be made in violation of the terms of this Section 15.14 shall be null and void and of no legal effect.

15.15 Force Majeure. Neither Party will be responsible for delays resulting from causes beyond the reasonable control of such Party, including fire, explosion, flood, war, strike, or riot, provided that the nonperforming Party uses Commercially Reasonable Efforts to avoid or remove such causes of nonperformance and continues performance under this Agreement with reasonable dispatch whenever such causes are removed.

15.16 Severability. In the event that any provision of this Agreement shall be found in any jurisdiction to be in violation of public policy or illegal or unenforceable in law or equity, such finding shall not invalidate any other provision of this Agreement in that jurisdiction. If any provision hereof should be held invalid, illegal or unenforceable in any respect in any jurisdictions then, to the fullest extent permitted by Applicable Law:

(a) all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intentions of the Parties hereto as nearly as may be possible;

(b) such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction; and

(c) the Parties shall promptly negotiate in good faith a replacement provision to carry out the intention of the invalid, illegal or unenforceable provision to the fullest extent permitted by Applicable Law.

(d) To the extent permitted by Applicable Law, each Party hereby waives any provision of Applicable Law that would render any provision hereof prohibited or unenforceable in any aspect.

15.17 Affiliates. Any act or omission taken or made by an Affiliate of a Party under this Agreement shall be deemed an act or omission by such Party under this Agreement.

[*Signature Page Follows*]

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

Aptevo Research and Development LLC	**Alligator Bioscience AB**
By: */s/ Marvin White*	By: */s/ Per Norlén*
Name: Marvin White	Name: Per Norlén
Title: President	Title: CEO

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[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.**

SCHEDULE 1.4

ALLIGATOR PATENTS

[***]

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.**

SCHEDULE 1.11
APTEVO MANUFACTURING PATENTS

NONE

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.**

SCHEDULE 1.13
APTEVO PATENTS

[***]

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SCHEDULE 1.15
APTEVO PLATFORM PATENTS

[***]

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SCHEDULE 1.36

INITIAL DEVELOPMENT PLAN

[***]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.**

SCHEDULE 3.2
JOINT STEERING COMMITTEE

- **Alligator: [***]**
- **Aptevo: [***]**

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SCHEDULE 2.3.4

Stage Gates

[***]

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SCHEDULE 5.6.1

INITIAL PRESS RELEASE

For Immediate Release

APTEVO THERAPEUTICS AND ALLIGATOR BIOSCIENCE ANNOUNCE PLANS TO CO-DEVELOP NOVEL BISPECIFIC ANTIBODY FOR TUMOR-DIRECTED IMMUNOTHERAPY

Strategic Partnership Will Advance Development of a Novel Bispecific Immuno-Oncology Antibody Targeting Compelling Biological Pathway Implicated in Multiple Solid Tumor Indications

Focuses on New Mechanism of Action of Tumor Targeting Demonstrating the Versatility of Alligator's Antibody Discovery Platform ALLIGATOR-GOLD® and Aptevo's ADAPTIR™ Protein Therapeutic Platform

SEATTLE, WA, and LUND, SWEDEN – July 20, 2017 -- Aptevo Therapeutics Inc. (Nasdaq: APVO), a biotechnology company focused on developing novel immuno-oncology and hematology therapeutics, and Alligator Bioscience (Nasdaq Stockholm: ATORX), a biotechnology company developing antibody-based pharmaceuticals for tumor-directed immunotherapy, today announced that they have entered into an agreement to co-develop a novel immunotherapy bispecific antibody candidate, ALG.APV-527, based on Alligator's first generation bispecific antibody, ATOR-1016. The new bispecific candidate was developed using Aptevo's bispecific technology platform and includes proprietary binding elements generated by Alligator's ALLIGATOR-GOLD® antibody library. Initiation of cell line development for the manufacturing of clinical material is expected to begin shortly.

Working under a previously executed material transfer agreement, the companies have engineered and selected ALG.APV-527 as a lead bispecific antibody candidate, featuring a novel mechanism of action targeting 4-1BB, a member of the TNFR superfamily of co-stimulatory receptors found on activated T cells, and an undisclosed tumor antigen widely overexpressed in a number of different types of cancer.

Under the terms of the agreement, the parties will jointly own and share equally in the development costs associated with advancing this candidate through to the end of Phase 2 clinical development. At that time, the parties may opt to out-license the candidate or continue further development separately or in partnership. In addition, the agreement provides an option for the companies to develop a second bispecific antibody candidate based on this novel mechanism of action, which would also be jointly owned and funded by Aptevo and Alligator.

[*]** = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule **24b-2** of the Securities Exchange Act of **1934**, as amended.

The co-stimulatory receptor 4-1BB is known to play an important role in modulating and augmenting the immune response to cancer by promoting the activation, expansion and enhanced effector function of tumor-specific T cells. It is, therefore, an especially promising target for new immunotherapeutic approaches for cancer treatment. If successfully developed, this new bispecific antibody candidate could have utility in the potential treatment of a broad spectrum of cancers including breast, cervical, non-small-cell-lung, prostate, renal, gastric, colorectal and bladder cancers. While this tumor antigen is widely expressed in multiple types of solid tumors, it shows limited expression on normal tissues, suggesting the potential for tumor-directed immunotherapy with improved efficacy and fewer side effects.

“Our collaboration with Alligator Bioscience has unlocked tremendous synergies, enabling us to capitalize on our companies’ respective expertise in therapeutic antibody engineering,” said Marvin L. White, President and Chief Executive Officer of Aptevo. “The addition of a 4-1BB bispecific candidate expands and diversifies Aptevo’s portfolio while demonstrating the flexibility of our ADAPTIR platform in addressing novel mechanisms of action, in addition to redirected T-cell cytotoxicity. Also, importantly, it allows us to pursue an exciting new therapeutic opportunity with broad potential application in the treatment of non-hematological cancers. If proven successful, this new approach would be a significant advance in cancer immunotherapy. We’re extremely pleased to collaborate with Alligator Bioscience in the development of novel tumor-targeting bispecific antibody therapies.”

“With five immuno-oncology programs currently in development, each with first- or best-in-class potential, this partnership with Aptevo allows us to further build on the promise of bispecific therapeutics for tumor-directed immunotherapy,” said Per Norlén, Chief Executive Officer of Alligator Bioscience. “Our technology platform enables the generation of highly functional antibodies with optimal stability and manufacturing properties, merged into an exceptional bispecific antibody using Aptevo´s ADAPTIR platform. We look forward to advancing our collaboration with Aptevo on this promising new therapeutic approach.”

About Aptevo Therapeutics Inc.

Aptevo Therapeutics Inc. is a biotechnology company focused on novel oncology and hematology therapeutics to meaningfully improve patients’ lives. Our core technology is the ADAPTIR modular protein technology platform. Aptevo has four commercial products in the areas of hematology and infectious diseases, as well as various investigational stage product candidates in immuno-oncology.

About Alligator Bioscience

Alligator Bioscience is a clinical-stage biotechnology company developing tumor-directed immuno-oncology antibody drugs. Alligator’s growing pipeline includes lead clinical and pre-clinical product candidates (ADC-1013, ATOR-1015, ATOR-1017, and ALG.APV-527) and novel research candidates. ADC-1013 is licensed to Janssen Biotech, Inc., part of J&J, for development and commercialization. Alligator’s shares are listed on Nasdaq Stockholm (ATORX). The Company is headquartered in Lund, Sweden, and has approximately 45 employees. For more information, please visit www.alligatorbioscience.com.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.**

Safe Harbor Statement

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements, other than statements of historical fact, including, without limitation, statements regarding Aptevo's outlook, financial performance or financial condition, our technology and related pipeline, collaboration and partnership opportunities, commercial portfolio, Aptevo's future growth rates, Aptevo's ability to timely manufacture its products, and any other statements containing the words "believes," "expects," "anticipates," "intends," "plans," "forecasts," "estimates," "will" and similar expressions are forward-looking statements. These forward-looking statements are based on Aptevo's current intentions, beliefs and expectations regarding future events. Aptevo cannot guarantee that any forward-looking statement will be accurate. Investors should realize that if underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results could differ materially from Aptevo's expectations. Investors are, therefore, cautioned not to place undue reliance on any forward-looking statement. Any forward-looking statement speaks only as of the date of this press release, and, except as required by law, Aptevo does not undertake to update any forward-looking statement to reflect new information, events or circumstances.

There are a number of important factors that could cause our actual results to differ materially from those indicated by such forward-looking statements, including possible negative effects on our business operations, assets or financial results as a result of the separation; a deterioration in our business or prospects; the ability of our contractors and suppliers to supply product and materials; our ability and the ability of our contractors and suppliers to maintain compliance with cGMP and other regulatory obligations; the results of regulatory inspections; adverse developments in our customer-base or markets and our ability to retain patients; adverse developments in the U.S. or global capital markets, credit markets or economies generally; and changes in regulatory, social and political conditions. Additional risks and factors that may affect results are set forth in our filings with the Securities and Exchange Commission, including Aptevo's most recent Annual Report on Form 10-K, as filed on March 15, 2017, and our subsequent reports on Form 10-Q and current reports on Form 8-K. The foregoing sets forth many, but not all, of the factors that could cause actual results to differ from our expectations in any forward-looking statement.

For Further Information:

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SCHEDULE 14.2.1

Opt-Out Windows

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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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer'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)) for the small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer'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

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

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: November 9, 2017

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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer'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)) for the small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer'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

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

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: November 9, 2017

By: /s/ Jeff Lamothe

Jeff Lamothe
Senior Vice President, Chief Financial Officer, and Treasurer

Exhibit 32.1

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

In connection with the Quarterly Report of Aptevo Therapeutics Inc. on Form 10-Q for the period ending September 30, 2017 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: November 9, 2017

By: /s/ Marvin White

Marvin White
President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of Aptevo Therapeutics Inc. on Form 10-Q for the period ending September 30, 2017 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: November 9, 2017

By: /s/ Jeff Lamothe

Jeff Lamothe
Senior Vice President, Chief Financial Officer,
and Treasurer