UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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**

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value	**The NASDAQ Stock Market LLC**

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

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a small reporting company)	Small reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate b 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 12(a) of the Exchange Act. ☒

The aggregate market value of common stock held by non-affiliates of the Registrant as of June 30, 2017, the last business day of the registrants most recently completed second fiscal quarter, was $35.8 million, based upon the closing price of the Registrant's common stock on the NASDAQ Stock Market LLC on such date.

Excludes an aggregate of 4,033,743 shares of the Registrant's common stock held as of such date by officers, directors, and stockholders that the registrant has concluded are or were affiliates of the Registrant. Exclusion of such shares should not be construed to indicate that the holder of any such shares possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the Registrant or that such person is controlled by or under common control with the Registrant.

As of March 9, 2018, the number of shares of Registrant's common stock outstanding was 21,112,605

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, relating to the Registrant's 2018 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

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

PART I

Cautionary Note Regarding Forward-Looking Information

This Annual Report on Form 10-K contains 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. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. All statements other than statements of historical facts are "forward-looking statements" for purposes of these provisions, including those relating to future events or our future financial performance and financial guidance. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "will," "should," "expect," "plan," "anticipate," "project," "believe," "estimate," "predict," "potential," "intend" or "continue," the negative of terms like these or other comparable terminology, and other words or terms of similar meaning in connection with any discussion of future operating or financial performance. These statements are only predictions. All forward-looking statements included in this Annual Report on Form 10-K are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Any or all of our forward-looking statements in this document may turn out to be wrong. Actual events or results may differ materially. Our forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown risks, uncertainties and other factors. We discuss many of these risks, uncertainties and other factors in this Annual Report on Form 10-K in greater detail under the heading "Item 1A—Risk Factors." We caution investors that our business and financial performance are subject to substantial risks and uncertainties.

Item 1. Business.

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 area 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 and the other a global specialty life sciences company. 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.

Our product portfolio is composed of a marketed product for hematology and investigational stage candidates based on our ADAPTIR platform, primarily focused on immuno-oncology indications. IXINITY is our marketed 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. Our clinical investigational stage product candidates in immuno-oncology, APVO414 (formerly MOR209/ES414), otlertuzumab and our preclinical candidates, APVO436, APVO210 and a proof of concept bispecific immunotherapeutic protein targeting ROR1 are built on our novel ADAPTIR platform, which is designed to expand on the utility and effectiveness of therapeutic antibodies. The platform can be used to produce monospecific, bispecific and multispecific immunotherapeutic proteins that specifically bind to one or more targets, which we believe provide structural and functional advantages over monoclonal antibodies. The mechanisms of action for APVO414, otlertuzumab and our preclinical candidates, APVO436, APVO210 and a proof of concept bispecific immunotherapeutic protein targeting ROR1, include: direct tumor cytotoxicity, antibody-dependent cell-cytotoxicity, redirected T-cell cytotoxicity (RTCC), or targeted cytokine delivery. 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. We are skilled at product candidate generation, validation and subsequent pre-clinical and clinical development using the ADAPTIR platform. We intend to progress ADAPTIR molecules from concept to

marketed product by way of our protein engineering, pre-clinical development, process development and CRO management, cGMP manufacturing oversight and clinical development capabilities. We also expect to have the ability to launch, market and commercialize these product candidates upon approval and might also use contracted resources to augment our capabilities.

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, we announced that we completed the sale of our 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 $65.0 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. 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.

STRATEGY

We seek to grow our business by, among other things:

Advancing our ADAPTIR™ platform, initially focusing on immunotherapy and the development of novel bispecific proteins for the treatment of cancer. We focus on product development using our ADAPTIR platform. We plan to generate additional bispecific protein immunotherapies for early development, potentially with other collaborative partners, to further validate the potential of the ADAPTIR platform. We intend to favor the development of bispecific candidates that have the potential to demonstrate proof of concept early in development and are differentiated in key oncology indications. We expect to continue to expand the ADAPTIR product pipeline to address areas of unmet medical need. Bispecifics and multispecific ADAPTIR proteins will be generated to target tumors using the immune system or direct cytokine delivery to selective cell populations. We believe these product candidates may have utility in oncology, autoimmune disease and other therapeutic areas.

Continuing to develop new products. We are committed to new product development. We have expertise in molecular biology, antibody engineering and the development of protein therapeutics, including cell line development, protein purification, process development and analytical characterization. We believe that these core areas of expertise enable the development of therapeutics based on the ADAPTIR platform technology from design, pre-clinical testing, and clinical development to preparation of a biologics license application, or BLA.

Establishing collaborative partnerships to broaden our pipeline and provide funding for research and development. We intend to continue to develop and grow our product portfolio through internal research and development as well as through collaborations with other biotechnology and pharmaceutical companies, academia and non-governmental organizations.

Supporting the future growth of our pipeline by maximizing the financial contribution of IXINITY. We intend to continue to maximize the financial contribution of IXINITY for the purpose of funding our research and development efforts. This may require further investments.

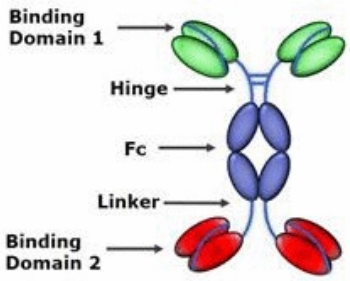
PLATFORM TECHNOLOGY AND PRODUCT CANDIDATES

Platform Technology

ADAPTIR Platform. The platform can be used to produce monospecific, bispecific and multispecific immunotherapeutic proteins that specifically bind to one or more targets and receptors found on immune cells to mediate tumor killing and improve disease response by modulating the immune cells directly or immune environment. We believe we are well positioned for the development of bispecific therapeutics, which are antibody-based molecules that are able to bind multiple targets of therapeutic interest, utilizing our innovative ADAPTIR (modular protein technology) platform. This allows us to take a novel approach to cancer immunotherapy.

Structurally, ADAPTIR molecules are similar to antibodies; they can exhibit the same biological functions of an antibody, but can be easily modified to either eliminate or incorporate new activities, all the while maintaining a similar size, stability and manufacturing advantages of a monoclonal antibody. The ADAPTIR molecules are single-chain polypeptides comprising customized elements including a protein domain that binds to one or more target binding domains to a hinged domain and a set of antibody constant domains known as the fragment crystallizable region, or Fc region of a human antibody. The antibody Fc region can elicit an immune response by binding to the corresponding Fc receptors found on various immune cells such as natural killer (NK) cells, and other cells, including cancer cells to mediate antibody-dependent cell cytotoxicity resulting in killing of the cancer cell. With the ADAPTIR platform, the Fc region can be modified to enhance or eliminate these functions. Incorporation of the Fc region into the ADAPTIR platform also provides for an extended serum half-life by engaging recycling via the neonatal Fc receptor (FcRn). A long serum half-life could potentially reduce dosing frequency and dose quantity.

Multispecific ADAPTIR molecules are similar in structure to monospecific ADAPTIR molecules with the exception that they have two or more customized target binding domains on the ends of the Fc region. Multiple targeting domains allow ADAPTIR molecules to bind to two or more targets. We have created several bispecific molecules that are able to redirect T-cell cytotoxicity. T-cells are white blood cells that fight infections and tumor cells. RTCC ADAPTIR molecules cause T-cells to specifically kill a tumor by binding to a common component (CD3) found on the T-cell and then binding to a specific tumor antigen on a specific tumor, activating a T-cell to kill the tumor.



Components	Functions
Binding Domain 1 (scFv, ECD or ligand)	Binds to or engages Target 1
Hinge (typically from IgG1)	Modulates binding and biological activity
IgG Fc (eg. IgG1, IgG2, IgG4)	Isotype independent Extends serum half-life Confers ADCC, CDC activity if desired
Linker	Length and composition can be varied to modulate binding and activity
Binding Domain 2 (scFv, ECD or ligand)	Binds to or engages target 2

scFv = Single Chain Fragment Variable
ECD = ExtraCellular Domain of a receptor

We believe the ADAPTIR platform is a promising platform technology within the rapidly growing field of immuno-oncology therapeutics. The structural differences between ADAPTIR molecules and monoclonal antibodies, allow for the development of new immunotherapeutics that engage disease targets in a novel manner and produce a unique signaling response. By customizing the binding domains of our ADAPTIR molecules, we are able to select for desired potency, half-life, toxicity and stability/manufacturability. We have the potential to develop products with mechanisms of action including but not limited to RTCC and targeted cytokine delivery. We are able to expand our ADAPTIR platform to generate bispecifics that target tumor antigens in combination with costimulatory molecules including TNF-Receptor family members. We believe the ADAPTIR platform may prove to have advantages over other immunotherapeutics and other bispecific T-cell engaging technologies. In pre-clinical studies, we have gathered data indicating that APVO414 and APVO436 may have high potency and activity at low doses, a long half-life, and reduced cytokine release. This molecule is able to be produced using standard manufacturing practices. Further clinical and preclinical studies may not confirm or establish the anticipated benefits of this platform.

We own all ADAPTIR platform intellectual property. See section entitled "Intellectual Property" for additional information about the ownership rights to ADAPTIR intellectual property. We have a non-exclus ive research license with Lonza Sales AG, or Lonza, for certain Chinese hamster ovary, or CHO, cell lines, which are cells derived from the ovary of a Chinese hamster. The Lonza CHO cell line is often used in the production of therapeutic proteins, in protein expression and the GS (glutamine synthetase) Gene Expression System™, or GS System (GS Gene Expression System is a registered trademark of Lonza).

Product Portfolio

Product Candidates

Our pipeline includes investigational stage product candidates in immuno-oncology.

APVO414 (formerly known as MOR209/ES414). APVO414 is a targeted immunotherapeutic protein under development for metastatic castration-resistant prostate cancer, currently in Phase 1 clinical development. APVO414, a bispecific protein, was constructed using our ADAPTIR platform technology. It activates host T-cells to specifically kill tumor cells expressing prostate specific membrane antigen, or PSMA, an enzyme that is commonly overexpressed on the surface of prostate cancer cells. APVO414 contains two pairs of binding domains, one targeting the CD3 of the TCR complex and one targeting PSMA on tumor cells; these binding domains are linked to opposite ends of an antibody Fc region which extends the serum half-life and enables use of a purification process typical of antibodies. In pre-clinical studies, APVO414 has been shown to redirect T-cell cytotoxicity towards prostate cancer cells expressing PSMA.

In December 2015, after a review of data from the ongoing Phase 1 dose escalation study in prostate cancer patients, we concluded that the dosing regimen and administration required adjustment. The decision to adjust was not based on safety aspects but was driven by the high complexity and properties of this first generation ADAPTIR bispecific molecule. Patients receiving weekly doses APVO414 developed antibodies against the drug; this is called anti-drug antibodies, or ADA. ADA developed in most patients including those receiving the maximum tolerated dose drug that could be given safely on a weekly basis. These antibodies bind to the drug, reducing the concentration of APVO414 in the blood and thus could potentially reduce its efficacy. 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. The protocol has been amended to continuous intravenous infusion as a way to administer higher levels of drug and prevent the development of ADA and the amended trail commenced December 2016.

Otlertuzumab. Otlertuzumab is a monospecific protein therapeutic intended for the treatment of peripheral T-cell lymphoma (PTCL). PTCL is a malignancy involving T-cells. Otlertuzumab is a humanized anti-CD37 monospecific protein therapeutic built using the ADAPTIR platform technology. It specifically binds to CD37, a receptor found on malignant B-cells and T-cells. It functions like an antibody by direct killing of tumor and also engages natural killer cells, which are lymphocytes of the immune system, and other effector cells to kill the tumor cell. We believe that otlertuzumab's novel properties may provide patients with improved therapeutic options and enhanced efficacy when used in combination with chemotherapy or other targeted therapeutics.

We completed a Phase 2 clinical trial evaluating the combination of otlertuzumab and bendamustine (a chemotherapy agent) versus bendamustine alone in patients with relapsed CLL. In that clinical trial the combination of otlertuzumab and bendamustine was superior to bendamustine alone. The combination was well tolerated with significantly increased response rate and prolonged progression free survival rate (15.9 months vs. 10.1 months) over single agent bendamustine treatment. The overall incidence of serious adverse events was similar between the two treatment cohorts. There was a higher incidence of adverse events of fever, neutropenia (which is a low white blood cell count which can predispose a patient to infection) and thrombocytopenia (which is a low platelet count that if severe could lead to bleeding) with the combination. The addition of otlertuzumab did not appear to increase the number of serious adverse events, as there were fewer discontinuations for adverse events with the combination compared to bendamustine alone.

We are conducting a Phase 2 clinical trial to evaluate the safety and efficacy of otlertuzumab in combination with bendamustine, in patients with relapsed PTCL. The trial plan is to enroll 24 patients, with the first patient enrolled in January 2018.

APVO436. We have developed APVO436, a preclinical ADAPTIR bisp ecific immunotherapeutic protein targeting CD123, a cell surface receptor highly expressed on several hematological malignancies and CD3, a component of the T-cell receptor. APVO436 utilizes redirected T-cell cytotoxicity (RTCC) to initiate killing of CD123 expressing tumor cells. Preclinical data on this anti-CD123 ADAPTIR bispecific was presented at the 2017 annual meeting of the American Association for Cancer Research and 2017 American Society of Hematology (ASH). These data demonstrate in vitro RTCC ac tivity and in vivo tumor cell killing in animal models of disease (AACR) and demonstrate that APVO436 can kill AML blasts using patient derived peripheral blood cells in the presence of APVO436.

APVO210. APVO210 is an anti-inflammatory molecule engineered using our ADAPTIR platform technology currently in pre-clinical development. It is under development for the treatment of psoriasis and inflammatory bowel disease, including ulcerative colitis and Crohn's Disease, and other autoimmune and inflammatory diseases. APVO210 is a targeted cytokine therapeutic, specifically, it is designed to deliver a modified form of the anti-inflammatory cytokine, IL-10, to antigen presenting cells, or APCs, that express CD86. APCs are a therapeutic target of interest for an anti-inflammatory therapeutic such as APVO210 because, as described further below, APCs play a critical role in the immune response. Structurally, APVO210 contains a modified form of IL-10, coupled to binding sites specific for CD86, linked by an antibody Fc region. The mechanism of action results in suppression of T-cell responses through inhibition of antigen presentation. Antigen presenting cells play a central role in the generation and regulation of immune response and inflammation; therefore, inhibiting their function represents a therapeutic opportunity to suppress immunopathological processes in autoimmune and inflammatory disease. APVO210 preclinical data demonstrate potent in vitro and in vivo antagonism of T-cell proliferation in human mixed lymphocyte reactions and in a humanized graft-versus-host disease model. Humanized refers to chemically altering animal proteins to resemble natural human amino acid sequences (or the order in which they bond). The APVO210 ADAPTIR molecule also has potential to suppress immune responses and serve in anti-inflammation applications that occurs in inflammatory bowel disease, psoriasis, rheumatoid arthritis, graft versus host disease (GVHD) and in the treatment of transplant rejection. As a molecule designed using our ADAPTIR platform technology, the APVO210 half-life is extended as demonstrated in preclinical rodent studies. Also, manufacturing benefits are realized because the platform enables use of a purification process that is typically used for making antibodies.

ALG.APV-527. ALG.APV-527 is a bispecific antibody candidate, partnered with Alligator Bioscience, featuring a novel mechanism of action designed to simultaneously target 4-1BB (CD137) and 5T4, a tumor antigen widely overexpressed in a number of different types of cancer. 4-1BB, a costimulatory receptor on T cells, is known to enhance the immune response to cancer through activation of tumor-specific T cells and is believed to be a promising target for new immunotherapeutic approaches. ALG.APV-527 could potentially have utility in the treatment of a broad spectrum of cancers over-expressing the tumor antigen, including breast, cervical, non-small-cell-lung, prostate, renal, gastric, colorectal and bladder cancers.

ROR1 Bispecific. ROR1 Bispecific is a proof-of-concept bispecific candidate targeting ROR1, an antigen found on several solid tumors and hematologic, or blood-related malignancies. Initial preclinical data demonstrate redirected T cell killing of tumors expressing ROR1 in vitro and in vivo in animal models.

ADAPTIR Therapeutic Candidates. We have multiple additional candidates that are focused on immuno-oncology and based on the ADAPTIR platform technology that are in different stages of pre-clinical development.

Potential adverse events related to our product candidates

Experimental drugs may have a variety of adverse events related to their target, mechanism of action or off target toxicities. Clinical trials are conducted to define the efficacy and safety of a new molecule and this data is reviewed by the FDA prior to FDA approval. The majority of the drugs that we are developing are intended for the treatment of cancer. Because cancer is a serious and life threatening disease, these patients experience a number of serious adverse events as part of their disease. The risk-benefit ratio for new treatments of cancer is different than other less serious diseases. For example, for the treatment of hypertension, it is not acceptable for a drug to lower the number of white blood cells that fight infections. However, chemotherapy for the treatment of cancer frequently lowers the number of white blood cells and infections do occur, which physicians manage in the course of a patient's cancer treatment. In order to distinguish whether a new drug causes adverse events, a controlled trial is frequently conducted comparing a new drug to another therapy.

In clinical trials to date with otlertuzumab, a variety of adverse events have been reported. The events that have been reported with infusion of the drug include: infusion reactions, fever, neutropenia and thrombocytopenia. Severe infusion reactions were infrequent. When these reactions are severe they lead to hypotension (low blood pressure) and bronchospasm (difficulty breathing). Neutropenia is a low white blood cell count that could predispose a patient to infection. The neutropenia observed with otlertuzumab was mild to moderate, not prolonged and did not increase the infection rate in a controlled clinical trial. Thrombocytopenia is a low platelet count that if severe could lead to bleeding. The thrombocytopenia observed with otlertuzumab was infrequent and not associated with bleeding. Any of these events or others that have not yet been experienced, could lead to adverse events, including death and severely limit the drug's use in the market or even its ability to be approved by a regulatory body.

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 to date is infusion reactions. Infusion reactions are often associated with the infusion of a protein and are expected with a drug that activates T-cells. The other serious adverse 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.

Competition

Our product candidates face significant competition. Any product candidate that we successfully develop and commercialize is likely to compete with currently marketed products, as well as other novel product candidates that are in development for the same indications. Specifically, the competition with respect to our product candidates includes the following:

- ***APVO414.*** If approved for the treatment of metastatic castration-resistant prostate cancer, we anticipate that APVO414 would compete with Taxotere® (Sanofi-Aventis U.S. LLC), Jevtana (Sanofi-Aventis U.S. LLC), Zytiga® (Janssen Biotech, Inc.), Xtandi® (Astellas Pharma, Inc.), Xofigo® (Bayer HealthCare Pharmaceuticals Inc.), and potentially other products currently under development. There is a potential that APVO414 could also be used in combination with these same agents. According to the American Cancer Society, prostate cancer is the most common cancer in men in the United States. Screening, radiation, surgery and hormone ablation therapy have greatly improved the detection and treatment of early stage prostate cancer. New therapies approved recently for patients with metastatic castration-resistant prostate cancer only improve life expectancy by a few months, and a significant medical need still exists for these individuals.
- ***Otlertuzumab***. If approved for PTCL, otlertuzumab would compete with other targeted agents and chemotherapies, including: Istodax (Celgene) and Folotyn (Spectrum).
- ***APVO436***. If approved for AML, we anticipate that APVO436 would compete with other agents targeting CD123 that are in development if they are also approved. Bispecifics in development targeting CD123 include: MGD006 (Macrogenics), JNJ-63709178 (Janssen) and XmAb14045 (Xencor). There are at least two CAR-T therapies in development: CART123 (University of Penn.) and CARTCD123 (NCI/City of Hope). Other competitive products targeting CD123 are: SGN-CD123A (antibody drug conjugate, Seattle Genetics), SL-401 (antibody immunotoxin, Stemline), KHK2833 (monoclonal antibody, Kyowa Hakko Kirin Pharma), and CSL362 (monoclonal antibody, CSL/Janssen).
- ***APVO210.*** If approved, we anticipate that APVO210 would compete with products indicated for inflammatory bowel diseases such as ulcerative colitis, including: HUMIRA® (AbbVie Inc.), Remicade® (Janssen Pharmaceuticals, Inc. of Johnson and Johnson) and Entyvio® (Takeda Pharmaceuticals U.S.A., Inc., a subsidiary of Takeda Pharmaceutical Company Limited). Depending on what APVO210 is approved for, we anticipate that it could also compete with products indicated for moderate to severe Crohn's Disease, including: Stelara (Janssen Pharmaceuticals, Inc. of Johnson and Johnson) and Xeljanz (Pfizer Inc.). For other autoimmune disease there are a number of other drugs which APVO210 would compete against. For example, in psoriasis alone there are four anti-TNF inhibitors and four anti-interleukins approved by the FDA.

COLLABORATIONS AND LICENSES

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 (Collaboration Agreement) with Alligator Bioscience AB, or Alligator, pursuant to which Aptevo R&D and Alligator will collaboratively develop ALG.APV-527, 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 5T4.

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.

Collaboration with MorphoSys AG

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.

MARKETED PRODUCT

IXINITY (coagulation factor IX (recombinant)). IXINITY is a third-generation recombinant human coagulation factor IX approved in the United States for the control and prevention of bleeding episodes and for perioperative management in adults and children 12 years of age or older with hemophilia B. Hemophilia B, also known as Christmas disease, is a rare, inherited bleeding disorder. The blood of hemophilia B patients has an

impaired clotting ability, which results from substantially reduced or missing factor IX activity. Patients with hemophilia B commonly experience joint bleeding with pain and swelling, which can result in irreversible joint damage. They may also experience more serious or life-threatening hemorrhages. People with hemophilia B require factor IX injections to restore normal blood coagulation temporarily. Many patients use regular, prophylactic treatment to try to prevent bleeding episodes, while others use on-demand treatment to control bleeding episodes after they occur. Treatment selection and approach is individualized based on factors including the patient's condition and age, factor level severity, bleeding pattern, activity level and individual pharmacokinetic parameters.

Manufacturing

We rely primarily on AGC Biologics, formally known as CMC Biologics, Inc. (AGC) for drug substance manufacture of IXINITY, on Patheon UK Limited for fill-finish services of IXINITY and on Rovi Contract Manufacturing, S.L. for supply of the syringe pre-filled with water for injection packaged with IXINITY.

Sources and Availability of Raw Materials

Agreement with AGC Biologics. We rely on AGC, for the manufacture of the substance that becomes the active ingredient (the bulk drug substance) in the production of our IXINITY product. On June 17, 2017, we entered into a non-exclusive Commercial Supply (Manufacturing Services) Agreement with AGC, pursuant to which, subject to specified exceptions, we are obligated to purchase at least four batches and AGC is obligated to maintain a maximum capacity for ten batches of IXINITY bulk drug substance per full year. The agreement has a five-year term renewable with twenty-four months' prior notice before the expiry of the term for successive two-year terms. AGC is obligated to use commercially reasonable efforts to perform services in accordance with our forecast and projected delivery dates. In the event there is a supply failure as defined under the agreement, the agreement becomes non-exclusive with respect to 50% of our forecasted demand (or up to the unsupplied quantities until supply reinstatement).

The agreement provides for fees for services. Each party may terminate the agreement if the other party fails to pay any amount properly due and payable with ten business days of notice demanding payment after the expiration of the original payment term or if the other party materially breaches the agreement and fails to remedy any such breach capable of remedy during a twenty business day notice period. Each party may terminate the agreement if the other party experiences certain bankruptcy events. This agreement may be terminated by either party in the event of a material breach by the other party; however, termination shall not affect the accrued rights of either party. We may also terminate our obligations under the agreement with a specified amount of prior notice, if AGC has any material permit or regulatory license permanently revoked preventing the performance of services by AGC, if AGC is subject to certain competitor change of control events, or where there is a supply failure prior to a supply reinstatement where AGC does not reinstate supply within twelve months of the supply failure.

Agreement with Patheon UK Limited. Patheon UK Limited, or Patheon, through an affiliate, is currently the sole source third-party manufacturer that performs the services of filling the bulk drug substance into vials for our IXINITY product. We have a non-exclusive Manufacturing Services Agreement with Patheon pursuant to which Aptevo is obligated to order, and Patheon agrees to perform, a specified amount of such services on an annual basis. Under the agreement, Patheon also agrees to use commercially reasonable efforts to perform services in excess of such minimum purchase commitments subject to its available capacity. The agreement has an initial three-year term expiring on May 26, 2018, and will automatically renew for successive terms of two years each, unless either party gives the other party at least eighteen months' notice. We may terminate the agreement on a specified amount of notice if a regulatory authority prevents us from importing, exporting, purchasing or selling the product or if we no longer order services for a product due to the product's discontinuance in the market; however, we must still perform any surviving obligations as specified in the agreement. Patheon may terminate the agreement upon six months' notice if we assign our rights under the agreement to an assignee that, in Patheon's opinion acting reasonably, is not a credit-worthy substitute, a Patheon competitor, or an entity with whom Patheon has had prior unsatisfactory business relations. Each party may terminate the agreement if the other party breaches the agreement and the breach is not cured within a specified period of time, if the other party experiences certain bankruptcy events, or upon a period of notice if the parties do not agree upon certain pricing adjustments. Except in respect of liability for certain third party claims, breach of confidentiality obligations, or replacement of defective product, Patheon's liability is limited under the agreement to 10% of the revenues for such year to Patheon under the agreement. Patheon's liability in respect of replacement of defective product is limited to the amount paid by us to Patheon for such product. Except in respect of a breach of confidentiality obligations, neither party is liable to the other under the agreement for any loss of profits or other damages of an indirect or consequential nature.

Agreement with Rovi Contract Manufacturing, S.L. Rovi Contract Manufacturing, S.L., or Rovi, is currently the sole source third-party manufacturer that supplies the syringe pre-filled with water for injection, that is packaged with and required for reconstitution of our IXINITY product. We have a non-exclusive supply agreement with Rovi pursuant to which Rovi is obligated to use its best efforts to supply the quantity of syringes ordered by us. The agreement has a five-year term expiring on April 28, 2019, and will automatically renew for successive five-year terms, unless Rovi provides us with written notice of its intent not to renew at least twenty-four months prior to the expiration of the term or any renewal term. We may terminate the agreement for any reason on at least twelve months' prior notice. Each party may terminate the agreement if the other party breaches the agreement and the breach is not cured within a specified period of time.

License with the University of North Carolina to IXINITY intellectual property rights

In connection with our separation from Emergent, we assumed an exclusive license from the University of North Carolina, or UNC, to make, have made, use, offer for sale, sell and import factor IX and factor VII(a) therapeutics, including IXINITY, under certain UNC's patents. We are required to pay a low single digit royalty obligation to UNC under the license. The license agreement expires when the last of the licensed patents expire, on a country-by-country basis. The last of the licensed patents expires in or around September 2024. We have received notification that patent term extension has been approved in the United States, and once granted, the last patent to expire in the United States will expire in or around November 2028. UNC may terminate the license if a material breach is not cured forty-five days after notice, we become bankrupt or insolvent, or we do not pay a yearly minimum earned royalty (in the mid-five digits). We can terminate the license with sixty days' notice to UNC.

Trademark License Agreement with Emergent

We entered into a trademark license agreement with Emergent pursuant to which Emergent granted us a non-exclusive, royalty-free, worldwide, non-sublicensable license under certain trademarks of Emergent to distribute the physical inventory of packaging and marketing materials assigned to us as part of the distribution, solely to sell, offer to sell and otherwise commercialize the commercial products until such inventory of packaging and marketing materials is depleted or, if earlier, the third anniversary of the distribution. We may terminate our rights under the agreement at any time by providing written notice to Emergent. Emergent may terminate the agreement if we breach the agreement and the breach is not cured within a specified period of time or is uncurable.

Distribution

Our IXINITY product is sold in the United States by our commercial sales force and distributed to end-users through major U.S. distributors and wholesalers, including McKesson Corporation, and other specialty distributors. All third-party logistics (including, for instance, warehousing, inventory management, and shipping) of final drug product are provided by a third-party logistics company.

Marketing & Sales

We have biotechnology commercial operations and medical affairs teams with experience in sales, marketing, distribution, reimbursement and medical support.

The commercial operations team includes a U.S.-based field sales forces. This hemophilia sales team focuses its selling efforts primarily on hemophilia treatment centers and hematology clinics. Orders are filled upon receipt, and we generally have no orders on backlog. Reimbursement support, patient assistance/compassionate use and non-medical customer inquiries are handled by customer service personnel within our commercial operations team.

Our medical affairs team includes field-based medical science liaisons, who respond to customer requests for information, establish and maintain company relationships with researchers and clinicians, train our product specialists and sales personnel and interface with clinical trial investigators. Our medical affairs team also supports customers by providing medical information, drug safety and pharmacovigilance services.

Competition

Currently, IXINITY competes with five recombinant factor IX products that are marketed in North America. Two are standard half-life products: BeneFIX® (Pfizer Inc.) and RIXUBIS® (Shire US Inc.), and three are enhanced half-life products: IDELVION® (CSL Behring LLC), ALPROLIX® (Bioverativ Therapeutics Inc.), and Rebinyn® (Novo Nordisk Inc.).

INTELLECTUAL PROPERTY

We actively seek intellectual property protection for our products and product candidates. We own or exclusively license patent rights supporting IXINITY, the ADAPTIR platform and pipeline products including APVO414, APVO210, and otlertuzumab. We practice patent life cycle management by filing patent applications to protect new inventions relating to meaningful improvements to our products and related methods. We primarily seek patent protection for inventions that support our products and product candidates, but from time to time we seek patent protection for inventions that could, for instance, support a potential business opportunity or block a competitor from designing around our existing patents.

In general, and where possible, we pursue patent protection in countries where we believe there will be a significant market for the corresponding product or product candidate. We generally do not seek patent protection in countries where we have reason to believe we would not be able to enforce patents. For instance, we tend to not file in countries that are frequently listed on the Priority Watch List of the Special 301 Report prepared by the Office of the United States Trade Representative, with the exception that we typically file patent applications in China, Russia and India. We may also decide to take a narrower filing approach for secondary and improvement type inventions as compared to inventions that are more foundational to our products. We do not seek patent protection in countries which are on the United Nations, or U.N., list of Least Developed Countries.

The term of protection for various patents associated with and expected to be associated with our marketed product and product candidates is typically twenty years from the filing date but may vary depending on a variety of factors including the date of filing of the patent application or the date of patent issuance and the legal term of patents in the countries in which they are obtained. The protection afforded by a patent varies on a product-by-product basis and country-to-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of regulatory-related extensions, the necessity for terminal disclaimers, the availability of legal remedies in a particular country and the validity and enforceability of the patents.

In some cases, we may decide that the best way to protect our intellectual property is to retain proprietary information as trade secrets and confidential information rather than to apply for patents, which would involve disclosure of proprietary information to the public. When determining whether to protect intellectual property as a trade secret, we consider many factors including, for instance, our ability to maintain the trade secret, the likelihood that a competitor will independently develop the information, our ability to patent protect the intellectual property and the likelihood we would be able to enforce a resulting patent.

We are a party to a number of license agreements under which we license patents, patent applications and other intellectual property. These agreements impose various commercial diligence and financial payment obligations on us. We expect to continue to enter into these types of license agreements in the future.

ADAPTIR Platform. We protect the ADAPTIR platform technology through a combination of patents and trade secrets. We own all ADAPTIR platform intellectual property, with the exception that we have non-exclusive commercial licenses and a research license with Lonza to certain intellectual property related to Lonza's CHO cell lines and vectors. Under our Lonza research license, we have an option to take a license to use the GS System to develop and manufacture therapeutic proteins for our commercial purposes.

The intellectual property we own that supports our ADAPTIR platform was generated internally at Emergent or at Trubion Pharmaceuticals, Inc., or Trubion, prior to its acquisition by Emergent in 2010, or at Aptevo following the separation. One patent family which supports use of unique linkers in the homodimer (a molecule consisting of two identical halves) version of the platform was invented jointly by Trubion and Wyeth Pharmaceuticals, Inc., or Wyeth, as part of a collaboration between the two companies. Upon termination of a product license agreement between Wyeth and Trubion, Wyeth assigned the rights it had in that platform patent family to Trubion. These rights have since transferred to us.

In order to differentiate our platform inventions from antibodies and other antibody-like constructs that have been publicly disclosed, many of our patents and patent applications are directed to unique aspects or components of our platform such as linkers or binding domains. Our ADAPTIR platform can be homodimeric or heterodimeric. Although most of our patent families protect both homodimeric and heterodimeric forms of the platform, we also have a patent family that is focused on the heterodimeric form of the platform.

We have filed patent applications for the ADAPTIR platform in the United States and in countries and territories, including Australia, Brazil, Canada, China, Egypt, Europe, India, Indonesia, Israel, Japan, Malaysia, Mexico, New Zealand, Singapore, South Africa, South Korea, United Arab Emirates and Vietnam. We plan to continue to improve our ADAPTIR platform and to file patent applications on those improvements. Our decision as to where to file any new ADAPTIR improvement inventions will be based in part on the significance of the improvement. If patents issue on the pending ADAPTIR patent applications, the patent term for those patents are estimated to expire between June 2027 and September 2036.

IXINITY (coagulation factor IX (recombinant)). We license patents and patent applications from UNC, which support the manufacture of factor IX and other Vitamin K Dependent Proteins. In addition to the patent assets licensed from UNC, we own a patent portfolio with claims generally directed to factor IX pharmaceutical compositions, methods of making recombinant factor IX protein, and cell lines producing recombinant factor IX protein. This patent portfolio includes issued patents in Australia, Europe and Japan and pending patent applications in other territories including the United States. If patents issue on our pending patent applications, the patent term for those patents is estimated to expire between December 2026 and October 2030. The estimated patent expirations are subject to change based on patent term adjustments, extensions or terminal disclaimers.

APVO414. We have patents and pending patent applications supporting the APVO414 product candidate. We have foundational pate nts and patent applications in countries and territories including the United States, Australia, Brazil, Canada, China, Egypt, Europe, Hong Kong, India, Indonesia, Israel, Japan, Malaysia, Mexico, New Zealand, Singapore, South Africa, United Arab Emirates and Vietnam. The foundational patents which grant in this patent family are estimated to expire in April 2032. The estimated patent expirations are subject to change based on patent term adjustments, extensions or terminal disclaimers.

otlertuzumab. We have patents and pending patent applications supporting the otlertuzumab product candidate. We have foundational patents and patent applications in countries and territories, including the United States, Canada, China, Europe, Hong Kong, India, Israel, Japan, Mexico, New Zealand, Russia, South Africa and South Korea. The foundational patents and patent applications which grant in these patent families are estimated to expire between July 2026 and April 2029. The estimated patent expirations are subject to change based on patent term adjustments, extensions or terminal disclaimers.

APVO210. We have patents and pending patent applications supporting our APVO210 product candidate. We have foundational patents and patent applications in countries and territories, including the United States, Australia, Brazil, Canada, China, Eurasia, Europe, Hong Kong, India, Japan, Mexico, New Zealand, Singapore, South Africa and South Korea. The foundational patents which grant in this patent family are estimated to expire in October 2029 outside of the United States and October 2030 inside the United States. The estimated patent expirations are subject to change based on patent term adjustments, extensions or terminal disclaimers.

Trademarks owned by Aptevo Therapeutics Inc. and its subsidiaries. Where possible, we pursue registered trademarks for our marketed products in significant markets. We own trademark registrations and pending applications for the marks: APTEVO THERAPEUTICS, APTEVO BIOTHERAPEUTICS, APTEVO RESEARCH AND DEVELOPMENT, the Aptevo logo, IXINITY, IXINITY with logo, IXPERIENCE, and ADAPTIR in relevant jurisdictions. We own registrations or pending trademark applications for the mark APTEVO per se in Iraq, Nicaragua, Pakistan, and Ukraine.

REGULATION

Regulations in the United States and other countries have a significant impact on our product development, manufacturing and marketing activities.

Product Development for Therapeutics

Pre-clinical Testing. Before beginning testing of any compounds with potential therapeutic value in human subjects in the United States, stringent government requirements for pre-clinical data must be satisfied. Pre-clinical testing includes both in vitro, or in an artificial environment outside of a living organism, and in vivo, or within a living organism, laboratory evaluation and characterization of the safety and efficacy of a drug and its formulation. We perform pre-clinical testing on all of our product candidates before we initiate any human trials.

Investigational New Drug Application. Before clinical testing may begin, the results of pre-clinical testing, together with manufacturing information, analytical data and any other available clinical data or literature, must be submitted to the United States Food and Drug Administration, or FDA, as part of an Investigational New Drug Application, or IND. The sponsor must also include an initial protocol detailing the first phase of the proposed clinical investigation, together with information regarding the qualifications of the clinical investigators. The pre-clinical data must provide an adequate basis for evaluating both the safety and the scientific rationale for the initial clinical studies in human volunteers. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA imposes a clinical hold within that 30-day time period.

Clinical Trials. Clinical trials involve the administration of the drug to healthy human volunteers or to patients with the target disease or disorder under the supervision of a qualified physician (also called an investigator) pursuant to an FDA-reviewed protocol. Human clinical trials typically are conducted in three sequential phases, although the phases may overlap with one another. Clinical trials must be conducted under protocols that detail the objectives of the study, the parameters to be used to monitor safety and the efficacy criteria, if any, to be evaluated. Each protocol must be submitted to the FDA as part of the IND.

- Phase 1 clinical trials test for safety, dose tolerance, absorption, bio-distribution, metabolism, excretion and clinical pharmacology and, if possible, for early evidence regarding efficacy.
- Phase 2 clinical trials involve a small sample of individuals with the target disease or disorder and seek to assess the efficacy of the drug for specific targeted indications to determine dose response and the optimal dose range and dose regimen and to gather additional information relating to safety and potential adverse effects.
- Phase 3 clinical trials consist of expanded, large-scale studies of patients with the target disease or disorder to obtain definitive statistical evidence of the efficacy and safety of the proposed product and dosing regimen. The safety and efficacy data generated from Phase 3 clinical trials typically form the basis for FDA approval of the product candidate.
- Phase 4 clinical trials, if conducted, are conducted after a product has been approved. These trials can be conducted for a number of purposes, including to collect long-term safety information or to collect additional data about a specific population. As part of a product approval, the FDA may require that certain Phase 4 studies, which are called post-marketing commitment studies, be conducted post-approval.

Good Clinical Practice. All of the phases of clinical studies must be conducted in conformance with the FDA's bioresearch monitoring regulations and Good Clinical Practices, or GCP, which are ethical and scientific quality standards for conducting, recording and reporting clinical trials to assure that the data and reported results are credible and accurate and that the rights, safety and well-being of trial participants are protected. Additionally, an Institutional Review Board at each site participating in a trial must obtain ongoing approval for conduct of the trial at that site.

Marketing Approval—Biologics

Biologics License Application. All data obtained from a comprehensive development program, including research and product development, manufacturing, pre-clinical and clinical trials, labeling and related information are submitted in a biologics license application, or BLA, to the FDA and in similar regulatory filings with the corresponding agencies in other countries for review and approval. The submission of an application is not a guarantee that the FDA will find the application complete and accept it for filing. The FDA may refuse to file the application and request additional information rather than accept the application for filing, in which case the application must be resubmitted with the supplemental information. The FDA has two months to review an application for its acceptability for filing. Once an application is accepted for filing, the Prescription Drug User Fee Act, or PDUFA, establishes a two-tiered review system: Standard Review and Priority Review. When conducting Priority Review, the FDA has a goal to review and act on BLA submissions within six months from the date of the FDA's acceptance for filing of the application, rather than the ten-month goal under a Standard Review. The FDA gives Priority Review status to product candidates that provide safe and effective therapies where no satisfactory alternative exists or to a product candidate that constitutes a significant improvement compared to marketed products in the treatment, diagnosis or prevention of a disease.

In addition, under the Pediatric Research Equity Act of 2003, or PREA, BLAs and certain supplements must contain data to assess the safety and efficacy of the product for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers. Unless otherwise required by regulation, PREA does not apply to any drug or biologic for an indication for which orphan designation has been granted.

In reviewing a BLA, the FDA may grant approval or deny the application through a complete response letter if it determines the application does not provide an adequate basis for approval requesting additional information. Even if such additional information and data are submitted, the FDA may ultimately decide that the BLA does not satisfy the criteria for approval. The receipt of regulatory approval often takes many years, involving the expenditure of substantial financial resources. The speed with which approval is granted often depends on a number of factors, including the severity of the disease in question, the availability of alternative treatments and the risks and benefits demonstrated in clinical trials. The FDA may also impose conditions upon approval. For example, it may require a Risk Evaluation and Mitigation Strategy, or REMS, for a product. This can include various required elements, such as publication of a medication guide, patient package insert, a communication plan to educate health care providers of the drug's risks and/or restrictions on distribution and use, such as limitations on who may prescribe or dispense the drug. The FDA may also significantly limit the indications approved for a given product and/or require, as a condition of approval, enhanced labeling, special packaging or labeling, post-approval clinical trials, expedited reporting of certain adverse events, pre-approval of promotional materials or restrictions on direct-to-consumer advertising, any of which could negatively impact the commercial success of a drug.

Fast Track Designation. The FDA may designate a product as a fast track drug if it is intended for the treatment of a serious or life-threatening disease or condition and demonstrates the potential to address unmet medical needs for this disease or condition. Sponsors granted a fast track designation for a drug are granted more opportunities to interact with the FDA during the approval process and are eligible for FDA review of the application on a rolling basis, before the application has been completed.

Breakthrough Therapy. Under the provisions of the Food and Drug Administration Safety and Innovation Act, or FDASIA, the FDA may designate a product as a breakthrough therapy if the product is intended, alone or in combination with one or more other products, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. Products designated as breakthrough therapies are also eligible for accelerated approval. The FDA must take certain actions, such as holding timely meetings and providing advice, intended to expedite the development and review of an application for approval of a breakthrough therapy.

Orphan Drugs. Under the Orphan Drug Act, an applicant can request the FDA to designate a product as an "orphan drug" in the United States if the drug is intended to treat an orphan, or rare, disease or condition. A disease or condition is considered orphan if it affects fewer than 200,000 people in the United States. Orphan drug designation must be requested before submitting a BLA. Products designated as orphan drugs are eligible for special grant funding for research and development, FDA assistance with the review of clinical trial protocols, potential tax credits for research, waived filing fees for marketing applications and a seven-year period of market exclusivity after marketing approval. Orphan drug exclusivity (afforded to the first applicant to receive approval for an orphan designated drug) prevents FDA approval of applications by others for the same drug for the designated orphan disease or condition. The FDA may approve a subsequent application from another applicant if the FDA determines that the application is for a different drug or different use, or if the FDA determines that the subsequent product is clinically superior, or that the holder of the initial orphan drug approval cannot assure the availability of sufficient quantities of the drug to meet the public's need. A grant of an orphan designation is not a guarantee that a product will be approved. Our product candidate otlertuzumab was granted orphan drug designation for the treatment of CLL by the FDA in November 2011 and received orphan medicinal product designation from the European Commission in December 2012 for the treatment of CLL. Orphan designation in Europe qualifies a drug for certain development and commercial incentives, including protocol assistance, access to centralized authorization procedures, reduced fees for regulatory activities, and ten years of market exclusivity after approval.

Post-Approval Requirements. Any biologic for which we receive FDA approval 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, the FDA authority to require post-approval clinical trials and/or safety labeling changes if warranted. In certain circumstances, the FDA may impose a 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 boxed warnings in their approved package inserts.

Pricing, Coverage and Reimbursement

In the United States and internationally, sales of our products 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. In addition, we are required to provide discounts and pay rebates to state and federal governments and agencies in connection with purchases of our products that are reimbursed by such entities. Various provisions 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, increased the levels of rebates and discounts that we have to provide in connection with sales of such products that are paid for, or reimbursed by, certain state and federal government agencies and programs. It is possible that future legislation in the United States and other jurisdictions could be enacted, which could potentially impact the reimbursement rates for our products and also could further impact the levels of discounts and rebates we are required to pay to state and federal government entities. The most significant governmental reimbursement programs in the United States relevant to our products are described below:

Medicare Part B. Medicare Part B covers certain drug products provided in a physician's office or hospital outpatient setting under a payment methodology using "average sales price," or ASP, information. We are required to provide ASP information to the Centers for Medicare & Medicaid Services, or CMS, on a quarterly basis. Medicare payment rates using an ASP methodology are currently set at ASP plus six percent, although this rate could change in future years. If we fail to timely or accurately submit ASP, we could be subject to civil monetary penalties and other sanctions.

Medicaid Rebate Program. For products to be covered by Medicaid, drug manufacturers must enter into a rebate agreement with the Secretary of HHS on behalf of the states and must regularly submit certain pricing information to CMS. The pricing information submitted, including information about the "average manufacturer price," or AMP, and "best price" for each of our covered drugs, determines the amount of the rebate we must pay. The total rebate also includes an "additional" rebate, which functions as an "inflation penalty." The Affordable Care Act increased the amount of the basic rebate and, for some "line extensions," increased the additional rebate. It also requires manufacturers to pay rebates on utilization by enrollees in managed care organizations. If we fail to timely or accurately submit required pricing information, we could be subject to civil, monetary and other penalties. In addition, the Affordable Care Act changed the definition of AMP to address which manufacturer sales are to be considered, which affected the rebate liability for our products.

340B/PHS Drug Pricing Program. The availability of federal funds to pay for IXINITY under the Medicaid and Medicare Part B programs requires that we extend discounts under the 340B/Public Health Service, or PHS, drug pricing program. The 340B/PHS drug pricing program requires participating manufacturers to charge no more than a statutorily-defined "ceiling" price to a variety of community health clinics and other covered entities that receive health services grants from the PHS, as well as the outpatient departments of hospitals that serve a disproportionate share of Medicaid and Medicare beneficiaries. A product's ceiling price for a quarter reflects its Medicaid AMP from two quarters earlier less its Medicaid rebate amount from two quarters earlier. Therefore, the above-mentioned revisions to the Medicaid rebate formula and AMP definition enacted by the Affordable Care Act could cause the discount produced by the ceiling price to increase. Under the Affordable Care Act, several additional classes of entities were made eligible for these discounts, increasing the volume of sales for which we must now offer the 340B/PHS discounts.

Federal Supply Schedule. We make IXINITY available for purchase by authorized users of the Federal Supply Schedule, or FSS, administered by the Department of Veterans Affairs, or DVA, purs uant to our FSS contract with the DVA. Under the Veterans Health Care Act of 1992, we are required to offer deeply discounted FSS contract pricing to four federal agencies—the DVA, the Department of Defense, or DoD, the Coast Guard and the PHS (including t he Indian Health Service)—for federal funding to be made available for reimbursement of any of our products under the Medicaid program, Medicare Part B and for our products to be eligible to be purchased by those four federal agencies and certain federal grantees. FSS pricing to those four federal agencies must be equal to or less than the "Federal Ceiling Price," which is, at a minimum, 24% less than the Non-Federal Average Manufacturer Price for the prior fiscal year.

Foreign Regulation

Currently, we maintain a commercial presence in the United States. In the future, we may further expand our commercial presence to additional foreign countries and territories. In the European Union, or EU, medicinal products are authorized following a process similarly demanding as the process required in the United States. Medicinal products must be authorized in one of two ways, either through the decentralized procedure, which provides for the mutual recognition procedure of national approval decisions by the competent authorities of the EU Member States or through the centralized procedure by the European Commission, which provides for the grant of a single marketing authorization that is valid for all EU member states. The authorization process is essentially the same irrespective of which route is used. We are also subject to many of the same continuing post-approval requirements in the EU as we are in the United States (*e.g.,* good manufacturing practices). We will be subject to varying preapproval, approval and post-approval regulatory requirements similar to those imposed by the FDA in each foreign country in which we conduct regulated activities.

Healthcare Fraud and Abuse and Anti-Corruption Laws

We are subject to various federal and state laws pertaining to health care "fraud and abuse," including state and federal anti-kickback laws false claims laws, and patent privacy and security laws. Anti-kickback laws make it illegal for a drug manufacturer to knowingly and willfully solicit, offer, receive or pay any remuneration in exchange for, to induce, or in return for, the referral of business that may be reimbursed by a third party payor (including Medicare and Medicaid), including the purchase, prescribing or recommendation of a particular drug. Due to the breadth of the statutory provisions, it is possible that our practices might be challenged under anti-kickback or similar laws. Civil and criminal false claims laws, false statement laws and civil monetary penalty laws prohibit, among other things, anyone from knowingly presenting, or causing to be presented for payment, to third-party payors (including Medicare and Medicaid) claims for reimbursed drugs or services that are false or fraudulent, claims for items or services not provided as claimed or claims for medically unnecessary items or services. Our activities relating to the sale and marketing of our products may be subject to scrutiny under these laws. Privacy and security laws, such as the Health Insurance Portability and Accountability Act of 1996, or HIPAA, create federal criminal and civil liability for executing a scheme to defraud any healthcare benefit program or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services. Additionally, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health, or HITECH, and their respective implementing regulations, impose certain requirements relating to the privacy, security and transmission of individually identifiable health information.

If we violate the healthcare fraud and abuse laws, we could be subject to sanctions, including civil and administrative penalties, criminal, fines, damages, exclusion from participation in federal healthcare programs such as Medicare and Medicaid, individual imprisonment, integrity obligations, and the curtailment or restructuring of our operations, any of which could materially adversely affect our ability to operate our business and our financial results. Similar restrictions are imposed on the promotion and marketing of medicinal products in other countries. Laws (including those governing promotion, marketing and anti-kickback provisions), industry regulations and professional codes of conduct are often strictly enforced.

In addition, as part of the Affordable Care Act, the federal government enacted the Physician Payment Sunshine Act. Manufacturers of drugs biologics and devices that are reimbursed by Medicare, Medicaid or the Children's Health Insurance Program are required to annually report to CMS payments and transfers of value made to physicians and teaching hospitals, and ownership or investment interest held by physicians and their family members. This information is posted on a public website. Failure to timely and accurately submit required information could subject us to civil penalties. Some local, state and foreign governments have similar compliance, marketing, licensure and/or transparency laws. Many of these transparency requirements are new and uncertain and the extent to which the laws will be enforced is not always clear.

Our operations are also subject to compliance with the U.S. Foreign Corrupt Practices Act, or FCPA, which prohibits corporations and individuals from directly or indirectly paying, offering to pay, or authorizing the payment of anything of value to any foreign government official or employee, or any foreign political party or political candidate in an attempt to obtain or retain business or to otherwise influence such official, employee, party or candidate in his or her or its official capacity. We also may be implicated under the FCPA by activities taken on our behalf by our partners, collaborative partners, consultants, distributors, contract research organizations, vendors or other agents and representatives. As a public company, the FCPA also requires us to make and keep books and records that accurately and fairly reflect all of our transactions and to devise and maintain an adequate system of internal accounting controls. Our operations are also subject to compliance with the U.K. Bribery Act of 2010, which applies to activities both in the public and private sector, Canada's Corruption of Foreign Public Officials Act and similar laws in other countries where we do business.

Healthcare Reform

A primary trend in the United States healthcare industry and elsewhere is cost containment. There have been a number of federal and state proposals during the last few years regarding the pricing of pharmaceutical and biopharmaceutical products, limiting coverage and reimbursement for drugs and other medical products, government control and other changes to the healthcare system in the United States.

By way of example, the United States and state governments continue to propose and pass legislation designed to reduce the cost of healthcare. In March 2010, the Affordable Care Act, or the ACA, was enacted which, among other things, includes changes to the coverage and payment for products under government health care programs. However, some provisions of the ACA have yet to be fully implemented and certain provisions have been subject to judicial and Congressional challenges, as well as efforts by the Trump Administration to repeal or replace certain aspects of the ACA. For example, since January 2017, President Trump has signed two executive orders and other directives designed to delay, circumvent, or loosen certain requirements mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. Additionally, President Trump signed the Tax Cuts and Jobs Act of 2017 on December 22, 2017, which includes a provision repealing the individual mandate under the ACA, effective January 1, 2019.

Other legislative changes have been proposed and adopted in the United States since the ACA was enacted. For example, in August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2012 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers of up to 2% per fiscal year, which went into effect in April 2013 and will remain in effect through 2025 unless additional Congressional action is taken. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. Furthermore, there has been heightened governmental scrutiny recently over the manner in which manufacturers set prices for their marketed products. For example, there have been several recent Congressional inquiries and proposed bills designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products.

Additionally, on December 13, 2016, the 21st Century Cures Act, or Cures Act, was signed into law, which is designed to modernize and personalize healthcare, spur innovation and research, and streamline the discovery and development of new therapies through increased federal funding of particular programs. Among other provisions, the Cures Act reauthorizes the existing priority review voucher program for certain drugs intended to treat rare pediatric diseases until 2020; creates a new priority review voucher program for drug applications determined to be material national security threat medical countermeasure applications; revises the Food, Drug, and Cosmetic Act to streamline review of combination product applications; requires FDA to evaluate the potential use of "real world evidence" to help support approval of new indications for approved drugs; provides a new "limited population" approval pathway for antibiotic and antifungal drugs intended to treat serious or life-threatening infections; and authorizes FDA to designate a drug as a "regenerative advanced therapy," thereby making it eligible for certain expedited review and approval designations.

Other Regulation

Our present and future business has been and will continue to be subject to various other laws and regulations. Various laws, regulations and recommendations relating to safe working conditions, laboratory practices, the experimental use of animals, and the purchase, storage, movement, import, export, use and disposal of hazardous or potentially hazardous substances, including radioactive compounds and infectious disease agents used in connection with our product development, are or may be applicable to our activities.

Research and Development

We are engaged in research and development of therapeutics including the product candidates listed above and other new candidates. We incur substantial expenses for these activities. These expenses generally include the cost of inventing new technologies and products, as well as development work on new product candidates. We pursue partnerships with various third parties and these partnerships and the sales of our approved products partially offset these expenditures. Research and development expenses for the years ended December 31, 2017 and 2016 totaled approximately $29.0 million and $29.1 million, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Research and Development Expense" in this Annual Report on Form 10-K for additional information regarding expenditures related to material research and development activities.

EMPLOYEES AND OFFICE LOCATION

Aptevo employed 121 full-time persons as of December 31, 2017. The team is comprised of a dedicated group of accomplished professionals who bring a broad range of academic achievements combined with significant industry experience. We believe that our future success will depend in part on our continued ability to attract, hire and retain qualified personnel. None of our employees are represented by a labor union or covered by collective bargaining agreements. We believe that our relations with our employees are good.

Our principal executive offices are located at 2401 4th Ave., Suite 1050, Seattle, Washington 98121. Our telephone number is (206) 838-0500.

AVAILABLE INFORMATION

The Aptevo investor website is located at *www.AptevoTherapeutics.com*. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, are available on our website free of charge as soon as reasonably practicable after we electronically file those reports with, or furnish them to, the Securities and Exchange Commission, or SEC.

Also available free of charge on our website, the reports filed with the SEC by our executive officers, directors and ten percent stockholders pursuant to Section 16 under the Exchange Act as soon as reasonably practicable after copies of those filings are provided to us by those persons. In addition, all disclosures that are required to be posted by applicable law, the rules of the SEC or the NASDAQ listing standards regarding any amendment to, or waiver of, our code of business conduct and ethics are available free of charge on our website. We have included our website address as an inactive textual reference only. The information contained on, or that can be accessed through, our website is not a part of, or incorporated by reference into, this annual report.

Item 1A. Risk Factors.

You should carefully consider the following risks and other information in this annual report on Form 10-K 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. The risk factors generally have been separated into nine groups: operating risks, commercialization risks, regulatory and compliance risks, product development risks, intellectual property risks, risks related to collaborations, financial risks, risks related to the separation, and risks related to our common stock.

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.

For the twelve months ended December 31, 2017, we had net income of $7.0 million. This net income was the result of our receipt of proceeds from the sale of the Hyperimmune Business in September 2017. Except for the third quarter of 2017 and year ended December 31, 2017, we have experienced net losses in all other periods since our spinout from Emergent. As of December 31, 2017, we had an accumulated deficit of $73.7 million. 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 December 31, 2017, we had cash, cash equivalents, restricted cash and investments in the amount of $91.2 million. We will require additional funding to grow our business including to develop additional products, support commercial marketing activities or otherwise provide additional financial flexibility. 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 our 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. Future issuances of common stock may include any sale of up to $17.5 million worth of shares of our common stock pursuant to our Equity Distribution Agreement with Piper Jaffray & Co. We may in the future increase the amount that we plan to sell under the Equity Distribution Agreement or otherwise under our Registration Statement on Form S-3, as our public float exceeded $75.0 million as of a date within 60 days of the filing of this Annual Report on Form 10-K, and we are therefore not currently subject to the limitations of General Instruction I.B.6 of Form S-3. We have not offered any securities pursuant to General Instruction I.B.6 of Form S-3 during the 12 calendar months prior to and including the date of this prospectus. 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 product sales and commercial transactions should continue to account for a portion of our revenue.

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 and future product candidates to account for a portion of our revenue. The commercial success of IXINTY and future product candidates depends upon:

- the 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 AGC Biologics 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 volum es. 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, until August 2019, 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.

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

In August 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.

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.

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.

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.

The recently passed comprehensive tax reform bill could adversely affect our business and financial condition.

On December 22, 2017, the President of the United States signed into law new legislation that significantly revises the Internal Revenue Code of 1986, as amended. The newly enacted federal income tax law, among other things, contains significant changes to corporate taxation, including a reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, limitation of the deduction for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks, one-time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, elimination of U.S. tax on foreign earnings (subject to certain important exceptions), immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the new federal tax law is uncertain and our business and financial condition could be adversely affected. In addition, it is uncertain if and to what extent various states will conform to the newly enacted federal tax law. The impact of this tax reform on holders of our common stock is also uncertain and could be adverse. We urge our stockholders to consult with their legal and tax advisors with respect to this legislation and the potential tax consequences of investing in or holding our common stock.

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

As of December 31, 2017, we had approximately $41.5 million and $20.2 million of federal and state net operating loss carryforwards, respectively, available to reduce future taxable income that will begin to expire in 2028 for federal purposes and 2018 for state tax purposes. These net operating loss carryforwards could expire unused and be unavailable to offset future income tax liabilities. Under the newly enacted federal income tax law, federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal net operating losses is limited. It is uncertain if and to what extent various states will conform to the newly enacted federal tax law. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, and corresponding provision of state law, if a corporation undergoes and "ownership change," which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income or taxes may be limited. We may experience ownership changes in the future as a

result of subsequent shifts in our stock ownership, some of which may be outside of our control. If an ownership change occurs and our ability to use our net operating loss carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations.

Product Development Risks

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 may 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.

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., Aduro, Inc., Affirmed, Amgen Inc., AnaptysBio, Inc., Astellas Pharma Inc., Bayer AG, Biogen Idec Inc., Bioverativ Therapeutics 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., Immunomedics, Inc., Janssen BioTech Inc., Johnson & Johnson, Macrogenics, Inc., Novartis International AG, Pieris Pharmaceuticals, Inc., Pfizer Inc., Sanofi-Adventis US LLC, Shire US Inc., 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 like ours. 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. IXINITY and our product candidates may also compete in the future with new products currently under development by others or biosimilar products. 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.

IXINTY or any of our product candidates, such products or product candidates may become subject to unfavorable pricing regulations or third-party coverage and reimbursement policies, which would harm our business.

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.

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 government payors, such as Medicare and Medicaid, 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 IXINITY 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 of IXINITY that are reimbursed by such entities. Various provisions of the ACA 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.

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.

Healthcare legislature reform measures may have a material adverse effect on our business and results of operations.

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs. For example, in March 2010, the Patient Protection and Affordable Care Act (as amended by the Health Care and Education Reconciliation Act), or ACA, was enacted, which substantially changed the way health care is financed by both governmental and private insurers, and significantly impacted the U.S. pharmaceutical industry. However, some provisions of the ACA have yet to be fully implemented and certain provisions have been subject to judicial and Congressional challenges, as well as efforts by the Trump Administration to repeal or replace certain aspects of the ACA. For example, since January 2017, President Trump has signed two executive orders and other directives designed to delay, circumvent, or loosen certain requirements mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. Additionally, President Trump signed The Tax Cuts and Jobs Act of 2017 on December 22, 2017, which includes a provision repealing the individual mandate under the ACA, effective January 1, 2019. We continue to evaluate how the ACA and recent efforts to repeal and replace or limit the implementation of the ACA will impact our business.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. On August 2, 2011, the Budget Control Act of 2011 among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers of 2 percent per fiscal year. These reductions went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2025 unless additional Congressional action is taken. Additionally, there has been heightened governmental scrutiny recently over the manner in which manufacturers set prices for their marketed products. For example, there have been several recent Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. These new laws and initiatives may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on our future customers and accordingly, our financial operations.

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

If we are unable to negotiate and maintain satisfactory arrangements with group purchasing organizations and our distributors 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.

Additionally, 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 suppliers, including AGC Biologics 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. Increases in the prices we pay our suppliers, 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, AGC, 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 AGC 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 AGC 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 AGC and none of these lots satisfied product release specifications.

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. We do not currently anticipate or foresee a supply shortage or supply interruption occurring in the future.

Manufacturer of our Products and Product Candidates, 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, ALG.APV-527, and ROR1 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, as the amount and timing of resources that third parties devote to developing, manufacturing and commercializing our products candidates are not within our control. If we are not able to establish or maintain agreements relating to IXINITY and our product candidates in development, our results of operations would be materially and adversely affected.

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 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 3 safety and efficacy trials conducted in patients with the disease or condition being targeted.

Developing and obtaining regulatory approval for product candidates is a lengthy process, often taking a number of years, is uncertain and is expensive. All of the product candidates that we are developing, or may develop in the future, require research and development, 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 review of data from the Phase 1 dose escalation study of APVO414 in prostate cancer patients, we 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.

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 other regulatory or enforcement authorities determine that our communications regarding our marketed product 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 AGC 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 applicable to our business. We are subject to healthcare fraud and abuse and patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute makes it illegal for any person or entity, including a prescription drug manufacturer (or a party acting on its behalf to knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, overtly or covertly, to induce, or in return for, the purchase, prescribing or recommendation of an item, good, facility or service reimbursable by a federally funded healthcare program, such as the Medicare or Medicaid program. The term "remuneration" has been interpreted broadly and may constrain our marketing practices, educational programs, pricing policies and relationships with healthcare providers or other entities, among other activities;
- federal civil and criminal false claims, including the federal False Claims Act, and false statement laws and civil monetary penalty laws, which 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, as amended by the Health Information Technology for Economic and Clinical Health, or HITECH, and their respective implementing regulations, including the final omnibus rule published on January 25, 2013, mandates, among other things, the adoption of uniform standards for the electronic exchange of information in common healthcare transactions, as well as standards relating to the privacy, security and transmission of individually identifiable health information, which require the adoption of administrative, physical and technical safeguards to protect such information. Among other things, HITECH makes HIPAA's security standards directly applicable to "business associates", or independent contractors or agents of covered entities that create, receive or obtain protected health information in connection with providing a service for or on behalf of a covered entity;
- 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 annual disclosure requirements to CMS on manufacturers of drugs, biologics and devices reimbursed by Medicare, Medicaid or the Children's Health Insurance Program of certain payments and transfers of value made to physicians and teaching hospitals, and ownership or investment interests held by physicians and their immediate family members; and
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts; state, local and foreign laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, obtain pharmaceutical agent licensure, and/or otherwise restrict payments that may be made to healthcare providers; and state, local and foreign laws that require drug manufacturers to report information related to payments and other transfers of value to other healthcare providers or entities or marketing expenditures.

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

Recently, several pharmaceutical and other healthcare companies have been prosecuted under the federal false claims laws for allegedly inflating drug prices they report to pricing services, which in turn are used by the government to set Medicare and Medicaid reimbursement rates, and for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. In addition, certain marketing practices, including off-label promotion, 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 ACA 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, fraud and transparency laws may prove costly. If our past or present operations, or those of our distributors are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to sanctions, including civil and administrative penalties, criminal fines, damages, exclusion from participation in U.S. federal or state health care programs, individual imprisonment, integrity obligations, and the curtailment or restructuring of our operations, any of which could materially adversely affect our ability to operate our business and our financial results. Similarly, if healthcare providers, distributors or other entities with whom we do business are found to be out of compliance with applicable laws and regulations, they may be subject to sanctions, which could also have a negative impact on us.

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.

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 ACA 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.

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.

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. Further, patents may lapse prior to the regulatory approval of the underlying product in one or more territories. In the past, we have abandoned the prosecution and/or maintenance of patent applications related to patent families in the ordinary course of business. In the future we may choose to abandon such prosecution and/or maintenance in a similar fashion. If these patent rights are later determined to be valuable or necessary to our business, our competitive position may be adversely affected. Changes in patent laws or administrative patent office rules or changes in interpretations of patent laws in the United States and in other countries may diminish the value of our intellectual property or narrow the scope of our patent protection, or result in costly defensive measures.

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

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

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

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

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

We also will rely on current and future trademarks to establish and maintain recognized brands. If we fail to acquire and protect such trademarks, our ability to market and sell our products, and therefore our business, financial condition and operating results, could be materially and adversely affected.

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

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

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

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

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.

Risk 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 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 our agreement with 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.

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

The Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and the effectiveness of our disclosure controls and procedures quarterly. In particular, 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.

Risks Related to Our Common Stock

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 $4.26 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 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 December 31, 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.

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 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease our headquarters office and laboratory space in Seattle, Washington. The Seattle facility is approximately 51,000 square feet. The Seattle lease expires in April 2020. We also lease approximately 5,000 square feet of satellite office space in Berwyn, Pennsylvania. The Berwyn lease expires in December 2018.

Item 3. 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 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock has been listed on The NASDAQ Global Market under the symbol "APVO" since August 1, 2016. The following table sets forth the high and low intraday sales price per share of our common stock as reported on The NASDAQ Global Market for the period indicated:

Year Ended December 31, 2016	High	Low
First Quarter	n/a	n/a
Second Quarter	n/a	n/a
Third Quarter	$ 3.33	$ 2.20
Fourth Quarter	$ 2.83	$ 1.83

Year Ended December 31, 2017	High	Low
First Quarter	$ 2.86	$ 1.78
Second Quarter	$ 2.53	$ 1.86
Third Quarter	$ 2.29	$ 1.19
Fourth Quarter	$ 4.26	$ 2.20

Holders of Common Stock and Outstanding Equity Awards

As of March 9, 2018, there were 19 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

As of March 9, 2018, the Company had options covering 2,760,391 shares of common stock outstanding under the 2016 Stock Incentive Plan, the 2016 Restated Stock Incentive Plan, and the 2016 Converted Stock Incentive Plan (the Plans), unvested RSUs covering 440,152 shares of common stock outstanding under the Plans, and options to purchase 22,112,605 shares of common stock outstanding.

Dividend Policy

We have never declared or paid any cash dividends on our common stock or any other securities. We anticipate that we will retain all available funds and any future earnings, if any, for use in the operation of our business and do not anticipate paying cash dividends in the foreseeable future. In addition, future debt instruments may materially restrict our ability to pay dividends on our common stock. Payment of future cash dividends, if any, will be at the discretion of the board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, the requirements of current or then-existing debt instruments and other factors the board of directors deems relevant.

Recent Sales of Unregistered Securities

We did not sell any unregistered securities during the year ended December 31, 2017.

Issuer Purchases of Equity Securities

We did not repurchase any shares of our common stock during the year ended December 31, 2017.

Item 6. Selected Financial Data.

Not required.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth in the section of this report captioned "Risk Factors" and elsewhere in this report, our actual results may differ materially from those anticipated in these forward-looking 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 area 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 and the other a global specialty life sciences company. 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 $3.3 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, is scheduled for release in December 2018, subject to any claims. 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.

Highlights for Year Ended December 31, 2017

Commercial Portfolio:

- Reinitiated new patient acquisition efforts for IXINITY following the introduction of new IXINITY supply in May 2017
- Grew IXINITY revenue 12% year-over-year despite the supply interruption and temporary suspension of new patient acquisition activities
- Presented new clinical data evaluating the safety and efficacy of IXINITY in children with Hemophilia B, showing that IXINITY appears to be safe and well tolerated in this subject population

Pipeline:

- Announced plans to commence a Phase 2 clinical study of otlertuzumab in a new indication – peripheral T-cell lymphoma (PTCL), which will enroll up to 24 patients with relapsed or refractory PTCL in an open-label, proof-of-concept Phase 2 clinical study evaluating the safety and efficacy of otlertuzumab in combination with bendamustine
- Continued to advance APVO414 in a dose escalation Phase 1 study and presented preliminary data from the continuous infusion dose cohorts
- Expanded Aptevo's ADAPTIR portfolio and announced the selection of an additional ADAPTIR bispecific antibody candidate, APVO436 – an optimized, next-generation ADAPTIR bispecific molecule targeting the cell-surface receptor CD123 and CD3, which is highly expressed in multiple hematological malignancies, including acute myeloid leukemia (AML)
- Presented new preclinical data on APVO436 at the American Association for Cancer Research Annual Meeting demonstrating potent immune activation, traditional antibody-like manufacturing characteristics, and an extended half-life in mice of up to 12.5 days
- Presented additional preclinical data on APVO436 at the American Society of Hematology 59th Annual Meeting showing broad immunotherapeutic activity against primary human AML cells *in vitro*, illustrating its utility as a potent and selective immunotherapeutic candidate in the treatment of AML
- Demonstrated the versatility of the ADAPTIR platform with the development of ALG.APV-527, (partnered with Alligator Bioscience) which targets a co-stimulatory receptor found on activated T cells, illustrating the capability of the ADAPTIR platform to generate immunotherapeutic antibodies with different mechanisms of immune system engagement, in this case targeting 4-1BB and the tumor antigen, 5T4, which is found on various different types of cancer cells

- Initiated CMC and IND-enabling activities for APVO436, APVO210, and ALG.APV-527, and announced plans to file 2 Investigational New Drug (IND) applications in 2018 for APVO436, being developed for the treatment of AML, and, APVO210, being developed for the treatment of autoimmune and inflammatory diseases

Corporate:

- Monetized Aptevo's non-core commercial assets and completed the sale of three hyperimmune products, (WinRho ® SDF, HepaGam B®, and VARIZIG®) to Saol Therapeutics for total consideration of up to $74.5 million, raising significant non-dilutive funding to support Aptevo's ongoing commercial and R&D efforts
- Signed a collaboration agreement with Alligator Bioscience to jointly develop and advance a lead bispecific antibody candidate, ALG.APV-527
- Amended the terms of a credit agreement with MidCap Financial allowing Aptevo to retain a $20 million credit facility with MidCap

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.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Product sales of IXINITY increased by $1.1 million, or 12%, to $10.9 million for the year ended December 31, 2017 from $9.8 million for the year ended December 31, 2016. This increase was related to the continuing expansion of our Hemophilia B patient base.

Collaborations revenue increased by $3.5 million, to $3.7 million for the year ended December 31, 2017 from $0.2 million for the year ended December 31, 2016. This increase was due to a one-time recognition of the remaining deferred revenue related to our collaboration with MorphoSys of $3.7 million upon the termination of this collaboration in the third quarter of 2017.

Cost of Product Sales

The primary expense we incur to deliver IXINITY to our customers is manufacturing costs consisting of fixed and variable costs. Variable manufacturing costs consist primarily of costs for materials and personnel-related expenses for direct and indirect manufacturing support staff, contract manufacturing and filling operations, and sales-based royalties. Fixed manufacturing 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 years ended December 31, 2017 and 2016:

	For the Year Ended December 31,			
	2017	2016	Change	Percent
Product sales	$ 10,949	$ 9,805	$ 1,144	12%
Cost of product sales	5,010	12,467	(7,457)	-60%
Gross profit	$ 5,939	$ (2,662)	$ 8,601	
Gross margin percent	54%	-27%		

Cost of product sales decreased by $7.5 million, or 60%, to $5.0 million for the year ended December 31, 2017 from $12.5 million for the year ended December 31, 2016. This decrease was primarily due to a write off of approximately $7.1 million in unsalable IXINITY inventory in 2016. Gross profit increased due to a one-time $3.0 million benefit in the first six months of 2017 related to a settlement dispute between Aptevo and AGC in regards to certain IXINITY batches from 2015 that did not meet manufacturing specifications.

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; and
- overhead costs such as rent, utilities and depreciation.

We expect our research and development spending will be dependent upon such factors as the results from our clinical trials, the availability of reimbursement of research and development spending, the number of product candidates under development, the size, structure and duration of any clinical programs that we may initiate, and the costs associated with manufacturing our product candidates on a large-scale basis for later stage clinical trials. 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 year ended December 31, 2017 and 2016 are shown in the following table:

	For the Year Ended December 31,		
(in thousands)	**2017**	**2016**	**Change**
Clinical programs:			
APVO414	$ 3,465	$ 3,172	$ 293
otlertuzumab	1,245	1,641	(396)
Total clinical programs	4,710	4,813	(103)
Preclinical program, general research and discovery	22,330	17,671	4,659
IXINITY	1,981	6,636	(4,655)
Total	$ 29,021	$ 29,120	$ (99)

Research and development expenses decreased by $0.1 million, to $29.0 million for the year ended December 31, 2017 from $29.1 million for the year ended December 31, 2016. This change 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 resulting from decreased manufacturing process development activities and the timing of clinical trial activities; offset in part by

- 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; and
- an increase in expense for APVO414 primarily due to the timing of manufacturing activities.

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 year ended December 31, 2017 selling, general and administrative expenses decreased by $1.6 million, or 4%, to $34.6 million from $36.2 million for December 31, 2016. This decrease was primarily due to lower marketing program costs for IXINITY and reduced personnel costs associated with the sale of the Hyperimmune Business.

Impairment of Goodwill and Intangible Asset

In 2016 we recorded impairments of approximately $71.0 million of long-term assets, which consisted of $41.8 million of intangible assets and $29.2 million of goodwill. No such impairments were recorded during 2017. Impaired assets consisted of certain of our indefinite-lived In-Process Research and Development (IPR&D) and goodwill.

Other Income (Expense)

Other expense, consists primarily of interest on debt financing. This increase in expense of $1.1 million in 2017 compared to 2016 was due to the interest on the loan entered into with MidCap Financial Trust in the last half of 2016.

Discontinued Operations

On September 28, 2017, we sold our Hyperimmune Business to Saol International Limited (Saol). As a result of this sale, our Hyperimmune Business activity has been excluded from continuing operations for all periods herein and reported as discontinued operations. In 2017, we recorded a gain of $52.7 million. See Note 2 – Sale of Hyperimmune Business in the accompanying financial statements for further information on the divestiture.

Income Taxes

During the periods prior to spin-off, the Company did not file separate tax returns as it was included in the tax returns of Emergent entities within the respective tax jurisdictions. The income tax provision included in these financial statements was calculated using a separate return basis, as if the Company was a separate taxpayer. Under this approach, the Company determines its current taxes, deferred tax assets and liabilities and related tax expense as if it were filing separate tax returns in each tax jurisdiction.

The following table provides information regarding our income tax for both continuing and discontinued operations for the periods ended December 31, 2017 and 2016:

	For the Year Ended December 31,	
	2017	2016
Loss from continuing operations before income taxes	(55,893)	(139,583)
Benefit from income taxes on continuing operations	23,301	19,692
Net loss from continuing operations	(32,592)	(119,891)
Discontinued operations		
Income from discontinued operations, before income taxes	62,864	11,828
Income tax expense	(23,299)	(4,352)
Income from discontinued operations	39,565	7,476
Net income (loss)	$ 6,973	$ (112,415)

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements at December 31, 2017.

Liquidity and Capital Resources

Sources of Liquidity

As of December 31, 2017, we had cash, cash equivalents and short-term investments in the amount of $91.2 million, of which $10.4 million is restricted. For the year ended December 31, 2017, we reported net income of $7.0 million and we had an accumulated deficit of $73.7 million as of December 31, 2017. For the twelve months ended December 31, 2017, net cash used in our operating activities was $41.6 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 marketed 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 or partner 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.

On August 1, 2016, in connection with our spin-off 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 and is scheduled for release in December 2018, subject to any claims.

On November 9, 2017, we entered into an Equity Distribution Agreement (the Equity Distribution Agreement) with Piper Jaffray & Co. (Piper Jaffray). The Equity Distribution Agreement provides that, upon the terms and subject to the conditions set forth therein, we may issue and sell through Piper Jaffray, acting as sales agent, shares (the Shares) of our common stock, $0.001 par value per share (the Common Stock) having an aggregate offering price of up to $17.5 million. We have no obligation to sell any Shares under the Equity Distribution Agreement. The sale of the Shares by Piper Jaffray will be effected pursuant to a Registration Statement on Form S-3 which we filed on November 9, 2017 (the Registration Statement).

Pursuant to the Equity Distribution Agreement, each time we wish to issue and sell Shares under the Equity Distribution Agreement (each, a Placement), we will notify Piper Jaffray of the parameters within which we desire to sell the Shares, which shall at a minimum include the number of Shares (Placement Shares) to be issued, the time period during which sales are requested to be made, any limitation on the number of Shares that may be sold in any one day and any minimum price below which sales may not be made (a Placement Notice).

Upon our issuance of a Placement Notice, and unless the sale of the Placement Shares described therein has been declined, suspended or otherwise terminated in accordance with the terms of the Equity Distribution Agreement, Piper Jaffray will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell on behalf of Aptevo and as agent, such Placement Shares up to the amount specified, and otherwise in accordance with the terms of such Placement Notice.

Pursuant to the Equity Distribution Agreement, Piper Jaffray may sell Placement Shares by any method permitted by law deemed to be an "at the market offering" under Rule 415 of the Securities Act of 1933, as amended, including without limitation sales made directly on The NASDAQ Global Market, on any other existing trading market for the Common Stock or to or through a market maker. The Equity Distribution Agreement provides that Piper Jaffray will be entitled to compensation for its services in an amount equal to 3.0% of the gross proceeds from each Placement.

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

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. Our future capital requirements will depend on a number of factors, including:

- the level, timing and cost of IXINITY 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 short-term investments will support our operations for the next fifteen months, at least, based on current operating plans and financial forecasts.

Cash Flows

The following table provides information regarding our cash flows for the years ended December 31, 2017 and December 31, 2016:

	For the Year Ended December 31,	
(in thousands)	**2017**	**2016**
Net cash provided by (used in):		
Operating activities	(41,573)	(36,862)
Investing activities	29,458	(47,394)
Financing activities	9,534	89,295
(Decrease) Increase in cash and cash equivalents	$ (2,581)	$ 5,039

Net cash used in operating activities of $41.6 million for the year ended December 31, 2017 was primarily impacted by the non-cash reporting of the gain on sale of the Hyperimmune Business. Net cash used in operating activities of $36.5 million for the year ended December 31, 2016 was primarily due to our net loss of $112.4 million, off-set by a one-time impairment of goodwill and intangible assets of $71.0 million.

Net cash provided by investing activities for the year ended December 31, 2017, was primarily due to the cash proceeds from the sale of our Hyperimmune Business and the maturity and redemption of investments of $70.7 million, offset by investment purchases of $99.6 million. For the year ended December 31, 2016, the largest component of the cash used in investing was $44.9 million in purchases of corporate bonds and US government and agency debt securities.

Net cash provided by financing activities for the year ended December 31, 2017 includes the net proceeds received from Emergent in connection with the spin-off in support of a promissory note to support our operations offset by the establishment of $10.0 million in restricted cash in accordance with our loan agreement. The net cash provided by financing activities for the year ended December 31, 2016 includes $18.0 million in proceeds from long-term debt, as well as a transfer of $71.2 million from our former parent prior to the spin-off.

Contractual Obligations

Our contractual obligations as of December 31, 2017 were as follows:

	Payments due by period			
(in thousands)	Total	Less than 1 year	1 to 3 Years	More than 4 years
Contractual obligations:				
Operating lease obligations	$ 3,867	$ 1,713	$ 2,154	$ —

Critical Accounting Policies and Significant Judgements and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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.

Collaborations

Revenue generating collaborative research and development agreements may contain one or more provisions including licensing, research services and milestone deliverables. We analyze multiple element revenue generating arrangements to determine whether the elements can be separated and accounted for individually as separate units of accounting. An item can generally be considered a separate unit of accounting if both of the following criteria are met: (1) the delivered item(s) has value to the customer on a standalone basis, and (2) if the arrangement includes a general right of return and delivery, the performance of the undelivered item(s) is considered probable and substantially in our control. Items that cannot be divided into separate units are consolidated with other units of accounting, as appropriate. Consideration to be received is allocated among the separate units based on each unit's relative selling price and is then recognized when the appropriate revenue recognition criteria are met. We deem services to be rendered if no continuing obligation exists on the part of the Company.

Revenue associated with non-refundable upfront license fees that can be treated as a single unit of accounting is recognized when all ongoing obligations have been delivered. Revenue associated with non-refundable upfront license fees under arrangements where the license fees and research and development activities cannot be accounted for as separate units of accounting is deferred and recognized as revenue either on a straight-line basis over our continued involvement in the research and development process or based on the proportional performance of our expected future obligations under the contract.

Revenues from the achievement of research and development milestones, if deemed substantive, are recognized as revenue when the milestones are achieved and the milestone payments are due and collectible. Milestones are considered substantive if all of the following conditions are met: (1) the milestone is non-refundable, (2) achievement of the milestone was not reasonably assured at the inception of the arrangement, (3) substantive effort is involved to achieve the milestone and (4) the amount of the milestone payment appears reasonable in relation to the effort expended. If not deemed substantive, we recognize such milestone as revenue on a percent of completion basis over the remaining expected term of continued involvement in the research and development process. Payments received in advance of revenue recognized are recorded as deferred revenue.

Research and Development

Research and development costs are expensed as incurred. Research and development costs primarily consist of internal labor costs, fees paid to outside service providers and the costs of materials used in clinical trials and research and development. Other research and development expenses include facility, maintenance and related support expenses.

A substantial portion of our pre-clinical studies and all of our clinical studies have been performed by third-party contract research organizations (CRO). We review the activities performed by the CROs each period. For pre-clinical studies, the significant factors used in estimating accruals include the percentage of work completed to date and contract milestones achieved. For clinical study expenses, the significant factors used in estimating accruals include the number of patients enrolled and percentage of work completed to date. Our estimates are highly dependent upon the timeliness and accuracy of the data provided by its CRO's regarding the status of each program and total program spending and adjustments are made when deemed necessary.

Stock-Based Compensation

Under the Financial Accounting Standards Board's (FASB) ASC 718, *Compensation—Stock Compensation*, we measure and recognize compensation expense for restricted stock units (RSUs), and stock options granted to our employees and directors based on the fair value of the awards on the date of grant. The fair value of stock options is estimated at the date of grant using the Black-Scholes option pricing model that requires management to apply judgment and make estimates, including:

- the expected term of the stock option award, which we calculate using the simplified method, as permitted by the SEC Staff Accounting Bulletin No. 110, *Share-Based Payment*, as we have insufficient historical information regarding our stock options to provide a basis for an estimate;
- the expected volatility of our underlying common stock, which we estimate based on the historical volatility of a representative group of publicly traded biopharmaceutical companies with similar characteristics to us, and our own historical and implied future volatility;
- the risk-free interest rate, which we based on the yield curve of U.S. Treasury securities with periods commensurate with the expected term of the options being valued;
- the expected dividend yield, which we estimate to be zero based on the fact that we have never paid cash dividends and have no present intention to pay cash dividends; and
- the fair value of our common stock on the date of grant.

Stock-based compensation expense for RSUs, and stock options is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the respective award. We are required to estimate a forfeiture rate to calculate the stock-based compensation expense for our awards. Our forfeiture rate is based on an analysis of our actual forfeitures since the adoption of our equity award plan. We routinely evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and expectations of future option exercise behavior.

Income Taxes

Income taxes are accounted for using the liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss and research and development tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.

Our ability to realize deferred tax assets depends upon future taxable income as well as the limitations discussed below. For financial reporting purposes, a deferred tax asset must be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized prior to expiration. We consider future taxable income and ongoing tax planning strategies in assessing the need for valuation allowances. In general, if we determine that it is more likely than not to realize more than the recorded amounts of net deferred tax assets in the future, we will reverse all or a portion of the valuation allowance established against its deferred tax assets, resulting in a decrease to the provision for income taxes in the period in which the determination is made. Likewise, if we determine that it is not more likely than not to realize all or part of the net deferred tax asset in the future, we will establish a valuation allowance against deferred tax assets, with an offsetting increase to the provision for income taxes, in the period in which the determination is made.

Because tax laws are complex and subject to different interpretations, significant judgment is required. As a result, we make certain estimates and assumptions, in (1) calculating our income tax expense, deferred tax assets and deferred tax liabilities, (2) determining any valuation allowance recorded against deferred tax assets and (3) evaluating the amount of unrecognized tax benefits, as well as the interest and penalties related to such uncertain tax positions. Our estimates and assumptions may differ significantly from tax benefits ultimately realized.

New Accounting Standards

For a discussion of new accounting standards please see Note 1 of the Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Our exposure to market risk is primarily confined to our investment securities. 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.

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Item 8. Financial Statements and Supplementary Data

APTEVO THERAPEUTICS INC.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Aptevo Therapeutics Inc.

Opinion on the Financial Statements:

We have audited the accompanying balance sheets of Aptevo Therapeutics, Inc. (the Company) as of December 31, 2017 and 2016, the related statements of comprehensive loss, changes in stockholders equity and cash flows for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion:

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015.
Seattle, Washington
March 13, 2018

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

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	$ 7,095	$ 9,676
Short-term investments	73,688	44,849
Accounts receivable	2,141	307
Inventories	1,028	461
Current assets held for sale	—	10,155
Restricted cash, current portion	400	400
Prepaid expenses	4,022	3,540
Other current assets	6,710	2,026
Total current assets	95,084	71,414
Restricted cash, net of current portion	10,000	—
Property and equipment, net	5,843	5,910
Intangible assets, net	6,080	6,910
Long-term assets held for sale	—	7,624
Total assets	$ 117,007	$ 91,858
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 7,350	$ 10,518
Accrued compensation	4,626	4,009
Deferred revenue, current portion	—	811
Current portion of long-term debt	3,333	—
Other short-term liabilities	3,201	278
Current liabilities held for sale	—	3,928
Total current liabilities	18,510	19,544
Deferred revenue, net of current portion	—	2,896
Long-term debt, net	15,728	18,383
Other liabilities	734	469
Total liabilities	34,972	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; 21,605,716 and 20,271,737 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	22	20
Additional paid-in capital	155,837	151,271
Accumulated other comprehensive loss	(105)	(33)
Contribution receivable from former parent	—	(20,000)
Accumulated deficit	(73,719)	(80,692)
Total stockholders' equity	82,035	50,566
Total liabilities and stockholders' equity	$ 117,007	$ 91,858

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

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

	For the Year Ended December 31,	
	2017	**2016**
Revenues:		
Product sales	$ 10,949	$ 9,805
Collaborations	3,709	180
Total revenues	14,658	9,985
Costs and expenses:		
Cost of product sales	5,010	12,467
Research and development	29,021	29,120
Selling, general and administrative	34,576	36,158
Impairment of goodwill and intangible assets	—	71,013
Loss from operations	(53,949)	(138,773)
Other expense:		
Other expense	(1,944)	(810)
Total other expense	(1,944)	(810)
Loss before income taxes	(55,893)	(139,583)
Benefit from income taxes	23,301	19,692
Net loss from continuing operations	(32,592)	(119,891)
Discontinued operations (Note 2):		
Income from discontinued operations, before income taxes	62,864	11,828
Income tax expense	(23,299)	(4,352)
Income from discontinued operations	39,565	7,476
Net income (loss)	$ 6,973	$ (112,415)
Basic and diluted net income (loss) per share:		
Net loss from continuing operations	$ (1.53)	$ (5.92)
Net income from discontinued operations	$ 1.86	$ 0.37
Net income (loss)	$ 0.33	$ (5.55)
Weighted-average shares used to compute per share calculation	21,335,157	20,239,160

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

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

	For the Year Ended December 31,	
	2017	**2016**
Net income (loss)	$ 6,973	$ (112,415)
Other comprehensive loss:		
Unrealized losses on available-for-sale investments, net	(72)	(33)
Total comprehensive income (loss)	$ 6,901	$ (112,448)

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

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

	For the Year Ended December 31,	
	2017	2016
Operating Activities		
Net income (loss)	$ 6,973	$ (112,415)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock-based compensation	4,884	3,809
Depreciation and amortization	3,127	3,362
Gain on sale of Hyperimmune Business	(52,697)	—
Impairment of goodwill and intangible assets	—	71,013
Non-cash interest expense	925	—
Other	(287)	—
Income taxes	(2)	(15,817)
Change in fair value of contingent consideration	—	(444)
Changes in operating assets and liabilities:		
Accounts receivable	(1,834)	2,172
Inventories	(567)	13,683
Income taxes	—	1,376
Prepaid expenses and other current assets	(1,628)	(3,223)
Accounts payable, accrued compensation and other liabilities	195	2,479
Change in assets and liabilities held for sale	2,700	—
Restricted cash	—	(400)
Sales rebates and discounts	345	997
Deferred revenue	(3,707)	(3,454)
Net cash used in operating activities	(41,573)	(36,862)
Investing Activities		
Proceeds from the maturity of investments	70,730	—
Cash proceeds from sale of Hyperimmune Business	59,763	—
Purchases of property and equipment	(1,402)	(2,512)
Purchases of investments	(99,633)	(44,882)
Net cash provided by (used in) investing activities	29,458	(47,394)
Financing Activities		
Transfer from former parent, prior to spin-off	—	71,219
Settlement of contribution receivable from former parent	20,000	—
Proceeds from long-term debt, net of issuance costs (and modification fees)	(150)	18,038
Common stock issued upon exercise of stock options	442	38
Value of equity awards withheld for tax liability	(758)	—
Restricted cash related to loan agreement	(10,000)	—
Net cash provided by financing activities	9,534	89,295
(Decrease) increase in cash and cash equivalents	(2,581)	5,039
Cash and cash equivalents at beginning of period	9,676	4,637
Cash and cash equivalents at end of period	$ 7,095	$ 9,676
Supplemental disclosures:		
Contribution receivable from former parent	$ —	$ 20,000
Cash paid for interest	$ 1,778	$ 537
Cash paid for taxes	$ 1,359	$ 162

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

Aptevo Therapeutics Inc.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY
(in thousands, except share amounts)

	Common Stock		Former Parent Investment in Subsidiary	Additional Paid-In Capital	Accumulated Deficit	Contribution Receivable from Former Parent	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount						
Balance at December 31, 2015	—	$ —	$ 320,606	$ —	$ (231,988)	$ —	$ —	$ 88,618
Capitalization upon spinoff	20,229,849	20	—	—	—	—	—	20
Transfers from former parent	—	—	(288,883)	147,424	231,988	(20,000)	—	70,529
Unrealized losses on available-for-sale investments	—	—	—	—	—	—	(33)	(33)
Common stock issued upon exercise of stock options	9,144	—	—	20	—	—	—	20
Common stock issued upon vesting of restricted stock units	32,744	—	—	18	—	—	—	18
Stock-based compensation	—	—	—	3,809	—	—	—	3,809
Net loss for the period	—	—	(31,723)	—	(80,692)	—	—	(112,415)
Balance at December 31, 2016	$ 20,271,737	$ 20	$ —	$ 151,271	$ (80,692)	$ (20,000)	$ (33)	$ 50,566
Unrealized losses on available-for-sale investments	—	—	—	—	—	—	(72)	(72)
Transfers from former parent	—	—	—	—	—	20,000	—	20,000
Common stock issued upon exercise of stock options	174,763	—	—	440	—	—	—	440
Common stock issued upon vesting of restricted stock units	1,159,216	2	—	(758)	—	—	—	(756)
Stock-based compensation	—	—	—	4,884	—	—	—	4,884
Net income for the period	—	—	—	—	6,973	—	—	6,973
Balance at December 31, 2017	$ 21,605,716	$ 22	$ —	$ 155,837	$ (73,719)	$ —	$ (105)	$ 82,035

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

Note 1. Nature of Business and Significant Accounting Policies

Organization and Basis of Presentation

Aptevo Therapeutics Inc. (Aptevo, we, us, 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, IXINITY, as well as various investigational stage product candidates in the area of immuno-oncology and autoimmune and inflammatory diseases.

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). These consolidated financial statements 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.

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). 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. Aptevo 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 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 consolidated statement of operations. In addition, on the consolidated balance sheet 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.

Significant Accounting Policies

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.

Principles of Consolidation

The consolidated financial statements include the accounts of the company and its wholly owned subsidiaries: Aptevo Research and Development LLC; Aptevo BioTherapeutics LLC; and Aptevo Europe Limited. All intercompany balances and transactions have been eliminated.

Cash Equivalents

Cash equivalents are highly liquid investments with a maturity of 90 days or less at the date of purchase and include time deposits and investments in money market funds with commercial banks and financial institutions.

Restricted Cash

We have restricted cash in the amount of $10.4 million of which $10.0 million relates to a covenant of our MidCap loan agreement, and $0.4 million is maintained in depository as collateral for corporate credit cards.

Short-Term Investments

Short-term investments are classified as available-for-sale and are carried at fair value. Unrealized gains and losses, if any, are reported as a component of comprehensive loss. Amortization, accretion, interest and dividends, realized gains and losses and declines in value judged to be other-than-temporary are included in other income (expense). The cost of securities sold is based on the specific-identification method. Investments in securities with maturities of less than one year, or those for which management intends to use the investments to fund current operations, are included in current assets. We evaluate whether an investment is other-than-temporarily impaired based on the specific facts and circumstances. Factors that are considered in determining whether an other-than-temporary decline in value has occurred include: the market value of the security in relation to its cost basis; the financial condition of the investee; and the intent and ability to retain the investment for a sufficient period of time to allow for recovery in the market value of the investment.

Concentrations of Credit Risk

Financial instruments that potentially subject Aptevo to concentrations of credit risk consist primarily of cash and cash equivalents, certain investments and accounts receivable. Aptevo places its cash and cash equivalents with high quality financial institutions and may maintain cash balances in excess of insured limits. Management believes that the financial risks associated with its cash and cash equivalents are minimal.

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.

Inventories

Inventories, including purchased inventories, are stated at the lower of cost or market with cost being determined using a moving average cost method, which approximates weighted-average cost. Average cost consists primarily of material, labor and manufacturing overhead expenses (including allocation of fixed production-overhead costs) and includes the services and products of third-party suppliers. Aptevo analyzes its inventory levels quarterly and writes down, in the applicable period, inventory that has become obsolete, inventory that has a cost basis in excess of its expected net realizable value and inventory in excess of expected customer demand. Aptevo also writes off, in the applicable period, the costs related to expired inventory and unsuccessful manufacturing runs.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	7-10 years
Software and hardware	3-5 years or product life
Leasehold improvements	Lesser of the asset life or the remaining lease term

Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations. Repairs and maintenance costs are expensed as incurred.

Fair Value of Financial Instruments

We measure and record cash equivalents and investment securities considered available-for-sale at fair value in the accompanying financial statements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The carrying amounts of our short-term financial instruments, which include cash and cash equivalents, accounts receivable and accounts payable, approximate their fair value due to their short maturities.

Product Sales, Rebates and other Discounts

Aptevo markets and sells its product through commercial wholesalers (direct customers) who purchase the product at a price referred to as the wholesale acquisition cost (WAC). Additionally, Aptevo may enter into separate agreements with indirect customers to acquire its product for a contracted price that is less than the product's WAC. The indirect customers, such as group-purchasing organizations, physician practice-management groups and hospitals, continue to purchase Aptevo's product from the wholesalers, but at their respective contractual prices. Per its wholesaler agreements, Aptevo guarantees to credit the wholesaler for the difference between the WAC and the indirect customers' contracted price. This credit is referred to as a chargeback and revenues from product sales are recorded net of estimated chargebacks. Adjustments to the chargeback provisions are made periodically to reflect new facts and circumstances, therefore historical experience may not be indicative of current and/or future results.

All revenues from product sales are also recorded net of applicable allowances for sales and government rebates, special promotional programs, and discounts. Management does not believe there to be a legal right of offset related to these allowances and the receivables from wholesalers; accordingly, allowances are classified as a current liability in the accompanying balance sheets. These allowances are estimated based on historical payment experience, historical relationship to revenues, estimated customer inventory levels, contract terms, and actual discounts offered. In arriving at these estimates, Aptevo further utilizes information received from third parties including market data, inventory reports from major wholesalers, historical information and analysis. These estimates are subject to the inherent limitations of estimates that rely on third-party data, as certain third-party information may itself rely on estimates and reflect other limitations.

Debt Issuance Costs

Aptevo defers costs related to debt issuance and amortizes these costs to interest expense over the term of the debt, using the effective interest method. Debt issuance costs are presented in the balance sheet as a reduction of the carrying amount of the debt liability.

Revenue Recognition

Aptevo recognizes 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.

Collaborations

Revenue generating collaborative research and development agreements may contain one or more provisions including licensing, research services and milestone deliverables. Aptevo analyzes its multiple element revenue generating arrangements to determine whether the elements can be separated and accounted for individually as separate units of accounting. An item can generally be considered a separate unit of accounting if both of the following criteria are met: (1) the delivered item(s) has value to the customer on a standalone basis, and (2) if the arrangement includes a general right of return and delivery, the performance of the undelivered item(s) is considered probable and substantially in the control of Aptevo. Items that cannot be divided into separate units are consolidated with other units of accounting, as appropriate. Consideration to be received is allocated among the separate units based on each unit's relative selling price and is then recognized when the appropriate revenue recognition criteria are met. Aptevo deems services to be rendered if no continuing obligation exists on the part of Aptevo.

Revenue associated with non-refundable upfront license fees that can be treated as a single unit of accounting is recognized when all ongoing obligations have been delivered. Revenue associated with non-refundable upfront license fees under arrangements where the license fees and research and development activities cannot be accounted for as separate units of accounting is deferred and recognized as revenue either on a straight-line basis over Aptevo's continued involvement in the research and development process or based on the proportional performance of Aptevo's expected future obligations under the contract.

Revenues from the achievement of research and development milestones, if deemed substantive, are recognized as revenue when the milestones are achieved and the milestone payments are due and collectible. Milestones are considered substantive if all of the following conditions are met: (1) the milestone is non-refundable, (2) achievement of the milestone was not reasonably assured at the inception of the arrangement, (3) substantive effort is involved to achieve the milestone and (4) the amount of the milestone payment appears reasonable in relation to the effort expended. If not deemed substantive, Aptevo recognizes such milestone as revenue on a percent of completion basis over the remaining expected term of continued involvement in the research and development process. Payments received in advance of revenue recognized are recorded as deferred revenue.

Research and Development

Research and development costs are expensed as incurred. Research and development costs primarily consist of internal labor costs, fees paid to outside service providers and the costs of materials used in clinical trials and research and development. Other research and development expenses include facility, maintenance and related support expenses.

A substantial portion of Aptevo's pre-clinical studies and all of its clinical studies have been performed by third-party CROs. The Company reviews the activities performed by the CROs each period. For pre-clinical studies, the significant factors used in estimating accruals include the percentage of work completed to date and contract milestones achieved. For clinical study expenses, the significant factors used in estimating accruals include the number of patients enrolled and services provided but not yet invoiced. The Company's estimates are highly dependent upon the timeliness and accuracy of the data provided by its CROs regarding the status of each program and total program spending and adjustments are made when deemed necessary.

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 expense.

Stock-Based Compensation

Under the Financial Accounting Standards Board's (FASB) ASC 718, Compensation—Stock Compensation, we measure and recognize compensation expense for restricted stock units (RSUs), and stock options granted to our employees and directors based on the fair value of the awards on the date of grant. The fair value of stock options is estimated at the date of grant using the Black-Scholes option pricing model that requires management to apply judgment and make estimates, including:

- the expected term of the stock option award, which we calculate using the simplified method, as permitted by the SEC Staff Accounting Bulletin No. 110, Share-Based Payment, as we have insufficient historical information regarding our stock options to provide a basis for an estimate;
- the expected volatility of our underlying common stock, which we estimate based on the historical volatility of a representative group of publicly traded biopharmaceutical companies with similar characteristics to us, and our own historical and implied future volatility;
- the risk-free interest rate, which we based on the yield curve of U.S. Treasury securities with periods commensurate with the expected term of the options being valued;
- the expected dividend yield, which we estimate to be zero based on the fact that we have never paid cash dividends and have no present intention to pay cash dividends; and
- the fair value of our common stock on the date of grant.

Stock-based compensation expense for RSUs is recognized on a straight-line basis over the vesting period of the respective award. Stock-based compensation expense for our stock options, both converted and Aptevo granted, is recognized on a straight-line basis over the vesting period of the respective award.

We are required to estimate a forfeiture rate to calculate the stock-based compensation expense for our awards. Our forfeiture rate for the converted RSUs and options is based on an analysis of the actual forfeitures experienced by Emergent. For the RSUs and options issued by Aptevo, we have estimated a forfeiture rate of ten-percent. Since inception our actual forfeiture rate has been de minimis. We routinely evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and expectations of future option exercise behavior.

Income Taxes

Income taxes are accounted for using the liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss and research and development tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.

Aptevo's ability to realize deferred tax assets depends upon future taxable income as well as the limitations discussed below. For financial reporting purposes, a deferred tax asset must be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized prior to expiration. Aptevo considers future taxable income and ongoing tax planning strategies in assessing the need for valuation allowances. In general, if Aptevo determines that it is more likely than not to realize more than the recorded amounts of net deferred tax assets in the future, Aptevo will reverse all or a portion of the valuation allowance established against its deferred tax assets, resulting in a decrease to the provision for income taxes in the period in which the determination is made. Likewise, if Aptevo determines that it is not more likely than not to realize all or part of the net deferred tax asset in the future, Aptevo will establish a valuation allowance against deferred tax assets, with an offsetting increase to the provision for income taxes, in the period in which the determination is made.

Because tax laws are complex and subject to different interpretations, significant judgment is required. As a result, Aptevo makes certain estimates and assumptions, in (1) calculating Aptevo's income tax expense, deferred tax assets and deferred tax liabilities, (2) determining any valuation allowance recorded against deferred tax assets and (3) evaluating the amount of unrecognized tax benefits, as well as the interest and penalties related to such uncertain tax positions. Aptevo's estimates and assumptions may differ significantly from tax benefits ultimately realized.

Segment Reporting

We have determined that we operate in a single segment and have one reporting unit: the discovery, development, commercialization and sale of novel oncology and hematology therapeutics.

New 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), and has subsequently issued a number of amendments to ASU 2014-09. The new standard as amended, provides a single comprehensive model to be used in the accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, included industry-specific guidance. The standard's stated core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, ASU 2014-09 included provisions within a five-step model that includes identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue, when, or as, an entity satisfies a performance obligation. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Aptevo adopted this new standard effective January 1, 2018, on a modified retrospective basis, which requires the cumulative effect of the adoption to be recognized as an adjustment to opening retained earnings in the first period of adoption. The adoption of ASU No. 2014-09 did not have a material impact on recorded amounts when applied to the opening balance sheet as of January 1, 2018, and is not expected to impact the amount or timing of the future amounts of net income. Additional impacts could still result when the standard is first applied to revenue transactions during the first quarter of 2018.

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 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. Aptevo adopted this standard effective January 1, 2018. The new standard requires a retrospective transition. Aptevo is aware the adoption of this standard will have an impact for restricted cash, and is 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, $52.7 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
Collection of accounts receivable	37
Total consideration	65,037
Less:	
Net carrying value of assets transferred to Saol	10,315
Transaction costs	1,273
Working capital adjustment	752
Net gain on sale of business	$ 52,697

As a result of Aptevo's decision to sell the Hyperimmune Business, the consolidated balance sheets for the year ended December 31, 2017, and December 31, 2016, 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 consolidated balance sheet (in thousands):

ASSETS	**December 31, 2016**
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 consolidated statements of operations (in thousands):

	For the Year Ended December 31,	
	2017	**2016**
Revenues:		
Product sales	$ 18,886	$ 26,449
Total revenues	18,886	26,449
Costs and expenses:		
Cost of product sales	7,730	11,715
Research and development	44	398
Selling, general and administrative	945	2,508
Income from operations	10,167	11,828
Gain on sale of Hyperimmune Business	52,697	—
Income from discontinued operations, before income taxes	62,864	11,828
Income tax expense	(23,299)	(4,352)
Income from discontinued operations	$ 39,565	$ 7,476

Amortization for the Hyperimmune Business was $0.8 million and $1.2 million for the year ended December 31, 2017 and December 31, 2016, respectively. There was no depreciation, capital expenditures or other significant operating or investing non-cash items for the year ended December 31, 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 December 31, 2017 and December 31, 2016:

	December 31, 2017			
(in thousands)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Money market funds[1]	$ 10,997	$ —	$ —	$ 10,997
Corporate bonds	—	16,443	—	16,443
US government and agency debt securities	—	33,300	—	33,300
Foreign government and agency debt securities	—	23,945	—	23,945
Total assets	$ 10,997	$ 73,688	$ —	$ 84,685

	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
Foreign government and agency debt securities	—	—	—	—
Total assets	$ 5,215	$ 44,849	$ —	$ 50,064

[1] As of December 31, 2017, the money market funds included $10.0 million in restricted cash.

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 twelve-month period ended December 31, 2017.

Note 5. Investments

Investments are classified as available-for-sale securities and are carried at fair value with unrealized temporary holding gains and losses included in other comprehensive income or loss and as a net amount in accumulated other comprehensive income or loss until such gains and losses are realized. We did not recognize any realized gains or losses in net income during 2017. Available-for-sale securities are written down to fair value through income whenever it is necessary to reflect other than temporary impairments. We have determined that the unrealized gains on our marketable securities as of December 31, 2017 were temporary in nature, and currently does not intend to sell these securities 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.

	December 31, 2017			
(in thousands)	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding (Losses)	Fair Value
Cash equivalents:				
Money market funds[1]	$ 10,997	$ —	$ —	$ 10,997
Total cash equivalents	$ 10,997	$ —	$ —	$ 10,997
Short-term investments:				
Corporate bonds	$ 16,455	$ —	$ (12)	$ 16,443
US government and agency debt securities	33,331	—	(31)	33,300
Foreign government and agency debt securities	24,007	—	(62)	23,945
Total short-term investments	$ 73,793	$ —	$ (105)	$ 73,688

	December 31, 2016			
(in thousands)	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding (Losses)	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
Foreign government and ageny debt securities	—	—	—	—
Total short-term investments	$ 44,882	$ 1	$ (34)	$ 44,849

[1] As of December 31, 2017, the money market funds included $10.0 million in restricted cash.

Note 6. Inventories

Inventories consist of the following:

(in thousands)	December 31, 2017	December 31, 2016
Raw materials and supplies	$ 56	$ 260
Work-in-process	482	4
Finished goods	490	197
Total inventories	$ 1,028	$ 461

Due to the challenges with the manufacture of our IXINITY product that meets release specifications for the final drug product, we wrote off unsaleable IXINITY inventory that was in the process of being manufactured in the amount of $7.1 million in 2016. This cost is included in cost of product sales.

Note 7. Property and equipment, net

Property, plant and equipment consist of the following:

(in thousands)	December 31, 2017	December 31, 2016
Leasehold improvements	$ 2,228	$ 2,265
Furniture and equipment	11,139	10,283
Property and equipment, gross	13,367	12,548
Less: Accumulated depreciation	(7,524)	(6,638)
Total property and equipment, net	$ 5,843	$ 5,910

Depreciation expense for the year ended December 31, 2017 and December 31, 2016 was $1.5 million and $1.1 million, respectively.

Note 8. Intangible Assets, Net

Intangible assets, net, is solely related to our IXINITY product. For the years ended December 31, 2017 and 2016, the Company recorded $0.8 million and $0.8 million, respectively, of intangible asset amortization expense. As of December 31, 2017, the weighted average amortization period remaining for intangible assets was 88 months.

Future amortization expense as of December 31, 2017 is as follows:

(in thousands)	
2018	$ 830
2019	830
2020	830
2021	830
2022 and beyond	2,760
Total remaining amortization	$ 6,080

Note 9. 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 to third-parties and the lender of $1.9 million of which $1.4 million remains unamortized at December 31, 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.

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.

Future principal and interest payments in connection with the Credit Agreement as of December 31, 2017 are as follows:

(in thousands)		
2018	$	5,050
2019		9,147
2020		8,441
2021		2,022
Total principal and interest payments	$	24,660

Note 10. Net Income (Loss) per Share

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

We utilize the control number concept in the computation of diluted earnings per share to determine whether potential common stock instruments are dilutive. The control number used is loss from continuing operations. The control number concept requires that the same number of potentially dilutive securities applied in computing diluted earnings per share from continuing operations be applied to all other categories of income or loss, regardless of their anti-dilutive effect on such categories. Therefore, no dilutive effect has been recognized in the calculation of income from discontinued operations per share.

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 Year Ended December 31,	
	2017	2016
Net income (loss)	$ 6,973	$ (112,415)
Basic and diluted net income (loss) per share:		
Net loss from continuing operations	$ (1.53)	$ (5.92)
Net income from discontinued operations	$ 1.86	$ 0.37
Net income (loss)	$ 0.33	$ (5.55)
Weighted-average shares used to compute per share calculation	21,335,157	20,239,160

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 Year Ended December 31,	
(in thousands, except for per share amounts)	2017	2016
Outstanding options to purchase common stock	2,819	2,069
Unvested RSUs	1,211	3,034

Note 11. Equity

Capitalization Upon Spin-off

Converted Equity Awards Incentive Plan

We had no stock-based compensation plans of our 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 we adopted the Converted Equity Awards Incentive Plan (Converted Plan) and outstanding equity awards of Emergent held by Aptevo employees were converted into or replaced with equity awards of Aptevo (Conversion Awards) under the Converted Plan and were adjusted to maintain the economic value before and after the distribution date using the relative fair market value of the Emergent and Aptevo common stock based on the closing prices as of August 1, 2016. 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 pro vide for the issuance of a share of Aptevo's stock at no cost to the holder.

2016 Stock Incentive Plan

On August 1, 2016, the Company adopted the 2016 Stock Incentive Plan (2016 SIP). A total of 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-Based Compensation Expense

Stock-based compensation expense includes amortization of stock options and restricted stock units granted to employees and non-employees and has been reported in our Consolidated Statements of Operation and Comprehensive Loss as follows:

	For the Year Ended December 31,	
(in thousands)	**2017**	**2016**
Research and development	$ 2,256	$ 2,693
Selling, general and administrative	2,628	1,116
Total stock-based compensation expense	$ 4,884	$ 3,809

The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted based on the fair value of the award as of the grant date. The Company recognizes the compensation expense over the vesting period.

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 Year Ended December 31,	
	2017	**2016**
Expected dividend yield	0.00%	0.00%
Expected volatility	75.00%	75.00%
Risk-free interest rate	1.90%	1.00%
Expected average life of options	6 years	3 years

Management applied an estimated forfeiture rate for the 2017 plan period of 10%.

The following is a summary of option activity for the year ended December 31, 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	1,071,189	2.11		—
Exercised	(204,275)	4.15		334,268
Forfeited	(132,784)	2.31		45,557
Outstanding at December 31, 2017	2,819,344	$ 2.41	6.92	$ 5,156,881
Exercisable at December 31, 2017	1,089,510	$ 2.45	4.53	$ 1,976,638

As of December 31, 2017, we had $1.6 million of unrecognized compensation expense related to options expected to vest over a weighted average period of 2.0 years. The weighted average remaining contractual life of outstanding and exercisable options is 6.8 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 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 December 31, 2017.

Restricted Stock Units

The following is a summary of restricted stock activity for the year ended December 31, 2017:

	Number of Units	Weighted Average Fair Value per Unit	Aggregate Fair Value
Balance at December 31, 2016	3,034,195	$ 2.88	$ 7,406,256
Granted	19,803	2.00	37,118
Vested	(1,558,642)	2.84	2,973,951
Forfeited	(283,869)	2.94	597,483
Outstanding at December 31, 2017	1,211,487	$ 2.91	$ 5,136,705
Expected to Vest	1,174,656	$ 2.91	$ 4,980,541

As of December 31, 2017, we had $0.7 million of unrecognized compensation expense related to RSU's expected to vest over a period of 0.8 years. The weighted average remaining contractual life of unvested RSU's is 2.3 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 12. 401(k) savings plan

Aptevo has established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code. The 401(k) Plan covers all employees. Under the 401(k) Plan, employees may make elective salary deferrals. Aptevo currently provides for matching of qualified deferrals up to 50% of 401(k) employee deferral contributions, based on a maximum employee deferral rate of 6% of compensation. During the year ended December 31, 2017 and December 31, 2016, Aptevo's related share of matching contributions was approximately $0.5 million and $0.3 million.

Note 13. Leases and Contingencies

The Company leases laboratory and office facilities, and office equipment under operating lease agreements. The Company recognizes rent expense under such arrangements on a straight-line basis over the term of the lease. During the year ended December 31, 2017 and December 31, 2016 total lease expense was $1.7 million and $1.8 million, respectively.

As of December 31, 2017, we are committed to future minimum lease payments under operating lease agreements as follows:

(in thousands)	
2018	$ 1,713
2019	1,611
2020	543
Total	$ 3,867

Note 14. Income Taxes

During the periods prior to spin-off, the Company did not file separate tax returns as it was included in the tax returns of Emergent entities within the respective tax jurisdictions. For periods during which our operations were included with Emergent, income taxes are presented in these financial statements as if we filed our own tax returns on a standalone basis. All tax amounts shown in the tables below are presented on a consolidated basis, including both continuing operations and discontinued operations.

On December 22, 2017 the President of the United State signed into law Public Law No. 115-97, commonly referred to as the Tax Cuts and Jobs Act (the Tax Act), following its passage by the United States Congress. The Tax Act will make significant changes to U.S. federal income tax laws, including reduction of the corporate tax rate from 35.0% to 21.0%, limitation of the deduction for net operating losses to 80.0% of current year taxable income and elimination of net operating loss carrybacks, one-time taxation of offshore earning at reduced rates regardless of whether they are repatriated, elimination of U.S. tax on foreign earnings (subject to certain important exceptions), immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions. We have estimated the provision for income taxes in accordance with the Tax Act and guidance available to us as of the date of this filing. The provisional amount related to the re-measurement of certain deferred tax assets and liabilities, based on the rates at which they are expected to reverse in the future, was $10.0 million, which is entirely offset by a valuation allowance resulting in zero total tax expense in the period in which the legislation was enacted. The provisional amount related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings was $0.02 million based on cumulative foreign earnings of $0.06 million.

On December 22, 2017, Staff Accounting Bulletin No. 118, or SAB 118, was issued to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. Additional work is necessary for a more detailed analysis of the deferred tax assets and liabilities and our historical foreign earnings as well as potential correlative adjustments. Any subsequent adjustment to these amounts will be recorded to current tax expense within the measurement period.

Significant components of the benefits for income taxes attributable to continuing operations consist of the following:

(in thousands)	Year ended December 31, 2017	2016
Current		
Federal	$ 12,051	$ 4,255
State	710	218
International	2	29
Total current	12,763	4,502
Deferred		
Federal	9,636	14,518
State	902	672
International	—	—
Total deferred	10,538	15,190
Total income tax benefit from continuing operations	$ 23,301	$ 19,692

The table above excludes income tax expense from discontinued operations of $23.3 million and $4.4 million for 2017 and 2016, respectively.

Loss from continuing operations before income taxes is comprised of:

(in thousands)	Year ended December 31, 2017	2016
US	$ (55,885)	$ (139,578)
International	(8)	(5)
Loss from continuing operations before benefit from income taxes	$ (55,893)	$ (139,583)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

(in thousands)	December 31, 2017	2016
Federal losses carryforward	$ 8,454	$ 7,237
Intangible assets	4,470	17,464
Stock compensation	1,128	1,726
State losses carryforward	1,246	371
Other	1,262	3,050
Other tax credits	502	384
Fixed assets	309	160
Deferred tax asset	17,371	30,392
Prepaid expenses	(224)	(575)
Deferred tax liability	(224)	(575)
Valuation allowance	(17,147)	(29,817)
Net deferred tax liabilities	$ —	$ —

The table above includes deferred tax assets from discontinued operations of $0 and $10.4 million for 2017 and 2016, respectively.

As of December 31, 2017 and 2016, we have recorded federal net operating losses (NOL) carryforwards of approximately $41.5 and $20.7 million, respectively, state NOL carryforwards of approximately $20.2 million and $9.0, respectively, and tax credit carryforwards of $0.5 million and $0.4 million, respectively, all of which are attributable to continuing operations. The federal losses and credits would begin to expire in 2037. The state net operating losses will begin to expire in varying periods. Carryforwards of net operating losses and tax credits are subject to possible limitation, should a change in ownership occur, as defined by Internal Revenue Code Section 382.

The Company files income tax returns in the U.S. and several state jurisdictions. The 2017 and 2016 tax filings are open to review by taxing authorities.

We are subject to the accounting guidance for uncertain income tax positions. We believe that our income tax positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material adverse effect on our financial condition, results of operations, or cash flow. Our policy for recording interest and penalties associated with audits and uncertain tax positions is to record such items as a component of income tax expense, and amounts recognized to date are insignificant. No uncertain income tax positions were recorded during 2017 or 2016, and we do not expect our uncertain tax position to change during the next twelve months.

The reconciliation of the federal statutory income tax rate to the Company's effective income tax from continuing operations is as follows:

	Year ended December 31,	
	2017	2016
Federal tax at statutory rates	35.0%	35.0%
State taxes, net of federal benefit	2.4%	1.0%
Change in valuation allowance	22.7%	-6.8%
Tax credits	0.6%	0.3%
Permanent differences	-0.3%	-7.4%
Separation related adjustment	—	-7.9%
Other	-1.3%	-0.1%
Tax Reform	-17.4%	—
Total income tax benefit	41.7%	14.1%

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of December 31, 2017, management, with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a- 15(e) and 15d-15(e) of the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2017, the design and operation of our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Change 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 December 31, 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.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executives Officers and Corporate Governance.

Information required by this item will be contained in our definitive proxy statement to be filed with the SEC on Schedule 14A in connection with our 2018 Annual Meeting of Stockholders (the Proxy Statement), which is expected to be filed not later than 120 days after December 31, 2017, under the headings "Executive Officers," "Proposal 1 -Election of Directors," "Information Regarding the Board of Directors and Corporate Governance," and "Section 16(a) Beneficial Ownership Reporting Compliance," and is incorporated herein by reference.

Item 11. Executive Compensation.

Information required by this item will be contained in the Proxy Statement under the headings "Executive Compensation" and "Director Compensation," and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by this item will be contained in the Proxy Statement under the headings "Security Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference.

Item 13. Certain Relationships, Related Transactions and Director Independence.

Information required by this item will be contained in the Proxy Statement under the headings "Transactions with Related Persons" and "Information Regarding the Board of Directors and Corporate Governance," and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

Information required by this item will be contained in the Proxy Statement under the heading "Proposal 3 – Ratification of the Selection of Independent Registered Public Accounting Firm," and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements

See Index to Consolidated Financial Statements at Item 8 herein.

2. Consolidated Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

Exhibit Index

Exhibit Number	Description	Form	Exhibit	Filing Date	File No.	Filed Herewith
2.1	Contribution Agreement, dated July 29, 2016, by and among Emergent BioSolutions Inc., Aptevo Therapeutics Inc., Aptevo Research and Development LLC and Aptevo BioTherapeutics LLC	8-K	2.1	August 2, 2016	001-37746	
+2.2	Separation and Distribution Agreement, dated July 29, 2016, by and between Emergent BioSolutions Inc. and Aptevo Therapeutics Inc.	8-K	2.2	August 2, 2016	001-37746	
†+2.3	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.	10-Q	2.1	November 13, 2017	001-37746	
3.1	Amended and Restated Certificate of Incorporation of Aptevo Therapeutics Inc.	8-K	3.1	August 2, 2016	001-37746	
3.2	Amended and Restated Bylaws of Aptevo Therapeutics Inc.	8-K	3.2	August 2, 2016	001-37746	
4.1	Form of Common Stock Certificate	10	4.1	June 29, 2016	001-37746	
4.2	Registration Rights Agreement, dated as of August 1, 2016, by and among Aptevo Therapeutics Inc. and certain of its stockholders	8-K	4	August 2, 2016	001-37746	
10.1	Promissory Note, dated July 29, 2016, made by Emergent BioSolutions Inc. in favor of Aptevo Therapeutics Inc.	8-K	10.1	August 2, 2016	001-37746	
10.2	Transition Services Agreement, dated July 29, 2016, by and between Emergent BioSolutions Inc. and Aptevo Therapeutics Inc.	8-K	10.2	August 2, 2016	001-37746	
10.3	Tax Matters Agreement, dated July 29, 2016, by and between Emergent BioSolutions Inc. and Aptevo Therapeutics Inc.	8-K	10.3	August 2, 2016	001-37746	
10.4	Employee Matters Agreement, dated July 29, 2016, by and between Emergent BioSolutions Inc. and Aptevo Therapeutics Inc.	8-K	10.4	August 2, 2016	001-37746	
10.5	Amended and Restated Manufacturing Services Agreement, dated September 28, 2017, by and between Emergent BioSolutions Inc. and Aptevo Therapeutics Inc.		10.5			X
10.6	Canadian Distributor Agreement, dated July 29, 2016, by and between Emergent BioSolutions Inc. and Aptevo Therapeutics Inc.	8-K	10.6	August 2, 2016	001-37746	
10.7	Amended and Restated Trademark License Agreement, dated September 28, 2017, by and between Emergent BioSolutions Inc. and Aptevo Therapeutics Inc.		10.7			X

Exhibit Number	Description	Form	Exhibit	Filing Date	File No.	Filed Herewith
10.8	Product License Agreement, dated July 29, 2016, by and between Emergent BioSolutions Inc. and Aptevo Therapeutics Inc.	8-K	10.8	August 2, 2016	001-37746	
C 10.9	Aptevo Therapeutics Inc. Amended and Restated 2016 Stock Incentive Plan.	10-Q	4.1	August 10, 2017	001-37746	
C 10.10	Aptevo Therapeutics Inc. Converted Equity Awards Incentive Plan	8-K	10.10	August 2, 2016	001-37746	
C 10.11	Aptevo Therapeutics Inc. Senior Management Severance Plan	8-K	10.11	August 2, 2016	001-37746	
C 10.12	Form of Indemnity Agreement for directors and senior officers	10	10.9	April 15, 2016	001-37746	
10.13	Fourth and Battery Office Lease, dated as of April 28, 2003, by and between Emergent Product Development Seattle, LLC (as successor-in-interest to Trubion Pharmaceuticals, Inc. and Genecraft, Inc.) and Selig Real Estate Holdings Eight L.L.C. , or the Seattle Office Lease	10	10.12	April 15, 2016	001-37746	
10.14	Seattle Office Lease Amendment, dated December 8, 2004	10	10.13	April 15, 2016	001-37746	
10.15	Seattle Office Lease Amendment, dated February 1, 2006	10	10.14	April 15, 2016	001-37746	
10.16	Seattle Office Lease Amendment, dated February 2, 2007	10	10.15	April 15, 2016	001-37746	
10.17	Seattle Office Lease Amendment, dated June 7, 2010	10	10.16	April 15, 2016	001-37746	
10.18	Seattle Office Lease Amendment, dated December 21, 2010	10	10.17	April 15, 2016	001-37746	
10.19	Seattle Office Lease Amendment, dated July 17, 2012	10	10.18	April 15, 2016	001-37746	
10.20	Seventh Amendment to Seattle Office Lease, dated December 5, 2014	10	10.19	April 15, 2016	001-37746	
†10.21	License and Co-Development Agreement, dated as of August 19, 2014, by and between Emergent Product Development Seattle, LLC and MorphoSys AG, or the MorphoSys Collaboration Agreement	10	10.20	June 29, 2016	001-37746	
†10.22	First Amendment to MorphoSys Collaboration Agreement, dated June 19, 2015	10	10.21	April 15, 2016	001-37746	
†10.23	Second Amendment to MorphoSys Collaboration Agreement, dated December 7, 2015	10	10.22	April 15, 2016	001-37746	
10.24	Third Amendment to MorphoSys Collaboration Agreement, dated December 12, 2016	8-K	10.1	December 15, 2016	001-37746	
10.25	Fourth Amendment MorphoSys Collaboration Agreement, dated June 19, 2017.	10	10.3	August 10, 2017	001-37746	

Exhibit Number	Description	Form	Exhibit	Filing Date	File No.	Filed Herewith
†10.26	Amended and Restated License Agreement, dated as of November 28, 2008, by and between Cangene Corporation (as successor-in-interest to Inspiration Biopharmaceuticals, Inc.) and The University of North Carolina at Chapel Hill, as amended on June 14, 2012	10	10.23	April 15, 2016	001-37746	
†10.27	CMC Commercial Supply (Manufacturing Services) Agreement, dated June 17, 2011, between CMC ICOS Biologics, Inc. and Aptevo BioTherapeutics LLC (as successor-in-interest to Inspiration Biopharmaceuticals, Inc.)	10	10.24	May 31, 2016	001-37746	
†10.28	Amended and Restated Commercial Supply Agreement, dated as of June 16, 2017, between CMC ICOS Biologics, Inc. and Aptevo BioTherapeutics LLC.	10	10.2	August 10, 2017	001-37746	
†10.29	Supply Agreement, dated April 29, 2014, between Aptevo BioTherapeutics LLC and Rovi Contract Manufacturing, S.L.	10	10.26	May 31, 2016	001-37746	
†10.30	Manufacturing Services Agreement, dated May 27, 2015, Aptevo BioTherapeutics LLC and Patheon UK Limited	10	10.27	May 31, 2016	001-37746	
10.31	Credit and Security Agreement, dated August 4, 2016 by and among Aptevo Therapeutics Inc., Aptevo Biotherapeutics LLC, Aptevo Research and Development LLC and MidCap Financial Trust, as agent, and the lenders from time to time party thereto.	8-K	10.1	August 5, 2016	001-37746	
10.32	Fee Letter dated August 4, 2016 by and among Aptevo Therapeutics Inc., Aptevo Biotherapeutics LLC, Aptevo Research and Development LLC and MidCap Financial Trust, as agent.	8-K	10.2	August 5, 2016	001-37746	
10.33	Third Amendment to License and Co-Development Agreement, dated as of December 12, 2016 by and between Aptevo Research and Development LLC and MorphoSys AG.	8-K	10.1	December 15, 2016	001-37746	
10.34	Amendment No.1 to the Credit and Security Agreement, dated May 11, 2017, by and among Aptevo Therapeutics Inc., Aptevo Biotherapeutics LLC and MidCap Financial Trust, as agent and the lenders from time to time thereto	10-Q	10.1	May 12, 2017	001-37746	
10.35	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).	8-K	1.01	September 28, 2017	001-37746	

Exhibit Number	Description	Form	Exhibit	Filing Date	File No.	Filed Herewith
10.36	Equity Distribution Agreement, dated November 9, 2017, between Aptevo Therapeutics, Inc. and Piper Jaffray and Company LLC.	8-K	1.1	November 9, 2017	001-37746	
10.37	Collaboration and Option Agreement, dated as of July 20, 2017, by and between Aptevo Research and Development LLC, and Alligator Bioscience AB.	10-Q	10.2	November 13, 2017	001-37746	
10.38	Amendment No. 3 to Credit and Security Agreement, dated as of February 23, 2018, by and among Aptevo Therapeutics Inc. and certain of its subsidiaries and Midcap Financial Trust.					X
21.1	Subsidiaries of Aptevo Therapeutics Inc.	10	21	June 29, 2016	001-37746	
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm					X
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.					X
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.					X
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.					X
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.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

* Document has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in any such filing.

† Confidential treatment granted from the Securities and Exchange Commission as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission.
C Management contract or compensatory plan.
+ Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Aptevo will furnish copies of any such schedules to the Securities and Exchange Commission upon request.

Item 16. Form 10-K Summary

We have chosen not to include the summary permitted by this Item 16.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Company Name

Date: March 13, 2018

By: */s/ Marvin L. White*
Marvin L. White
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/Marvin L. White **Marvin L. White**	President, Chief Executive Officer and Director (Principal Executive Officer)	March 13, 2018
/s/Jeffrey G. Lamothe **Jeffrey Lamothe**	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 13, 2018
/s/Fuad El-Hibri **Fuad El-Hibri**	Chairman of the Board of Directors	March 13, 2018
/s/Daniel J. Abdun-Nabi **Daniel J. Abdun-Nabi**	Director	March 13, 2018
/s/Grady Grant, III **Grady Grant, III**	Director	March 13, 2018
/s/Zsolt Harsanyi, Ph. D. **Zsolt Harsanyi, Ph. D.**	Director	March 13, 2018
/s/Barbara Lopez Kunz **Barbara Lopez Kunz**	Director	March 13, 2018
/s/John E. Niederhuber, M.D. **John E. Niederhuber, M.D.**	Director	March 13, 2018

Exhibit 10.5

AMENDED AND RESTATED MANUFACTURING SERVICES AGREEMENT

BY AND BETWEEN

EMERGENT BIOSOLUTIONS INC.

AND

APTEVO THERAPEUTICS INC.

DATED AS OF SEPTEMBER 28, 2017

TABLE OF CONTENTS

AMENDED AND RESTATED MANUFACTURING SERVICES AGREEMENT

This AMENDED AND RESTATED MANUFACTURING SERVICES AGREEMENT, dated as of September 28, 2017 (this "Agreement"), is made and entered into by and between Emergent BioSolutions Inc., a Delaware corporation ("Emergent"), and Aptevo Therapeutics Inc., a Delaware corporation ("Aptevo"). Aptevo and Emergent are referred to together as the "Parties" and individually as a "Party." Unless otherwise defined in this Agreement, all capitalized terms used in this Agreement shall have the meaning set forth in the Separation and Distribution Agreement ("SDA") or, if not therein, in the Transition Services Agreement ("TSA"), or, if not therein, in the Canadian Distributor Agreement ("CDA"), or, if not therein, in the Product Licensing Agreement (the "PLA"), or, if not therein, in the Trademark License Agreement ("TLA"), each dated as of July 29, 2016, by and between Emergent and Aptevo. The Parties acknowledge and agree that this Agreement is an Ancillary Agreement under the SDA.

This Agreement supersedes, amends and restates in its entirety that certain Manufacturing Services Agreement, dated as of July 29, 2016 (the "Original MSA"), in compliance with Section 12.1 thereof.

WHEREAS, Aptevo and Emergent entered into the Original MSA, pursuant to which Emergent provided certain services to Aptevo with respect to the Products (as defined in the PLA) and with respect to the IXINITY product;

WHEREAS, Aptevo intends to sell, soon after the date first listed above, all of its right, title and interest in and to the Products to Saol Therapeutics, Inc. or an affiliate thereof ("Saol") and assign, in connection therewith, its rights under certain agreements between Emergent and Aptevo related to the Products to Saol, including this Agreement as well as the CDA, PLA, and TLA, pursuant to the terms of a LLC Purchase Agreement entered into between the parties (the "Transaction");

WHEREAS, in connection with the Transaction, Aptevo and Emergent desire to amend and restate the Original MSA to remove all rights and obligations with respect to the IXINITY product in order to separate such rights and obligations into a stand-alone agreement to be entered into by and between Aptevo and Emergent as of the date hereof;

WHEREAS, Aptevo and Emergent have entered into the SDA, the TSA, the CDA, the TLA and the PLA;

WHEREAS, Aptevo is a therapeutics company pursuing the research, development, and commercialization of pharmaceutical products; and

WHEREAS, Emergent has the capacity to meet Aptevo's applicable manufacturing, distribution and other needs with respect to the Products;

NOW, THEREFORE, in consideration of the mutual promises of the Parties, and of good and valuable consideration, it is agreed by and between the Parties as follows:

ARTICLE I
DEFINITIONS

For the purpose of this Agreement, the following terms shall have the following meanings.

"3PL Services" has the meaning set forth in ARTICLE V.

"Acceptance Criteria" means, with respect to a Product, the tests and other factors set forth in the applicable Master Batch Record that, once satisfied, require Aptevo to accept such Product as conforming to the Specifications and other requirements set forth herein.

"Acquiring Entity" means a Person that (a) (i) acquires control (as defined in the definition of Affiliate under the SDA), after the Effective Time, of Aptevo or an Aptevo Affiliate or any member of the Aptevo Group to which rights or interests under this Agreement or the PLA or with respect to any of the Products have been assigned or licensed or (ii) is assigned any right or interest under this Agreement or the PLA and (b) was a Third Party until the time of such acquisition or assignment.

"Agreement" means this agreement, including any schedules.

"Applicable Laws" means (a) for Emergent, the Laws of the jurisdictions where the Manufacturing Facility or Storage Facilities are located, as applicable, and such other Laws as may govern Emergent's performance of its Manufacturing services and 3PL Services under this Agreement (but in no event shall any Laws that may govern the distribution, marketing, import or export of the Products be construed as Applicable Laws with respect to Emergent under this Agreement); and (b) for Aptevo and the Products, the Laws of the United States, Canada, and any other jurisdictions where the Products are manufactured, distributed, stored or marketed.

"Aptevo Certificate of Analysis" means, with respect to a Batch of a Product, the document for such Batch of such Product prepared by Aptevo, reporting the results of testing of such Batch of Product.

"Aptevo IP" has the meaning set forth in Section 2.6.1.

"Aptevo Representative" has the meaning set forth in Section 2.1.2.

"Background Emergent IP" means any and all Intellectual Property rights owned or controlled by Emergent or any of its Affiliates as of immediately after the Effective Time or thereafter during the term of this Agreement, including its rights in its own Confidential Information, trade secrets, and the like.

"Bankruptcy Code" has the meaning set forth in Section 12.6.

"Batch" means, with respect to a Product, a uniform quantity of drug substance consisting of the Minimum Vials resulting from a single run of such Product produced by a single execution of the instructions specified in the applicable Batch Record within the meaning

of 21 CFR part 210.3(b)(2) or within the meaning of 21 CFR part 600.3(x), or its successor as in effect from time to time.

"Batch Record" means, with respect to a Product, the batch production and control record containing the set of detailed processing instructions which are to be followed by Emergent to produce one Batch of the relevant Product as defined in 21 CFR part 211.188, or its successor as in effect from time to time.

"Binding Purchase Order" means any Purchase Order that is accepted by Emergent pursuant to Section 3.1.2.

"Binding Six Month Forecast" has the meaning set forth in Section 3.1.1.

"CFR" means the United States Code of Federal Regulations.

"Competing Program" means (a) the research, development, making, having made, manufacturing, using, selling, offering for sale, importing or otherwise exploiting of any product substantially similar to any of the Products, or any activity involving any process or technology that is materially related to the Manufacturing Technology, including: so-called hyperimmune products; products, either marketed or being developed as therapeutics, comprising polyclonal sera collected from persons or animals that possess antibodies with specificity against a given antigen; and products derived from blood, plasma and blood components, such as clotting factors and (b) the making, having made or manufacturing of any Product. For clarity, Competing Program excludes (i) the research, development, making, having made, manufacturing, using, selling, offering for sale, importing or otherwise exploiting of any recombinant protein product that is not a hyperimmune product and (ii) the research, development, using, selling, offering for sale, importing or otherwise exploiting (but not making, having made or manufacturing) any Product.

"Confidential Information" has the meaning set forth in Section 6.1.1.

"Conforming Product" means Product that, upon the issuance of the Emergent Release Documents with respect to such Product, meets the Specifications and was Manufactured in conformance with the terms of the Quality Agreement.

"CPR" has the meaning set forth in Section 11.1.2.

"Credit" means that Emergent shall, as applicable, (a) not invoice Aptevo for the applicable Manufacturing Fee, (b) cancel the already-issued invoice for the applicable Manufacturing Fee, or (c) credit the amount of the applicable Manufacturing Fee against any other amounts owed by Aptevo to Emergent under this Agreement. For the avoidance of doubt, any Products for which Aptevo receives a Credit shall count towards the Minimum Annual Order.

"Current Good Manufacturing Practices" or "GMP" or "cGMP" means the regulatory requirements for the then-current good manufacturing practice as provided for (and as amended from time to time) in the Current Good Manufacturing Practice Regulations of the U.S. Code of Federal Regulations Title 21 (21 CFR §§ 210 and 211), in Part C, Division 2 of the Food and

Drug Regulations (Canada) and in Commission Directive 2003/94/EC, as amended from time to time and the principles and practices set down in the current edition of the Rules Governing Medicinal Products in the European Union, Volume IV, Good Manufacturing Practice for Medicinal Products.

"Debarred Entity" has the meaning set forth in Section 7.2.4.

"Debarred Individual" has the meaning set forth in Section 7.2.3.

"Delivery" means, with respect to a Vial of Product, the earlier of (i) the Release of such Vial of such Product or (ii) fifteen (15) days after the issuance of the Emergent Release Documents with respect to such Vial of such Product. "Deliver" shall have the corresponding meaning.

"Disclosing Group" has the meaning set forth in Section 6.1.1.

"Disclosing Party" has the meaning set forth in Section 6.1.1.

"Dispute" has the meaning set forth in Section 11.1.1.

"Dispute Notice" has the meaning set forth in Section 11.1.2.

"Distribution Destination" means, with respect to each Vial within a Purchase Order, the area within the Territory that is the final destination for such Vial. The Distribution Destination may be one of the following three designations: (i) the United States, (ii) Canada or (iii) the rest of the world ("ROW").

"Distributor" has the meaning set forth in Section 7.2.7.

"Effective Time" means 12:01 a.m., Eastern Time, on August 1, 2016.

"Emergent Certificate of Analysis" means, with respect to a Batch of a Product, the document for such Batch of such Product prepared by Emergent, reporting the results of testing of such Batch of Product and indicating that the Batch has met the Specifications.

"Emergent Certificate of Compliance" means, with respect to a Batch of Product, a certificate from Emergent confirming that such Batch of such Product was Manufactured under Current Good Manufacturing Practices.

"Emergent-Owned IP" has the meaning set forth in Section 2.7.2.

"Emergent Release Documents" means, with respect to a Batch of Product, the following documents: (a) Emergent's Batch Record for such Batch of such Product, (b) the Emergent Certificate of Compliance for such Batch of such Product, (c) the applicable Emergent Certificate of Analysis and (d) such other documents required by the Quality Agreement for Emergent's release of Product.

"Expert" has the meaning set forth in Section 11.3.1.

"EXW" has the meaning set forth in INCOTERMS 2010.

"Facility Improvements" means, with respect to a Product, any improvements or changes (a) to the Manufacturing process used or services performed to Manufacture such Product that apply generally to all products Manufactured at the Manufacturing Facility and (b) that do not require updates to the regulatory dossiers for such Product or any other filings with any Regulatory Authority with respect to such Product.

"FDA" means the United States Food and Drug Administration.

"Feasibility Opinion" has the meaning set forth in Section 3.1.1.

"Field" means, with respect to the WinRho SDF® product, the therapeutic, prophylactic and diagnostic use of such Product in the Rh0(D) indication; with respect to the HepaGam B® product, the therapeutic, prophylactic and diagnostic use of such Product in the Hepatitis B indication; and with respect to the VARIZIG® product, the therapeutic, prophylactic and diagnostic use of such Product in the Varicella-zoster hyperimmune immunoglobulins indication.

"Finished Product Shipping Specifications" means the details of all required import/export or customs documentation, Aptevo's instructions for shipping and packaging each Product and such other information as is necessary for the proper shipment of finished Products under this Agreement, as provided by Aptevo to Emergent in writing from time to time during the ordinary course of business.

"Firm Delivery Date" means, with respect to each Vial in a Purchase Order, the proposed date set forth in such Purchase Order on which Emergent is expected to issue the Emergent Release Documents with respect to such Vial, which date shall be not less than six (6) months from the date of such Purchase Order.

"Force Majeure" has the meaning set forth in Section 12.3.

"Forecast" has the meaning set forth in Section 3.1.1.

"FTE" means the equivalent of the work of one (1) duly qualified employee of Emergent full time for one (1) year (consisting of a total of 1,950 hours per year) carrying out technology transfer work under this Agreement. Overtime, and work on weekends, holidays and the like will not be counted with any multiplier (*e.g.*, time-and-a-half or double time) toward the number of hours that are used to calculate the FTE contribution. The portion of an FTE billable by Emergent for one (1) individual during a given accounting period will be determined by dividing the number of hours worked directly by said individual on the work to be conducted under the Agreement during such accounting period and the number of FTE hours applicable for such accounting period based on 1,950 working hours per calendar year.

"Governmental Authority" means any nation or government, any state, province, municipality or other political subdivision thereof, and any entity, body, agency, commission, department, board, bureau, court, tribunal or other instrumentality, whether federal, state, local, domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory,

administrative or other similar functions of, or pertaining to, government and any executive official thereof.

"Included Manufacturing Improvements" means all Facility Improvements and Platform Manufacturing Improvements.

"Indemnified Party" has the meaning set forth in Section 8.3.

"Indemnifying Party" has the meaning set forth in Section 8.3.

"Information" means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, whether or not stored in any medium that has existed, now exists or will exist, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other Software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

"Insolvency/Bankruptcy Event" shall be deemed to have occurred if a Party: (a) voluntarily consents to an order for relief by filing a petition for relief under any bankruptcy or insolvency laws of any jurisdiction; (b) seeks, consents to or does not contest the appointment of a receiver, custodian or trustee for itself or for all or any part of its property; (c) files a petition seeking relief under the bankruptcy, arrangement, reorganization or other debtor relief laws of any competent jurisdiction; (d) admits in writing that it is generally not paying its debts as those debts become due; (e) gives notice to any Governmental Authority of insolvency or pending insolvency; (f) becomes "insolvent" as that term is defined under applicable fraudulent transfer or conveyance laws or comparable foreign laws; or (g) makes an assignment for the benefit of creditors or takes any other similar action for the protection or benefit of creditors.

"Intellectual Property" means all of the following whether arising under the Laws of the United States or of any other foreign or multinational jurisdiction: (a) patents, patent applications (including patents issued thereon) and statutory invention registrations, including reissues, divisions, continuations, continuations in part, substitutions, renewals, extensions and reexaminations of any of the foregoing, and all rights in any of the foregoing provided by international treaties or conventions (the foregoing, collectively, "Patents"), (b) trademarks, service marks, trade names, service names, trade dress, logos and other source or business identifiers, including all goodwill associated with any of the foregoing, and any and all common law rights in and to any of the foregoing, registrations and applications for registration of any of the foregoing, all rights in and to any of the foregoing provided by international treaties or conventions, and all reissues, extensions and renewals of any of the foregoing (the foregoing, collectively, "Trademarks"), (c) Internet domain names, (d) copyrightable works, copyrights, moral rights, mask work rights, database rights and design rights, in each case, other than Software, whether or not registered, and all registrations and applications for registration of any of the foregoing, and all rights in and to any of the foregoing provided by international treaties or

conventions, (e) confidential and proprietary Information, including trade secrets, invention disclosures, processes and know-how, in each case, other than Software, (f) intellectual property rights arising from or in respect of any Technology, and (g) rights to enforce any past, present or infringement or misappropriation of any of the foregoing.

"Joint Steering Committee" has the meaning set forth in Section 2.1.3(a).

"Latent Defect" has the meaning set forth in Section 3.6.

"Law" means any national, supranational, federal, state, provincial, local or similar law (including common law), statute, code, order, ordinance, rule, regulation, treaty (including any income tax treaty), license, permit, authorization, approval, consent, decree, injunction, binding judicial or administrative interpretation or other requirement, in each case, enacted, promulgated, issued or entered by a Governmental Authority.

"Manufacture" means, with respect to a Product, the performance of all of the manufacturing services or a portion thereof as set out in this Agreement for the manufacture of such Product, including procuring Materials, manufacturing, packaging, labeling, filling, finishing, capping, storing, inspecting, release testing, labeling, release and stability storage and testing of such Product, and testing and release of the Materials used to make such Product. "Manufactured" and "Manufacturing" shall have comparable meanings.

"Manufacturing Facility" means Emergent's (or its Affiliate's, as applicable) premises and equipment located at its facility at 155 Innovation Drive, Wpg, Manitoba, CA or 1111 S. Paca St., Baltimore, Maryland, USA, as applicable.

"Manufacturing Failure" means (i) Emergent's failure to Deliver at least fifty percent (50%) of the aggregate quantity of all Vials of Product with respect to all Binding Purchase Orders (exclusive of those Vials used as retain samples, those Vials used for the stability program as set forth in the Quality Agreement and those Vials Manufactured but not Delivered by agreement of the Parties) within a rolling twelve (12) month period in accordance with this Agreement (other than where such failure is due to a Force Majeure), provided that (a) Aptevo may only make the determination as to whether such failure has occurred during the prior twelve (12) months as of the end of a calendar quarter (i.e., as of March 31, June 30, September 30, or December 31, as applicable) and (b) Aptevo must provide Emergent notice in writing within fifteen (15) days of such determination; or (ii) a termination of this Agreement by Emergent pursuant to Section 9.2.5.

"Manufacturing Fee" means, with respect to a Product, the applicable fee set forth on Schedule A, as may be changed from time to time in accordance with Sections 3.15, 3.16 or 3.19.

"Manufacturing Improvements" means the Facility Improvements, Platform Manufacturing Improvements and Product-Specific Manufacturing Improvements.

"Master Batch Record" means, with respect to a Product, a master production and control record containing a written description of the procedure to be followed for processing a Batch of such Product, including a complete list of all active and inactive ingredients, components,

weights and measures, descriptions of drug product containers, closures, packaging materials, and labeling and complete specifications for each, within the meaning of 21 CFR part 211.186, or its successor as in effect from time to time.

"Materials" means, with respect to a Product, the test material, and all compounds, raw and packaging materials or substances Manufactured, sourced or supplied by Emergent, excluding machinery and equipment, that Emergent requires to Manufacture such Product.

"Minimum Annual Order" has the meaning set forth in Section 3.1.5.

"Minimum Vials" means, with respect to a Product and a size (as applicable), the number of Vials with respect to such Product and size as listed in Item 1 of Schedule B.

"Non-Conforming Product" means Product Manufactured by Emergent under this Agreement that is not Conforming Product.

"Packaging Material" means, with respect to a Product, the packaging materials for such Product as designated by Aptevo to Emergent in writing, and such other packaging materials as are necessary for Emergent to Manufacture and supply the Products and perform the 3PL Services for the Products.

"Packaging Material Baseline Inventory" means, with respect to a Product, the stock of Packaging Material sufficient for Emergent to perform all packaging and labeling services for such Product under Sections 3.11 and 3.12, which stock shall be maintained in a quantity (i) consistent with the quantity of packaging inventory that Emergent would normally maintain in the ordinary course of business with respect to its own product packaging inventory and (ii) consistent with the Binding Six Month Forecast.

"Part Number" means, with respect to a Vial of Product, the unique number (as provided in writing on a list of available Part Numbers from Emergent to Aptevo from time to time) describing the size, dosage, labeled market and other attributes of such Vial of Product.

"Person" shall mean an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity or any Governmental Authority.

"Platform Manufacturing Improvements" means, with respect to a Product, any improvements or changes (a) to the Manufacturing process used or services performed to Manufacture such Product that apply generally to all products Manufactured at the Manufacturing Facility and (b) that require updates to the regulatory dossiers for such Product or any other filings with any Regulatory Authority with respect to such Product.

"Product" has the meaning set forth in the PLA.

"Product-Specific Manufacturing Improvements" means, with respect to a Product, any improvements or changes to the Manufacturing process used or services performed specifically to Manufacture such Product, but no other product.

"Product-Specific IP" means all Intellectual Property rights in or to (a) release-testing assays formulated or specific to the Products and (b) Product-Specific Manufacturing Improvements.

"Project Manager" has the meaning set forth in Section 2.1.1.

"Purchase Order" means a document issued and signed by Aptevo, ordering a specified number of Vials of one or more Products from Emergent. With respect to each Vial of Product ordered, each written Purchase Order will include (a) the Part Number; (b) product description; (c) the Firm Delivery Date; and (d) the Storage Facility. The Purchase Order shall also include the Manufacturing Fee to be paid for such order pursuant to terms of this Agreement. If any terms or requirements are included in the Purchase Order that are in addition to or in conflict with the terms of this Agreement, other than those terms set forth in this definition, then such additional or conflicting terms are of no force and effect and are superseded by the terms and requirements of this Agreement. Emergent may propose changes to the information required to be included in a Purchase Order to Aptevo for Aptevo's written consent, which consent shall not be unreasonably withheld or delayed.

"Purchase Order Shortfall" has the meaning set forth in Section 3.1.4.

"Quality Agreement" means the Quality Agreement between Aptevo and Emergent for the Products, effective as of the Effective Time and attached hereto at Schedule C (as may be amended or superseded from time to time by mutual agreement of the Parties or as set forth in the Quality Agreement), which specifies the respective responsibilities for quality control and quality assurance activities consistent with cGMPs with respect to the Manufacturing of the Products.

"Quality Department" means the department within Emergent responsible for quality assurance matters.

"Receiving Group" has the meaning set forth in Section 6.1.1.

"Receiving Party" has the meaning set forth in Section 6.1.1.

"Regulatory Approval" means all technical, medical and scientific licenses, registrations, authorizations, consents and approvals of any Regulatory Authority, necessary for the use, development, manufacture, and commercialization of a given biologic, pharmaceutical or medical device in a given regulatory jurisdiction.

"Regulatory Authority" means the applicable Governmental Authority that has jurisdiction with respect to the Manufacture of the Products in the Territory.

"Regulatory Standards" means (a) procurement and maintenance of any and all permits, licenses, filings and certifications required by Health Canada, the FDA or other Regulatory Authorities within the Territory, and compliance with the cGMPs applicable to the Manufacturing Facility or Emergent's processing, storage, handling or other Manufacturing of the Materials or Products at the Manufacturing Facility, and (b) any Laws of any Governmental Authority within the Territory (including, as applicable, the Environmental Protection Agency

(EPA), the Occupational Safety and Health Administration (OSHA), the Drug Enforcement Administration (DEA) and state and local authorities), that apply to the Manufacturing Facility or Emergent's processing, storage, handling, shipment or other Manufacturing of the Materials or Products.

"Rejection Notice" has the meaning set forth in Section 3.6.

"Release" means, with respect to a Vial of Product, the delivery of all applicable Emergent Release Documents from Emergent to Aptevo in accordance with Section 3.4 and the issuance by Aptevo of the Aptevo Certificate of Analysis and such other Aptevo required release documents as are agreed by the Parties in writing from time to time.

"Representatives" shall mean, with respect to any Person, any of such Person's directors, officers, employees, agents, consultants, advisors, accountants, attorneys or other representatives.

"Second Source Manufacturer" has the meaning set forth in Section 3.22.

"Shipping Order" means a document issued by Aptevo to Emergent requesting that Emergent perform the 3PL Services in respect of a shipment to be made by Emergent to Aptevo or a third party under this Agreement, setting out detailed information regarding the shipment, including the number of Vials of each Product to be shipped, the Batch from which each Vial is being requested, the shipping destination of each Vial (including the Distribution Destination) (the "Shipping Destination"), the requested shipment date, the requested delivery date. For clarity, each Shipping Order may only name one Distribution Destination.

"Specifications" means, with respect to a Product, the specifications required for Manufacture, including the specifications for the applicable Materials and such Product, which specifications have, as of the Effective Time, been approved by both Parties (or are thereafter amended as agreed upon by both Parties in writing) and are set forth in the Master Batch Record.

"Storage Facility" means, with respect to each Vial of Product, the Emergent (or its Affiliate's) facility named in the applicable Purchase Order at which such Vial shall be stored pending shipment.

"Technology" means all technology, designs, formulae, algorithms, procedures, methods, discoveries, processes, techniques, ideas, know-how, research and development, technical data, tools, materials, specifications, processes, inventions (whether patentable or unpatentable and whether or not reduced to practice), apparatus, creations, improvements, works of authorship in any media, confidential, proprietary or nonpublic information, and other similar materials or Information, and all recordings, graphs, drawings, reports, analyses and other writings, and other tangible embodiments of the foregoing in any form whether or not listed herein.

"Territory" means all countries, territories and commonwealths of the world described in Section 3.13.

"Triggering Event" has the meaning set forth in Section 9.4.

"VariZig" means Varicella Zoster Immune Globulin (Human).

"Vial" means, with respect to each Product, an individual, retail-size vial of such Product (as set forth in Schedule A).

"Work-in-Process" means, with respect to a Product, all Materials that Emergent has begun to Manufacture into the relevant finished Product, but which have not yet satisfied the Specifications.

ARTICLE II
GENERAL TERMS

2.1 Project Management.

2.1.1 *Project Managers*. Each of the Parties shall appoint and maintain, throughout the term of this Agreement, a project manager who shall be the main contact person for such Party, respectively, with respect to commercial or business issues under this Agreement (each, a "Project Manager"); provided, however, that a Party may designate a replacement Project Manager from time to time upon notice to the other Party. Each Project Manager shall be familiar with all aspects of this Agreement and shall be available during regular business hours to discuss, and attempt to address, any questions, concerns or issues either Party may raise regarding the Agreement.

2.1.2 *Aptevo Representatives*. Aptevo may appoint and maintain, throughout the term of this Agreement, a product specialist who shall be permanently staffed in the Manufacturing Facility to oversee Aptevo's responsibilities under this Agreement (the "Aptevo Representative"), provided, however, that Aptevo may designate a replacement Aptevo Representative from time to time upon notice to Emergent. The Aptevo Representative shall (a) be an employee of, or a consultant or contractor engaged by, Aptevo or one of its Affiliates, (b) be bound to a written confidentiality agreement, (c) comply with all rules and regulations applicable to visitors to the Manufacturing Facility, and (d) in no event be deemed an employee of Emergent or any of its Affiliates. Aptevo shall be solely liable for the Aptevo Representative and any acts or omissions by the Aptevo Representative. Emergent shall, at no additional cost to Aptevo, provide to the Aptevo Representative a workspace, chair, telephone and high-speed internet connection for such Aptevo Representative to carry out his or her duties. If Aptevo does not appoint and maintain a product specialist who is permanently staffed in the Manufacturing Facility, then Section 5.3.1. of the Quality Agreement shall govern Aptevo's rights with respect to person in plant visits.

2.1.3 *Joint Steering Committee*.

(a) Establishment; Membership. Within thirty (30) days of the Effective Time, the Parties shall establish a joint steering committee (the "Joint Steering Committee") composed of an equal number of appointed representatives of each of Emergent and Aptevo, with at least one (1) appointed representative of each Party having sufficient expertise and sufficient seniority and authority with respect to the applicable Party to make decisions with respect to manufacturing matters. A Party may change one or more of its representatives on the Joint Steering Committee at any time. One (1) representative from each Party shall alternate in acting as the chairperson of the Joint Steering Committee for a one (1) year-long term, with

Emergent's representative chairing the Joint Steering Committee until the first anniversary of the Effective Time. The chairperson shall not have any greater authority than any other representative on the Joint Steering Committee and shall be responsible for the following activities of the Joint Steering Committee: (i) calling meetings of the Joint Steering Committee, (ii) preparing and issuing minutes of each such meeting within fifteen (15) days thereafter, which minutes shall not be finalized until each Party reviews and confirms the accuracy of such minutes in writing (provided that any minutes shall be deemed approved unless a member of the committee objects to the accuracy of such minutes within thirty (30) days of the circulation of the minutes by the chairperson), and (iii) preparing and circulating an agenda for the upcoming meeting; provided, that the chairperson shall include any agenda items proposed by the Party of which the chairperson is not a representative. The Parties may allow additional employees to attend meetings of the Joint Steering Committee subject to the confidentiality provisions of ARTICLE VI. In addition to expertise, seniority, and authority with respect to manufacturing matters, each Party's Joint Steering Committee members shall collectively have sufficient expertise and sufficient seniority and authority with respect to the applicable Party to make other decisions within the scope of the Joint Steering Committee's authority, including with respect to clinical, regulatory and business matters.

(b) Meetings; Responsibilities. During the term of this Agreement, the Joint Steering Committee shall meet in person or by teleconference or videoconference at least once every calendar quarter. Each Party shall be responsible for all of its own expenses incurred in connection with participating in the Joint Steering Committee meetings. The Joint Steering Committee shall discuss and decide on the issues and questions necessary to further the purposes of this Agreement, as mutually agreed upon by the Parties in writing, and subject to Section 4 of the Quality Agreement. Quorum for such meetings shall consist of at least one (1) member of each Party attending the meeting. Each Party will have a single vote regardless of the number of representatives of such Party in attendance and decisions shall be made by the affirmative vote of each Party through its representatives at such meetings. Notwithstanding anything to the contrary set forth herein, the Joint Steering Committee will not have the right to make any decisions (i) in a manner that excuses a Party from any obligation specifically enumerated under this Agreement, (ii) in a manner that negates any consent right or other right specifically allocated to a Party under this Agreement, (iii) to amend or modify this Agreement or any of the Parties' respective rights and obligations hereunder or (iv) in a manner that would require a Party to perform any act that would cause such Party to breach any of its obligations hereunder.

2.2 Exclusivity. Subject to Section 2.8, during the term of this Agreement, Emergent shall be Aptevo's sole manufacturer of, and sole provider of all Manufacturing services with respect to, each of the Products or any variants, derivations or improved versions thereof anywhere in the world; provided, however, that the foregoing exclusivity shall terminate immediately upon the occurrence of a Triggering Event.

2.3 Manufacturing and Product Quality. Subject to the terms and conditions of this Agreement, Emergent shall Manufacture the Products for the Territory at the Manufacturing Facility and shall produce the Products in accordance with the terms hereof and the terms of the Quality Agreement in all material respects. For clarity, Emergent may use Aptevo's Confidential Information to perform Emergent's obligations under this Agreement.

2.4 Master Batch Records. Emergent shall prepare and maintain the Master Batch Records for the Manufacturing of Products at the Manufacturing Facility. Subject to Section 4 of the Quality Agreement, Emergent may make changes to a Master Batch Record that (i) Emergent believes in its good faith judgment are required to maintain the Manufacturing Facility's compliance with GMP or (ii) are required by the applicable Regulatory Authority (if Emergent is so informed of such requirement by written notice from Aptevo or a Regulatory Authority). Emergent will use commercially reasonable efforts to make changes to the Master Batch Record with ample time and consideration for required filings, as applicable, to ensure Aptevo's relevant biologics license applications remain in compliance.

2.5 Improvements.

2.5.1 *Facility Improvements*. Subject to Section 4 of the Quality Agreement, Emergent may implement Facility Improvements upon providing written notice thereof to Aptevo, which notice shall include the timeline for implementing such Facility Improvement and an assessment of the impact of such Facility Improvement, if any, on the Products; provided that, Emergent shall consider in good faith the extent to which such Facility Improvements would have any adverse impact on the Product, including adverse impacts on Batch yield or Product safety, efficacy, stability or shelf life, before making such Facility Improvements. Emergent will bear all costs and expenses associated with Emergent's implementation of any Facility Improvement.

2.5.2 *Platform Manufacturing Improvements*. Subject to Section 4 of the Quality Agreement, if Emergent seeks to implement any Platform Manufacturing Improvement, then Emergent shall present Aptevo with a written notice of such Platform Manufacturing Improvement, including the timeline for implementing such Platform Manufacturing Improvement and an assessment of the impact of such Platform Manufacturing Improvement, if any, on the Products. Emergent may implement Platform Manufacturing Improvements in its sole and absolute discretion, and such Platform Manufacturing Improvement shall become part of the process by which Emergent Manufactures the Products for Aptevo under this Agreement. Emergent shall bear all costs and expenses associated with Emergent's implementation of any Platform Manufacturing Improvement.

2.5.3 *Product-Specific Manufacturing Improvements*. Subject to Section 4 of the Quality Agreement, if Emergent seeks to implement any Product-Specific Manufacturing Improvement (whether developed by Emergent or suggested to Emergent by Aptevo), then Emergent shall present Aptevo with a written notice of such Product-Specific Manufacturing Improvement, including the timeline for implementing such Product-Specific Manufacturing Improvement and an assessment of the impact of such Product-Specific Manufacturing Improvement, if any, on the Products. Both Parties must approve such Product-Specific Manufacturing Improvements in writing. All implemented Product-Specific Manufacturing Improvements shall become part of the process by which Emergent Manufactures the Products for Aptevo under this Agreement. Aptevo shall pay all costs incurred by Emergent for implementing Product-Specific Manufacturing Improvements.

2.5.4 *Effects of Improvements*. To the extent the implementation of any Facility Improvement or Platform Manufacturing Improvements by Emergent result in a Batch

containing any Non-Conforming Product, Emergent shall Credit the Manufacturing Fee for the applicable Vials of such Non-Conforming Product. To the extent any Platform Manufacturing Improvements or Product-Specific Manufacturing Improvements require Aptevo to update or change the regulatory dossiers for its Products during the Term, Emergent shall provide all applicable updated hyperimmune regulatory dossier pages for Aptevo to review. Such pages are provided as proposals only and Aptevo shall submit such pages or portions thereof to Regulatory Authorities at its sole discretion and bear the full responsibility for such filings. Emergent shall provide complete, true and accurate information in such proposed dossier pages, but Aptevo is ultimately responsible for submitting and maintaining dossiers associated with its Regulatory Approvals for the Products and for the completeness and accuracy of such dossiers.

2.6 Licenses

2.6.1 *License to Emergent.* For clarity, to the extent not already licensed under the terms of the PLA, during the term of this Agreement, and subject to the terms and conditions of this Agreement, Aptevo grants to Emergent a non-exclusive, worldwide, sublicenseable and royalty-free license, under any Intellectual Property owned or controlled by Aptevo or any of its Affiliates (including all Product-Specific IP) ("Aptevo IP"), solely to perform the services and to comply with Emergent's obligations under the terms and conditions of this Agreement and the Quality Agreement.

2.6.2 *License to Aptevo*. For clarity, to the extent not already licensed under the terms of the PLA, during the term of this Agreement, and subject to the terms and conditions of this Agreement, Emergent grants to Aptevo, effective at the Effective Time, a non-exclusive, royalty-free, worldwide, non-transferable (except as provided in this Section 2.6.2 and for certain assignments as provided in Section 12.4) license, under the Manufacturing Technology and the Included Manufacturing Improvements, to make, have made, use, sell, offer to sell, import and otherwise commercialize the Products, solely within the Field, provided that Aptevo may only exercise (and the other members of the Aptevo Group may only exercise) the rights to make and have made the Products through Emergent as contemplated by this Agreement or through a CMO pursuant to and in accordance with the PLA.

2.6.3 *Necessity; Trade Secrets; Confidentiality*. Aptevo acknowledges and agrees that the Manufacturing Technology and the Included Manufacturing Improvements are the proprietary, confidential know-how of Emergent of which some portions are further protected as trade secrets (as such term is defined in the Economic Espionage Act of 1996, 18 U.S.C. § 1839 or other applicable Law). Aptevo shall consider the Manufacturing Technology and the Included Manufacturing Improvements and all trade secrets contained therein as Confidential Information under this Agreement, shall strictly adhere to its confidentiality obligations under this Agreement with respect to such Information, and hereby acknowledges and agrees that the remedy at Law for any breach of this Section 2.6.3 would be inadequate and that Emergent shall be entitled to injunctive relief, without the requirement of posting any bond or other security, in addition to any other remedy it may have upon breach of any provision of this Section 2.6.3, provided that Emergent shall not seek an injunction preventing the delivery of the Products into the stream of commerce unless such Products contain or otherwise transmit (in their packaging, labeling or otherwise) the Manufacturing Technology or the Included Manufacturing Improvements or any other Confidential Information of Emergent.

2.6.4 *Other Licenses*. Aptevo is solely responsible for providing licenses to all Intellectual Property (other than the Licensed IP) necessary for Emergent to perform services under this Agreement, except for such licenses as would be required for any Third Party Intellectual Property rights that would be infringed by any Facility Improvement or Platform Manufacturing Improvement. To the extent Emergent becomes aware of any Third Party Intellectual Property that is needed to perform the Manufacturing services contemplated herein, Emergent shall provide written notice of such requirement to Aptevo.

2.6.5 *No Other Licenses and Rights*. Except as expressly provided in this Section 2.6, no other license or right is granted to any member of the Aptevo Group under this Agreement, whether expressly or by implication, estoppel, statute or otherwise. Neither Aptevo, nor any member of the Aptevo Group, shall have any right to file, prosecute, maintain, enforce or defend any Intellectual Property rights or registrations thereof for any of the Licensed IP, Manufacturing Technology or Included Manufacturing Improvements, and neither Emergent, nor any member of the Emergent Group, shall have any right to file, prosecute, maintain, enforce or defend any Intellectual Property rights or registrations thereof for any of the Aptevo IP.

2.6.6 *No Obligation to Obtain or Maintain Intellectual Property*. Neither Emergent, nor any member of the Emergent Group, is obligated to file, prosecute, maintain, enforce or defend any Intellectual Property rights or registrations thereof for any of the Licensed IP, Manufacturing Technology or Included Manufacturing Improvements, provided that during the term of this Agreement, Emergent shall use commercially reasonable efforts to maintain the secrecy of its trade secrets within the Manufacturing Technology and the Included Manufacturing Improvements. Neither Aptevo, nor any member of the Aptevo Group, is obligated to file, prosecute, maintain, enforce or defend any Aptevo IP.

2.7 Arising Intellectual Property; Improvements.

2.7.1 As between the Parties, Aptevo will own all Product-Specific IP, whether conceived, made or reduced to practice by Aptevo, Emergent, any of their respective Affiliates, or any of their respective employees or agents, alone or jointly with others or jointly with the other Party, any of its Affiliates or any of its employees or agents. Emergent, on behalf of itself and its Affiliates, hereby assigns to Aptevo all right, title and interest in and to the Product-Specific IP and all Intellectual Property rights therein.

2.7.2 As between the Parties, Emergent will own any and all improvements and enhancements made to, and derivatives of, any of Background Emergent IP or the Manufacturing process for any of the Products (including Included Manufacturing Improvements and all Intellectual Property Rights therein), whether such improvements, enhancements or derivatives were conceived, made or reduced to practice by Aptevo, Emergent, any of their respective Affiliates or any of their respective employees or agents, alone or jointly with others or jointly with the other Party, any of its Affiliates or any of its employees or agents (except for Product-Specific IP) ("Emergent-Owned IP"). Aptevo, on behalf of itself and its Affiliates, hereby assigns to Emergent all right, title and interest in and to the Emergent-Owned IP and all Intellectual Property rights therein.

2.7.3 Each Party will provide all further cooperation which the other Party reasonably determines is necessary to give effect to the ownership of the Emergent-Owned IP and Product-Specific IP set forth in Section 2.7.1 and Section 2.7.2 and to ensure the owning Party the full and quiet enjoyment of such Emergent-Owned IP and Product-Specific IP (as applicable), including executing and delivering further assignments, consents, releases and other commercially reasonable documentation, and providing good faith testimony by affidavit, declaration, deposition, in person or other proper means and otherwise assisting such other Party in support of any effort by such owning Party to establish, perfect, defend or enforce its rights in such Emergent-Owned IP or Product-Specific IP (as applicable).

2.8 Delegation. Emergent may use any of its Affiliates or other third parties to fulfill any of its obligations under this Agreement in its sole discretion, provided that Emergent shall seek Aptevo's written permission for any delegation for which permission is required under the Quality Agreement, which permission shall not be unreasonably withheld. To the extent Emergent retains subcontractors, such subcontractors are required to perform to the standards set forth in this Agreement and Emergent shall maintain responsibility for such subcontractors' performance.

2.9 Invoices. All amounts invoiced under this Agreement shall be payable within forty-five (45) days of the invoice recipient's receipt of such invoice.

ARTICLE III
MANUFACTURING SERVICES

3.1 Purchases.

3.1.1 *Forecasts*. Within thirty (30) days after the Effective Time, Aptevo will provide Emergent with a written, non-binding forecast of Batch purchases by Product by month for the following twenty-four (24) months; provided that the number of Vials of each Product forecasted for each month will be specified in integer multiples of the Minimum Batch Size as set forth on Schedule B (a "Forecast"), the first six (6) months of which shall be binding on Aptevo and cannot be changed in subsequent Forecasts (a "Binding Six Month Forecast") and months seven (7) through nine (9) of which may be increased or decreased by Aptevo by no more than twenty-five percent (25%) of the number of Vials of Product (on a Product-by-Product basis) for the same month in the immediately preceding submitted Forecast (each, a "Semi-Binding Forecast"). By the end of each month thereafter, Aptevo will provide a new Forecast for the twenty-four (24) months commencing with the very next calendar month (a rolling forecast), the first six (6) months of which shall be a Binding Six Month Forecast and months seven (7) through nine (9) of which will be a Semi-Binding Forecast. If Aptevo does not provide a new Forecast by the end of a month, the last Forecast provided shall become the new and most recent Forecast, and the Binding Six Month Forecast shall be comprised of the second through seventh months of the prior Forecast and the Semi-Binding Forecast shall be comprised of the eighth through tenth months of the prior Forecast. The Forecast must include sufficient detail to identify planned purchases per month for twenty four (24) months. Upon receipt of each Forecast, Emergent will provide an indication of Emergent's ability to meet such Forecast (a "Feasibility Opinion") and a proposed schedule of Manufacturing dates for the following six (6) months to be updated on a monthly basis. With respect to Emergent, all Forecasts and

Feasibility Opinions are for planning purposes only and do not bind Emergent to Manufacture, except to the extent set forth in Section 3.1.2 below. The Project Managers, or their designees within each Party's supply chain organization management, shall meet monthly in person or by teleconference to discuss the Forecast and the Binding Six Month Forecast and the Semi-Binding Forecast.

3.1.2 *Purchase Orders; Acceptance*. All purchases of Manufacturing services under this Agreement shall be effected solely pursuant to a Purchase Order and in accordance with the terms of this ARTICLE III. Except with the written approval of Emergent, Aptevo shall submit each Purchase Order as far in advance of the Firm Delivery Date named in such Purchase Order as possible, but in any event at least six (6) months before the Firm Delivery Date named in such Purchase Order. Emergent shall accept timely Purchase Orders that are in conformance with the applicable Feasibility Opinion, and Emergent shall use commercially reasonable efforts to accept Purchase Orders in excess of the Binding Six Month Forecast. During each year, Emergent shall accept Purchase Orders representing at least the Minimum Annual Order for such year, and Emergent shall use commercially reasonable efforts to accept Purchase Orders in excess of the Minimum Annual Order. Only those Purchase Orders accepted by Emergent by written notification to Aptevo after receipt of such Purchase Order shall be Binding Purchase Orders. In the event Emergent does not respond to a Purchase Order within fifteen (15) days after receipt thereof, Emergent shall be deemed to have accepted such Purchase Order. Emergent will use commercially reasonable efforts to issue to Aptevo the Emergent Release Documents with respect to all Product ordered under a Binding Purchase Order on the Firm Delivery Date included in such Binding Purchase Order.

3.1.3 *Cancellations*. Aptevo may reduce the number of Vials forecasted for any month under a Binding Six Month Forecast or a Semi-Binding Forecast by providing notice to Emergent in writing, provided that, with respect to all such reductions under a Binding Six Month Forecast, and all such reductions under a Semi-Binding Forecast in excess of twenty-five percent (25%) of the number of Vials set forth therein, Aptevo shall, in each case, (a) pay a fee equal to twenty-five percent (25%) of the applicable Manufacturing Fee per canceled Vial if such cancellation occurs with respect to quantities of Product forecast in the fifth or sixth month of the immediately preceding Binding Six Month Forecast or the seventh, eighth or ninth month of the immediately preceding Semi-Binding Forecast, (b) pay a fee equal to fifty percent (50%) of the applicable Manufacturing Fee per canceled Vial if such cancellation occurs with respect to quantities of Product forecast in the third or fourth month of the immediately preceding Binding Six Month Forecast and (c) pay a fee equal to 100% of the applicable Manufacturing Fee per canceled Vial if such cancellation occurs with respect to quantities of Product forecast in the second month of the immediately preceding Binding Six Month Forecast. Notwithstanding the foregoing, Aptevo may reduce the number of Vials forecasted for any month, or be released from its purchase obligations under a Binding Purchase Order (and Emergent shall be released from its Manufacturing and Delivery obligations under such Binding Purchase Order), if such reduction or cancellation arises primarily from (i) material adverse inspection or audit findings at any Manufacturing Facility, including findings by a Regulatory Authority, or (ii) recalls, Product withdrawals, field actions or other corrective actions, except to the extent such recall, Product withdrawal, field action or other corrective action was caused solely by Aptevo. At the end of each month, Aptevo shall pay the Manufacturing Fee for any amount of Product that was

forecasted for such month under a Binding Six Month Forecast but neither purchased under a Purchase Order for such month nor canceled pursuant to this Section 3.1.3.

3.1.4 *Filling Purchase Orders*. Emergent shall fill Binding Purchase Orders, provided that Emergent shall be under no obligation to Manufacture the Products set forth in a Binding Purchase Order if: (i) Aptevo has been in default of its payment obligations hereunder, under the TSA or under any other Ancillary Agreement for more than forty-five (45) days from the date on which Emergent provided Aptevo with written notice of such default (which notice period shall be tolled during any bona fide dispute regarding such invoice); or (ii) Aptevo is in material breach of any of its representations, warranties, covenants, or obligations hereunder, under the TSA or under any other Ancillary Agreement. Aptevo acknowledges and agrees that, when filling a Binding Purchase Order, Emergent may provide a number of Vials between ninety-five percent (95%) and one hundred five percent (105%) of the number of Vials ordered in such Purchase Order, (which number of Vials ordered in such Purchase Order, for purposes of determining the percentage of Vials provided by Emergent, shall not include those Vials used as retain samples and those Vials used for the stability program as set forth in the Quality Agreement or otherwise agreed to by the Parties). Without limiting the foregoing, if Emergent provides fewer Vials of Conforming Product than the number of Vials ordered in a particular Binding Purchase Order (a "Purchase Order Shortfall"), then Aptevo may require Emergent to make up such Purchase Order Shortfall in a subsequent Batch.

3.1.5 *Minimum Annual Order*. Each year (such year beginning and ending on an anniversary of the Effective Time), Aptevo shall purchase at least the minimum number of Batches of each Product as set forth in Item 2 of Schedule B (the "Minimum Annual Order"). If, at the end of a given year, Aptevo has not purchased the Minimum Annual Order, Emergent shall invoice Aptevo for the difference between Aptevo's purchases for that year and what Aptevo would have paid for the Minimum Annual Order during that year, provided that such invoice shall be reduced pro rata in to the extent Emergent could not perform services under this Agreement due to a Force Majeure. On the second, fourth, sixth, and eighth anniversary of the Effective Time, Aptevo may change the Minimum Annual Order of each Product by written notice to Emergent, which new Minimum Annual Order shall not become effective until ninety (90) days after such notice is provided. The Parties agree that Aptevo is not obligated to purchase a minimum number of Vials pursuant to this Agreement other than pursuant to the terms of this Section 3.1.5, provided; however, that, with respect to orders for VariZig, Aptevo shall purchase sufficient Vials of VariZig finished product in order to consume the VariZig bulk product ordered by Aptevo within eighteen (18) months after the Manufacture of such bulk product. If VariZig bulk product is not consumed during this eighteen (18) month period (through further Manufacture into finished product), Emergent shall invoice Aptevo on a pro rata basis for the price Aptevo would have paid had Emergent Manufactured such remaining VariZig bulk product into Vials. For clarity, the Parties agree and understand that once VariZig plasma is thawed and a Batch of VariZig bulk product is Manufactured, it is capable of being frozen and stored as bulk intermittently in conformance with the Master Batch Record.

3.2 Manufacturing. Subject to Section 2.8, as agreed between the Parties pursuant to the Quality Agreement, Emergent shall maintain the Master Batch Records related to the Manufacturing of Products under this Agreement. Before initiating the Manufacture of any Product, Emergent shall forward a copy of the then-current Master Batch Record to Aptevo.

Emergent shall use commercially reasonable efforts to Manufacture the applicable Products using the Materials at the Manufacturing Facility in accordance with the applicable Master Batch Record, any and all Applicable Law, the applicable Acceptance Criteria, cGMPs, the Quality Agreement, and Emergent's quality assurance and quality control practices. The Products shall not be Manufactured at a facility other than at the Manufacturing Facility without the prior written consent of Aptevo.

3.3 Storage, Use and Segregation of Work-in-Process and Product. Emergent shall own all Work-in-Process and shall label and store all Work-in-Process and Products in its possession until Delivery of the Products in accordance with this ARTICLE III and any storage instructions provided by Aptevo. Without limiting the foregoing, Emergent shall use commercially reasonable efforts to store Products in labeled, segregated, temperature controlled storage location with appropriate security access restrictions, and in accordance with the Master Batch Record, cGMPs, the Quality Agreement and Emergent's quality assurance and quality control practices.

3.4 Release Documents. Emergent shall prepare the Emergent Release Documents, and other information required by Section 3.9 of the Quality Agreement, specific to each Batch, and shall use commercially reasonable efforts to submit them to Aptevo, the Aptevo Representative (if applicable) or Aptevo's other designated representatives as set forth in the Quality Agreement. Notwithstanding the foregoing, the Parties acknowledge and agree that investigations and deviations may require additional time and impact timelines for completion of the Emergent Release Documents. Emergent Release Documents shall not be considered final unless and until Emergent's Quality Department has performed a review thereof. Aptevo shall use commercially reasonable efforts to issue the Aptevo Certificate of Analysis and such other Aptevo required release documents as are agreed by the Parties in writing from time to time for each Batch of Product within fifteen (15) days after its receipt of the Emergent Release Documents from Emergent.

3.5 [Reserved]

3.6 Product Inspection; Acceptance. Within fifteen (15) days after Aptevo's receipt of the Emergent Release Documents for a Batch, Aptevo shall determine whether or not such Batch meets the Acceptance Criteria or is otherwise Non-Conforming Product. For clarity, during such fifteen (15) day period, Aptevo shall have the right to inspect the Product for damage or to determine if it is Non-Conforming Product. If within such fifteen (15) day period, Aptevo makes a determination that any Vial of Product in such Batch does not meet the Acceptance Criteria, or is otherwise Non-Conforming Product (in each case, in accordance with the acceptance procedures set forth in the Quality Agreement, if any), then Aptevo shall have the right to reject such Batch in its entirety and shall notify Emergent in writing within such fifteen (15) day period, in each case, as set forth in the Quality Agreement (a "Rejection Notice"). If Aptevo does not submit Rejection Notice within such fifteen (15) day period, then such Batch will be deemed to meet the Acceptance Criteria, be Conforming Product and have been accepted by Aptevo, except for Latent Defects as provided in this Section 3.6. Notwithstanding any acceptance procedure, if any, set forth in the Quality Agreement, if any Product is Non-Conforming Product for reasons that are hidden or latent and not reasonably capable of being discovered by Aptevo, then it shall be deemed a "Latent Defect." Aptevo shall promptly notify

Emergent in writing of such Latent Defect by the earlier of (a) thirty (30) days after the date Aptevo discovered or should have discovered the Latent Defect and (b) ninety (90) days after Release, including a detailed explanation of the Latent Defect in question. If Aptevo fails to notify Emergent of a Latent Defect within such period, then such Batch will be deemed to meet the Acceptance Criteria, be Conforming Product and have been accepted by Aptevo.

3.7 Emergent Liability for Non-Conforming Batches. If, following a Rejection Notice or any notice to Emergent of any Latent Defect, it is determined by agreement of the Parties (or in the absence of such agreement, by a qualified and independent laboratory selected jointly by Emergent and Aptevo as set forth in Section 8) that any Product Delivered to Aptevo is Non-Conforming Product and such non-conformance was not caused by Emergent's negligence, willful misconduct, failure to follow the Master Batch Record or failure to follow cGMP, then Emergent shall have no liability to Aptevo with respect to such Product and Aptevo shall pay for such Product and for the fees associated with any dispute regarding the Product (including arbitrator and third-party laboratory fees). Such Product shall be treated in all other respects under this Agreement as though it is Conforming Product. However, if such non-conformance was caused by Emergent's negligence, willful misconduct, failure to follow the Master Batch Record or failure to follow cGMP, then Emergent shall (i) dispose of such Non-Conforming Product and (ii) as soon as it is commercially practicable to do so, replace such Non-Conforming Product with Conforming Product at Emergent's sole cost and expense if Aptevo has paid for the Non-Conforming Product. Notwithstanding anything to the contrary contained herein, delivery of replacement Conforming Product shall be Aptevo's sole and exclusive remedy with respect to the Non-Conforming Product, and in furtherance thereof Aptevo waives all other remedies at law or in equity.

3.8 Cooperation in Investigations; Disposition of Non-Conforming Product. Subject to the Quality Agreement, each Party shall act in good faith and shall cooperate with the other Party, with any qualified independent Third Party laboratory in connection with an investigation, and with the arbitrator, as to the existence of or source of nonconformity with respect to a Product supplied under this Agreement. In testing a Product, any independent Third Party laboratory shall use analytical testing methods as agreed upon by the Parties. Emergent shall dispose of any Non-Conforming Product in accordance with all Applicable Laws with respect to such disposal, at Emergent's cost if Emergent was liable for the nonconformity in accordance with Section 3.7 and at Aptevo's cost if Emergent was not liable for the nonconformity in accordance with Section 3.7.

3.9 Withdrawals and Recalls.

3.9.1 *Notification and Investigation*. In the event that either Party believes a recall or withdrawal of a Product may be necessary or appropriate, such Party shall promptly notify the other Party in writing and the procedures for, and responsibilities of the Parties with respect to, all such recalls or withdrawals will be as set forth the Quality Agreement.

3.9.2 *Costs of Recall*. Emergent shall reimburse Aptevo for all reasonable costs incurred by Aptevo in implementing a recall or withdrawal of Product resulting from the Delivery of Non-Conforming Product where such non-conformance was caused by Emergent's negligence, willful misconduct, failure to follow the Master Batch Record or failure to follow

cGMP. If the recall or withdrawal is required for any reason not specified in the preceding sentence, then all costs of the Parties incurred in implementing the recall or withdrawal of Product shall be borne by Aptevo. Any dispute between the Parties as to which Party is responsible for the costs of a recall or withdrawal will be governed by the laboratory investigation procedures set forth in Section 3.8 and the dispute resolution mechanism set forth in ARTICLE XI.

3.9.3 *Customer Complaints*. Emergent and Aptevo will cooperate in the reporting, investigation and evaluation of customer complaints as set forth in the Quality Agreement.

3.10 Title and Risk of Loss. Title to each Vial in a Batch and risk of loss with respect to each Vial in a Batch shall pass to Aptevo upon Delivery of such Vial.

3.11 Packaging. Emergent shall use commercially reasonable efforts to purchase and maintain the Packaging Material Baseline Inventory in support of the Binding Six Month Forecast per Section 3.1.1. If Aptevo designates any change to be made to any aspect of such Packaging Material (including a change in label, format, raw material, or other changes) such that Emergent's existing stock of Packaging Materials in support of the Binding Six Month Forecast becomes obsolete and such that Emergent is unable to reallocate such Packaging Materials for other products, then Emergent shall invoice Aptevo for its reasonable out-of-pocket costs incurred in destroying any such Packaging Material Baseline Inventory and reasonable out-of-pocket purchase price for such obsoleted inventory, provided that Aptevo shall have no obligation to pay for any such Packaging Materials in excess of the quantities necessary to fill orders as set forth in the Binding Six Month Forecast.

3.12 Labeling. For each Product that is Manufactured under this Agreement, Aptevo shall provide Emergent with labeling specifications, which shall include date of manufacture or expiration as required, Batch-specific identification and any necessary artwork and engineering drawings related thereto. All labeling specifications submitted by Aptevo shall comply with all Applicable Laws and Regulatory Standards. Notwithstanding Emergent's acceptance of Aptevo's labeling specifications, Emergent shall not be responsible for any loss or liability incurred by Aptevo or any third party resulting from Emergent's compliance with Aptevo's labeling specifications.

3.13 New Jurisdictions. This Agreement contemplates Emergent's provision of services with respect to the jurisdictions in which the Products are currently approved for commercial sale as of the Effective Time. If Aptevo intends to distribute Products in additional jurisdictions in which it did not distribute such Product as of the Effective Time, and if Aptevo desires for Emergent to Manufacture or otherwise provide services related to such Product for such additional jurisdiction under this Agreement, the Parties will negotiate in good faith to amend this Agreement to integrate such additional jurisdictions as appropriate. Such amendments may contemplate changes in price as well as changes to such Product's Specifications, as applicable. Any such changes shall be agreed by both Parties in writing before becoming effective. Aptevo will not otherwise have any right to make or have made such Product, or perform or have performed services related to such Product for any such additional jurisdiction.

3.14 Price and Payment Terms. The price to be paid by Aptevo to Emergent for Manufacturing, all associated services contemplated by this Agreement and any additional specified activities shall be as identified in Schedule A and E, which prices may be changed in accordance with Section 3.15, 3.16 or 3.19. Emergent shall invoice Aptevo for each Batch of Product on Delivery of such Batch, and as otherwise set forth in Schedule A or E for activities other than Manufacturing.

3.15 Automatic Pricing Adjustments. Commencing on the first anniversary of the Effective Time and on each anniversary of the Effective Time thereafter, the prices set forth in Schedule A or E (as modified from time to time pursuant to Section 3.16 or 3.19) may be increased by greater of (i) three percent (3%) or (ii) the percentage change in the index as described below, which increase shall be effective upon written notification from Emergent to Aptevo. Any changes to the price will be based on the percentage change in the Industrial Product Price Index by North American Industry Classification System (NAICS) 329-0077 in the category Pharmaceutical and Medicine Manufacturing [3254]. For purposes of the percentage change calculation, the index value for the preceding December and the December prior will be used.

3.16 Other Pricing Adjustments.

3.16.1 Emergent may increase the pricing on Schedule A if a significant increase in direct manufacturing costs (being a verifiable increase) occurs due to a change in the cost of any specialty source plasma or chromatography resin used in the Manufacturing of a Product, due to a change required by or on behalf of Aptevo or due to a Manufacturing Improvement pursuant to Section 2.5. Emergent will notify Aptevo in writing, will not increase the applicable pricing on Schedule A until ninety (90) days after such notification to Aptevo and, subject to confidentiality obligations to third parties, will provide suitable justification and verification data for any such increase or decrease prior to any change in pricing.

3.16.2 Emergent may alter the pricing on Schedule A or E due to changes in the US dollar (USD) to Canadian dollar (CAD) foreign exchange rate, which exchange rate shall be determined at the end of each calendar quarter (March 31, June 30, September 30 and December 31) as provided by the Bank of Canada. To the extent that the foreign exchange rate varies from the USD-to-CAD rate published by Bank of Canada as of the Effective Time, Emergent shall adjust the pricing on Schedule A and E for the next calendar quarter in accordance with the Foreign Exchange Adjustment Schedule included on Schedule A.

3.16.3 Thirty (30) days before the fifth anniversary of the Effective Time, Emergent and Aptevo shall re-negotiate the prices set forth on Schedules A and E on a per-stock keeping unit basis in good faith, which re-negotiated prices shall be effective as of the fifth anniversary of the Effective Time, and which re-negotiated prices shall not be in excess of fifteen percent (15%) higher or fifteen percent (15%) lower than the prices would have been as of immediately after the fifth anniversary of the Effective Time pursuant to the increases contemplated in Sections 3.14, 3.15.1, 3.15.2 and 3.18. If Emergent and Aptevo cannot agree on such prices by the fifth anniversary of the Effective Time, then they shall resolve the dispute pursuant to the terms of Section 11.3.

3.17 General Payment Terms. All costs or fees related to bank deposits or wire transfers shall be paid by Aptevo. Any and all late payments shall be subject to the payment of interest at the lesser of the rate of 12.0% (twelve percent) per annum or the highest rate permitted by Applicable Law. In addition to any other remedies Emergent may have in the event Aptevo does not pay an outstanding, overdue invoice for more than forty-five (45) days from the date on which Emergent provided Aptevo with written notice of such default (which notice period shall be tolled during any bona fide dispute regarding such invoice), Emergent shall be entitled to refuse to perform any of the services contemplated by this Agreement, in its sole discretion, until all or an agreed upon portion of the aggregate amount owing has been paid, which refusal shall not be considered a Manufacturing Failure, nor shall Emergent's non-performance pursuant to this Section 3.17 be factored in to the analysis for determining whether a Manufacturing Failure has occurred under the definition of Manufacturing Failure in ARTICLE I.

3.18 Payment without Deductions. All fees specified hereunder are expressed as net amounts and shall be paid by Aptevo free and clear of, and without reduction for, any withholding taxes. Aptevo shall, upon request, provide Emergent with official receipts issued by the appropriate taxing authority or such other evidence as may be reasonably requested by Emergent to establish that such taxes have been paid.

3.19 Stability Testing. Emergent shall perform ongoing stability testing program services related specifically to the Products, as described in Section 3.6 of the Quality Agreement, subject to Aptevo's timely payment of the applicable fees for such services outlined on Schedule A. From time to time, Aptevo may reasonably request that Emergent revise its stability testing program for the Products, in which case the Parties shall negotiate in good faith with according adjustments to the pricing for such services outlined on Schedule A. Any such changes shall be agreed by both Parties in writing before becoming effective.

3.20 Regulatory Audits. Aptevo shall bear all cost and expense related to any audit of the Manufacturing Facility conducted by a Governmental Authority that is (i) specific to any Product under this Agreement or (ii) a general GMP audit with respect to any Product under this Agreement conducted by a Governmental Authority other than those in the United States or Canada, provided that Emergent shall bear all cost and expense related to any audit of the Manufacturing Facility that is a general audit of Emergent's Manufacturing process. Emergent shall make the Manufacturing Facility and the relevant records available for such audits to the extent set forth in the Quality Agreement (to the extent Emergent is not bound by confidentiality restrictions with third parties with respect to such records).

3.21 Disposal or Maintenance of Products and Data. Except as necessary for Manufacturing or as otherwise required under this Agreement, Emergent shall not dispose of any Products in any form or at any stage of Manufacturing without the prior written approval of Aptevo. Emergent shall maintain and keep complete and accurate documentation of all validation data, stability testing data, Batch Records, quality control and laboratory testing and any other data required under cGMPs and in conformance with Emergent's document retention policies. Notwithstanding the foregoing, Emergent may dispose of Products and documentation in the event that such items have been stored for a forty-eight (48) month period, Emergent has provided Aptevo with notice of its intent to dispose of such items, and Aptevo has not responded to such written notice within three (3) months.

3.22 Second Source. Aptevo may request in writing that Emergent allow a specific CMO (as such term is defined in the PLA) to serve as a second manufacturing source for the Products (such CMO, the "Second Source Manufacturer"). Emergent may, in its sole discretion, comply with such request, in which case:

3.22.1 Emergent may require such CMO to be subject to certain requirements or obligations;

3.22.2 To the extent not already licensed under the terms of the PLA, Emergent shall grant to Aptevo a non-exclusive, royalty-free, worldwide, non-transferable license, under the Manufacturing Technology and the Included Manufacturing Improvements in the form in which such Manufacturing Technology and Included Manufacturing Improvements exist at the time of such grant, to make and have made the Products within the Field, solely by the Second Source Manufacturer;

3.22.3 Emergent shall provide reasonable assistance in the transfer of the Manufacturing Technology to the Second Source Manufacturer in a manner and at a rate to be negotiated by Emergent and Aptevo; and

3.22.4 Aptevo shall bear all costs associated with establishing the Second Source Manufacturer.

3.23 Delivery Failures. If Emergent fails to Deliver at least eighty-five percent (85%) of the aggregate quantity of all Products with respect to all Binding Purchase Orders within a rolling 12 month period in accordance with this Agreement or if Emergent fails to issue the Emergent Release Documents for at least eighty percent (80%) of the quantity of Vials ordered under a Binding Purchase Order within thirty (30) days after the Firm Delivery Date in such Binding Purchase Order, then one (1) executive vice president-level representative (or more senior representative, from Aptevo) from each Party shall meet in person or via teleconference to discuss such failures.

ARTICLE IV
[reserved]

ARTICLE V
LOGISTICS SERVICES

5.1 Scope. Aptevo hereby engages Emergent to be its provider of the logistics services set forth on the attached Schedule E (the "3PL Services"). Although Emergent may provide additional related services to Aptevo for a period of time under the TSA, the 3PL Services that Emergent shall provide under this Agreement are strictly limited to such services as are specified herein. If at any point Aptevo has terminated this Agreement with respect to the 3PL Services for a given Product, Emergent shall deliver such Product to Aptevo EXW (Manufacturing Facility) upon Delivery.

5.2 Shipment of Products. Except for deliveries made under quarantine on terms and conditions agreed by the Parties in writing from time to time, Emergent shall not ship a Product until: (a) the applicable Release of such Product; (b) such Product has been approved and

released for shipment by the applicable Governmental Authority (if applicable); and (c) Emergent has received from Aptevo a Shipping Order for such Product. Emergent shall thereafter cause the applicable Product to be delivered to the Shipping Destination EXW (Storage Facility), using Aptevo's shipping accounts, per the terms of Schedule E. If a Shipping Order requires a Product to be exported out of the applicable country of origin, Aptevo shall be the exporter of record for such Product and shall be responsible for complying with all customs requirements and export Laws of the applicable jurisdiction. Aptevo shall also be the importer of record (where applicable) for such Products and shall be responsible for complying with all customs requirements and import Laws of the applicable country. Aptevo shall pay all associated duties, taxes and costs for importing and exporting Products under this Agreement. Each shipment of the Product shall be accompanied by an Aptevo Certificate of Analysis, a bill of lading prepared by Emergent, and any other documents required by Regulatory Standards and reasonably requested by Aptevo.

5.3 Export Documentation. To the extent required to carry out a Shipping Order, Emergent shall prepare such documents as are necessary for the applicable Regulatory Standards and other regulations pertaining to import and export of the applicable Products, provided, however, that Aptevo is solely responsible for providing Emergent with the correct forms of each document and furnishing the necessary information required by each document, ensuring the compliance of all such documents with the applicable regulations and Aptevo shall solely bear the risk of any loss of or damage to Products, and all other liability, due to non-compliance with applicable import or export Laws, other than any such risk of loss or damage to the Products resulting solely from Emergent's failure to follow the Finished Product Shipping Specifications or Emergent's intentional misconduct or gross negligence.

5.4 Price and Payment Terms. The price to be paid by Aptevo to Emergent for 3PL Services shall be as identified in Schedule A. The price to be paid by Aptevo to Emergent for each Shipping Order of Product shall be as identified in Schedule E.

5.5 Delivery Loss. In the event of partial or full loss or non-delivery of a Product, the Parties will cooperate to ensure that notification and follow-up with the involved ground and air carriers and customs or other warehouses is made in order to determine the cause of such partial loss, full loss or other non-delivery, including if such missing Product can be located. The responsibility for such partial or full loss or non-delivery of a Product rests with Aptevo following Delivery thereof, except that Emergent shall be responsible for such full or partial loss as was caused by Emergent's failure to follow the Finished Product Shipping Specifications or Emergent's intentional misconduct or gross negligence. For any Product which is not recovered or which is damaged or defective due to acts or omissions of the carrier, the Parties shall negotiate a schedule for the Manufacturing of additional Product by Emergent at Aptevo's cost.

ARTICLE VI
CONFIDENTIALITY

6.1 Confidentiality.

6.1.1 Subject to Section 6.2, each of Emergent and Aptevo (each, a "Receiving Party"), on behalf of itself and each Subsidiary of such Party and each other Person that is

controlled directly or indirectly by such Party (collectively, the relevant "Receiving Group"), agrees to hold, and to cause its respective Representatives to hold, in strict confidence, with at least the same degree of care that applies to Emergent's confidential and proprietary information pursuant to policies in effect as of the Distribution Date (and in no event less than a reasonable degree of care), all confidential or proprietary Information ("Confidential Information") concerning each such other Group or any of its members (collectively, the "Disclosing Group", and the relevant Party in such Group, the "Disclosing Party") that is either in the possession of any member of the Receiving Group or any of its respective Representatives (including such Confidential Information in its possession prior to the date hereof) or furnished by any member of the Disclosing Group or its respective Representatives at any time pursuant to this Agreement or otherwise, and shall not use any such Confidential Information other than for such purposes as shall be expressly permitted hereunder, except, in each case, to the extent that such Confidential Information (i) is as of the date hereof or at any time thereafter in the public domain or generally known to the public through no fault of any member of the Receiving Group or any of their respective Representatives, (ii) is after the Effective Time lawfully acquired by any member of the Receiving Group from sources, other than any member of the Disclosing Group or any of its respective Representatives, which sources are not themselves bound by a confidentiality obligation, or (iii) is independently generated by a member of the Receiving Group without reference to any Confidential Information of the Disclosing Group. Each Party shall maintain, and shall cause its respective Group members and Representatives to maintain, policies and procedures, and develop such further policies and procedures as will from time to time become necessary or appropriate, to ensure compliance with this Section 6.1.

6.1.2 Aptevo acknowledges that it and other members of the Aptevo Group may have in its or their possession Confidential Information of third Persons that was received under a confidentiality or nondisclosure agreement with such third Person while the Aptevo Group was part of Emergent. Aptevo will, and will cause its respective Group members and its Representatives to, hold in strict confidence the Confidential Information of third Persons to which any member of the Aptevo Group has access, in accordance with the terms of any agreements entered into prior to the Effective Time between any member of the Emergent Group and such third Persons.

6.1.3 Each Receiving Party, on behalf of itself and the other members of its Receiving Group, agrees not to release, communicate or disclose, or permit to be released, communicated or disclosed, directly or indirectly, any Confidential Information of the Disclosing Group to any other Person, except its Representatives who need to know such Confidential Information (who shall be advised of their obligations hereunder with respect to such Confidential Information), except in compliance with Section 6.2. Without limiting the foregoing, when any such Confidential Information is no longer needed for the purposes contemplated by this Agreement, each Receiving Party will promptly after request of the Disclosing Party either return to the Disclosing Party all such Confidential Information in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the Disclosing Party that it has destroyed such Confidential Information (and such copies thereof and such notes, extracts or summaries based thereon).

6.1.4 Each Party shall be liable for any failure by the members of its Group, and their respective Representatives, to comply with the restrictions on use and disclosure of Confidential Information contained in this Agreement.

6.1.5 Each Party hereby acknowledges and agrees that the remedy at Law for any breach of its confidentiality obligations this ARTICLE VI with respect to the Confidential Information exchanged under this Agreement would be inadequate and that the Disclosing Party shall be entitled to injunctive relief, without the requirement of posting any bond or other security, in addition to any other remedy it may have upon breach of any provision of this Agreement.

6.2 Protective Arrangements. In the event that any Receiving Party or any member of its Group either determines on the advice of its counsel that it is required to disclose any Confidential Information of the Disclosing Group pursuant to applicable Law or receives any demand under lawful process or from any Governmental Authority to disclose or provide Confidential Information of the Disclosing Party (or any member of any other Party's Group), such Receiving Party shall notify the Disclosing Party (if legally permissible under the circumstances) prior to disclosing or providing such Confidential Information and shall cooperate at the expense of the Disclosing Party in seeking any reasonable protective arrangements requested by the Disclosing Party. Subject to the foregoing, the member of the Receiving Group that received such request may thereafter disclose or provide the Disclosing Group's Confidential Information to the extent required by such Law (as so advised by counsel) or by lawful process or such Governmental Authority. The Receiving Party shall promptly provide the Disclosing Party with a copy of the Confidential Information so disclosed, in the same form and format so disclosed, together with a list of all Persons to whom such Confidential Information was disclosed, in each case if legally permissible under the circumstances.

ARTICLE VII
REPRESENTATIONS, WARRANTIES & COVENANTS

7.1 Warranties by both Parties. Each Party represents, warrants and covenants to the other Party that:

7.1.1 it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, to conduct its business as currently conducted and to enter into this Agreement, and to consummate the transactions contemplated by this Agreement;

7.1.2 neither the execution, delivery nor performance of this Agreement by such Party violates or conflicts with, or will violate or conflict with, any provision of such Party's organizational or governing documents or instruments, nor are there any inconsistencies, to the best of such Party's knowledge, between the terms of this Agreement and any of such Party's obligations to third parties or under Applicable Law, which bind or encumber it or its property;

7.1.3 the execution, delivery and performance of this Agreement has been duly authorized by such Party's appropriate authorizing authority or other applicable governing body and by any other necessary corporate or other legal actions of such Party, and this Agreement constitutes the valid and binding obligation of such Party, enforceable in accordance with its

terms, except as such enforceability may be limited by general principles of equity or bankruptcy, insolvency, reorganization or similar laws affecting the rights of creditors generally;

7.1.4 its performance of services under this Agreement will comply with all Applicable Laws; and

7.1.5 there are no actions, suits, claims or proceedings (pending or threatened) against, by, or affecting such Party in any court or before any arbitrator or governmental agency or authority that may have a material adverse effect on such Party's assets, its financial condition, the operation of its business or its ability to perform its obligations under this Agreement.

7.2 Additional Warranties by Emergent. Emergent represents, warrants and covenants to Aptevo as follows:

7.2.1 with respect to each Vial of Product that is Delivered, the Manufacturing Emergent performs hereunder will be performed in accordance with the Quality Agreement, the Specifications and cGMPs;

7.2.2 as of the Delivery of each Vial, such Vial is Conforming Product.

7.2.3 no individual who has been debarred by the FDA (pursuant to 21 U.S.C. Section 335a) or local regulatory or federal agency from providing services in any capacity to a person that has an approved or pending drug product application (a "Debarred Individual"), or an individual or entity known to Emergent to be an employer, employee, partner or Affiliate of a Debarred Individual, will be in any manner employed or used by Emergent in the Manufacture of the Products or any related activities;

7.2.4 neither Emergent, nor any Affiliate of Emergent that may be involved in the Manufacturing of the Products, is a corporation, partnership, association or other legal entity that has been debarred by the FDA (pursuant to 21 U.S.C. Section 335a) or local regulatory or federal agency from submitting or assisting in the submission of any abbreviated drug application (a "Debarred Entity");

7.2.5 as of the Delivery of each Vial of Product, Emergent has good and marketable title to such Products, and as of Delivery all Products so Delivered are free from all liens, charges, encumbrances and security interests, other than (a) licenses of Intellectual Property pursuant to this Agreement and (b) any liens that are effected by operation of law and that do not adversely affect Aptevo's ability to own, use or sell the applicable Product (for clarity, this Section 7.2.5 shall not be interpreted to include any representation, warranty, or covenant regarding the non-infringement, non-misappropriation or non-violation of any Intellectual Property rights of any third party);

7.2.6 any changes made after the Effective Time to the Manufacturing process used by Emergent to Manufacture the Products (other than Product-Specific Manufacturing Improvements proposed and approved by Aptevo) do not and will not infringe, misappropriate or otherwise violate the Intellectual Property rights or any other right of any third party;

7.2.7 under this Agreement, Emergent, or any Affiliate of Emergent, will satisfy the requirements of a distributor, as such term is defined in the Good Manufacturing Process Guidelines, 2009 Edition, Version 2 (GUI-0001), as issued March 4, 2011 by Health Canada (the "Distributor") and will act as a Distributor for Aptevo with respect to each Product under this Agreement that is distributed in Canada and will uphold any and all requirements set forth by the GMPs under Division 2, Part C of the Food and Drug Regulations (Consolidated Regulations of Canada, Chapter 870) as applied to an entity that does not hold the drug identification number for a product acting as a distributor for such product.

7.3 Additional Warranties by Aptevo. Aptevo represents, warrants and covenants to Emergent as follows:

7.3.1 Aptevo's storage, labeling, distribution, use, and sale of Products complies and will comply with all Applicable Law;

7.3.2 all necessary import and export licenses are in place or will be in place at the time of import or export (as applicable), and the import, export, distribution and sale of Products materially comply with all Applicable Law;

7.3.3 all necessary approvals of the FDA or any other Governmental Authority, whether federal, state, local or foreign, for the purpose for which the Products are intended to be distributed or sold, are in place or will be in place at the time of distribution or sale; and

7.3.4 Aptevo is not aware of any action or proceeding by any Regulatory Authority threatened against Aptevo relating to safety or efficacy of any of the Products, other than periodic discourse with the FDA or other Regulatory Authority related thereto.

7.4 Disclaimer of Warranties. EXCEPT FOR THE WARRANTIES SET FORTH IN SECTIONS 7.1, 7.2 AND 7.3, OR AS EXPRESSLY SET FORTH IN THE SDA OR ANY ANCILLARY AGREEMENT, EMERGENT HEREBY DISCLAIMS ALL CONDITIONS, WARRANTIES AND STATEMENTS IN RESPECT OF THE MATERIALS, THE PRODUCTS AND SERVICES PROVIDED HEREUNDER, WHETHER EXPRESS OR IMPLIED, CUSTOM OF THE TRADE OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY SUCH CONDITION, WARRANTY OR STATEMENT RELATING TO MERCHANTABILITY, NONINFRINGEMENT, FITNESS FOR A PARTICULAR PURPOSE OR USE UNDER ANY CONDITIONS.

ARTICLE VIII
INDEMNIFICATION AND LIMITATION ON LIABILITY

8.1 Indemnification by Emergent. Subject to the limitations set forth in Section 8.4 below, Emergent shall indemnify, defend and hold harmless Aptevo, its Affiliates and their respective directors, officers, employees, and agents, from and against any and all Liabilities arising out of Third-Party Claims to the extent as a result of (a) the failure of Emergent to perform the Manufacturing in compliance with cGMP or the Specifications, (b) the fraud, gross negligence or willful misconduct of Emergent, its directors, officers, employees or agents in the performance of its obligations under this Agreement, (c) the recall, product withdrawal or other field correction action of any Product by the FDA, other Governmental Authority or otherwise,

to the extent caused by Emergent's Delivery of Product that, as of such Delivery, does not meet Specifications, (d) any changes made after the Effective Time to the Manufacturing process used by Emergent to Manufacture the Products (except to the extent resulting solely from a Product-Specific Manufacturing Improvement proposed and approved by Aptevo) or (e) any alleged or actual infringement or misappropriation of Third Party Intellectual Property rights to the extent resulting from Emergent's use of any Emergent information, data or property in the performance of this Agreement or resulting from any Facility Improvements and Platform Manufacturing Improvements.

8.2 Indemnification by Aptevo. Aptevo will indemnify, defend, and hold harmless Emergent, its Affiliates and their respective directors, officers, employees, and agents, from and against any and all Liabilities arising out of Third-Party Claims to the extent as a result of (a) the promotion, distribution, marketing, sale or use of any Product by Aptevo or any third party, including any product liability claim of a third party (except to the extent such claim is subject to Emergent's indemnification obligations under Section 8.1 above), (b) the fraud, gross negligence or willful misconduct of Aptevo, its directors, officers, employees or agents in the performance of its obligations or exercise of its rights under this Agreement, (c) any alleged or actual infringement or misappropriation of third party Intellectual Property rights in the Products or any portion thereof (except to the extent such claim is subject to Emergent's indemnification obligations under Section 8.1 above), or resulting from use of any Aptevo information, data or property in the performance of this Agreement, including without limitation the labeling specifications provided to Emergent by Aptevo, (d) the recall, product withdrawal or other field correction action of any Product by the FDA, other Governmental Authority or otherwise (other than recalls for which Emergent is obligated to indemnify Aptevo pursuant to Section 8.1(c)) or (e) the breach by Aptevo of its representations, warranties, obligations or covenants hereunder (except for a breach of payment obligations).

8.3 Conditions. Promptly after a Party (the "Indemnified Party") obtains knowledge of the existence or commencement of any claim or proceeding with respect to which the Indemnified Party is entitled to indemnification under Section 8.1 or 8.2, such Indemnified Party will notify the other Party (the "Indemnifying Party") of such claim or proceeding in writing; provided, however, that any failure to give such notice will not waive any rights of the Indemnified Party except to the extent that the rights of the Indemnifying Party are actually prejudiced thereby. The Indemnifying Party will assume the defense and settlement of such claim or proceeding with counsel reasonably satisfactory to the Indemnified Party at the Indemnifying Party's sole risk and expense; provided, however, that the Indemnified Party (i) will reasonably cooperate with the Indemnifying Party in the defense and settlement of such claim or proceeding, and (ii) may not settle any such claim or proceeding without the Indemnifying Party's written consent (not to be unreasonably withheld or delayed). The Indemnifying Party may not settle any such claim or proceeding without the Indemnified Party's written consent, unless such settlement (x) includes a release of all covered claims or proceedings pending against the Indemnified Party; (y) contains no admission of liability or wrongdoing by the Indemnified Party; and (z) imposes no obligations upon the Indemnified Party.

8.4 Limitation on Liability. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, THE SDA, THE TSA OR ANY OTHER ANCILLARY AGREEMENT:

8.4.1 EXCEPT FOR BREACHES OF ARTICLE VI, SECTIONS 2.6.1, 2.6.2, 2.6.3 OR 12.4.2, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR TO ANY PARTY CLAIMING THROUGH OR UNDER SUCH OTHER PARTY FOR ANY LOST PROFITS OR REVENUES, OR FOR ANY INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES HOWEVER CAUSED, WHETHER IN AN ACTION IN CONTRACT, TORT (INCLUDING STRICT LIABILITY), BASED ON A WARRANTY, OR OTHERWISE, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, EVEN IF THE FIRST PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES;

8.4.2 EMERGENT SHALL BE ENTITLED TO SEEK LOST PROFITS, OR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, AGAINST APTEVO, ANY MEMBER OF THE APTEVO GROUP, ANY ACQUIRING PARTY OR ANY AFFILIATE OF THE FOREGOING ARISING OUT OF OR IN CONNECTION WITH ANY BREACH OF ARTICLE VI, SECTIONS 2.6.2, 2.6.3 OR 12.4.2, DIRECTLY OR INDIRECTLY, BY APTEVO OR ANY OF THE FOREGOING.

8.4.3 EXCEPT FOR APTEVO'S INDEMNITY OBLIGATIONS UNDER SECTION 8.2 AND FOR EITHER PARTY'S BREACH OF ARTICLE VI, SECTIONS 2.6.1, 2.6.2, 2.6.3 OR 12.4.2, EACH PARTY'S LIABILITY FOR ALL CLAIMS ARISING UNDER THIS AGREEMENT SHALL NOT EXCEED THE AMOUNT PAID BY APTEVO TO EMERGENT UNDER THIS AGREEMENT DURING THE ONE YEAR PRECEDING THE EVENT THAT GAVE RISE TO SUCH CLAIM; PROVIDED, HOWEVER, THAT THE FOREGOING SHALL NOT LIMIT APTEVO'S PAYMENT OBLIGATIONS FOR PURCHASE OF PRODUCT AND SERVICES OR OTHER FEES DUE HEREUNDER, INCLUDING WITHOUT LIMITATION ANY AMOUNTS PAYABLE IN CONNECTION WITH MINIMUM ANNUAL ORDER OBLIGATIONS PURSUANT TO SECTION 3.1.5; AND

8.4.4 EMERGENT'S LIABILITY FOR THE REPLACEMENT OF OR THE COST OR VALUE OF ANY MATERIALS (EXCLUDING ACTIVE PHARMACEUTICAL INGREDIENTS) OR PRODUCTION EQUIPMENT SUPPLIED TO EMERGENT HEREUNDER BY APTEVO (IF ANY), INCLUDING BUT NOT LIMITED TO ANY MATERIALS (EXCLUDING ACTIVE PHARMACEUTICAL INGREDIENTS) OR SUCH PRODUCTION EQUIPMENT LOST OR DAMAGED, SHALL BE LIMITED TO THE ACTUAL VALUE THEREOF, BUT IN ANY EVENT SHALL NOT EXCEED EMERGENT'S INSURANCE COVERAGE FOR PROPERTY OF OTHERS AND ANY RELATED LOSS OR DAMAGE. APTEVO WILL BE RESPONSIBLE FOR PROVIDING THE VALUE OF ANY CLAIMED LOSS TO EMERGENT'S INSURANCE CARRIER FOR LOSSES COVERED BY EMERGENT'S INSURANCE POLICY.

8.5 Interaction with the SDA and other Ancillary Agreements. Notwithstanding anything to the contrary in the SDA, in no event may any claim, including any Dispute, under or with respect to the subject matter of this Agreement be the basis of an indemnification claim under Article IV of the SDA or under any other Ancillary Agreement.

ARTICLE IX
TERM AND TERMINATION

9.1 Term. Unless terminated in accordance with the provisions of Section 9.2, the term of this Agreement shall commence on the date hereof and continue for a period of ten (10) years.

9.2 Termination. This Agreement may be terminated:

9.2.1 by either Party immediately, in the event of an Insolvency/Bankruptcy Event with respect to the other Party;

9.2.2 by Emergent immediately, or at Emergent's discretion, suspended immediately, upon written notice to Aptevo if Aptevo fails to pay Emergent in full any undisputed amount due and payable in connection with this Agreement within forty-five (45) days after receipt of written notice from Emergent of such failure;

9.2.3 by the non-breaching Party immediately, if the other Party has materially breached this Agreement and fails to cure such breach (a) within thirty (30) days after receipt of written notice thereof or (b) if such breach cannot be cured within such thirty (30) day period, such period of time as the breaching Party is diligently making efforts to cure such breach, but in no event more than ninety (90) days after receiving notice of such breach from the non-breaching Party;

9.2.4 by Aptevo, in its entirety, by providing not less than twenty-four (24) months' written notice;

9.2.5 by Emergent, in its entirety, by providing not less than thirty-six (36) months' written notice;

9.2.6 by Aptevo, immediately upon written notice to Emergent in the event of a Manufacturing Failure; or

9.2.7 by Aptevo, solely with respect to all 3PL Services, by providing not less than six (6) months' written notice.

Notwithstanding the above, in no event shall notice or intention to terminate be deemed to waive any rights to damages or any other remedy which the Party giving notice of failure to pay or breach under Sections 9.2.2 or 9.2.3 may have as a consequence of such failure or breach.

9.3 Outstanding Obligations. Termination or expiration of this Agreement, for whatever reason, shall not affect the obligation of either Party to make any payments for which it is liable prior to or upon such termination. Upon any termination of this Agreement, Aptevo

shall be responsible for any Binding Purchase Orders (although Emergent shall have the right, in its discretion, to cancel any such Purchase Order) and will purchase from Emergent, at a price equal to Emergent's cost therefor, any Materials purchased for the Products (based on forecasts or otherwise) which Emergent has reasonably purchased or ordered which cannot be canceled. Upon receipt of such payment, Emergent shall immediately deliver such Materials to Aptevo EXW (such Materials' locations). Section 4.4(a) of the PLA is hereby incorporated by reference.

9.4 Manufacturing Failure; CMO Appointment. If (i) a Manufacturing Failure occurs, and if Aptevo obtains the right, under Section 2.1(b) of the PLA, to exercise the right to have a Product manufactured by a CMO (as such term is defined in the PLA), or (ii) Emergent approves of a CMO in its sole and absolute discretion pursuant to Section 2.1(b) of the PLA (each, a "Triggering Event"), Emergent shall, itself or through the relevant member of the Emergent Group:

9.4.1 *Technology Transfer*. Provide reasonable assistance in the transfer of the Manufacturing Technology (as such term is defined in the PLA) and the Included Manufacturing Improvements to such CMO as follows: (i) Emergent will, without charge to Aptevo or the CMO, provide to such CMO the documentation of the Manufacturing Technology and the Included Manufacturing Improvements, in hard copy or electronic form, that is in Emergent's possession and control; (ii) Emergent will provide up to seven hundred fifty (750) FTE-hours of support without charge to Aptevo or the CMO to train such CMO in using such Manufacturing Technology and Included Manufacturing Improvements; and (iii) if such CMO needs reasonable additional assistance to use the Manufacturing Technology and Included Manufacturing Improvements, beyond the seven hundred fifty (750) FTE-hours set forth in the foregoing clause (ii), then Emergent will provide such reasonably requested support for up to three (3) years after the beginning of the technology transfer process and Aptevo will reimburse Emergent for such additional support at Emergent's then-standard rate.

9.4.2 *Manufacturing License*. Subject to the terms and conditions of this Agreement, grant to Aptevo a royalty-free, worldwide, non-transferable (except as provided in this Section 9.4.2 and for certain assignments as provided in Section 12.4) license, under the Included Manufacturing Improvements in the form in which such Included Manufacturing Improvements exist at the time of the Triggering Event, to make, have made, use, sell, offer to sell, import and otherwise commercialize the Products, solely within the Field, provided that Aptevo may only exercise (and the other members of the Aptevo Group may only exercise) the rights to make and have made the Products through such CMO pursuant to and in accordance with the PLA. Sections 2.6.3, 2.6.5 and 2.6.6 of this Agreement shall apply to Aptevo with respect to such license. Such license is subject to Aptevo's compliance with the terms of this Section 9.4.2 and, as applicable, Section 12.4 and shall terminate (a) upon the termination of the PLA for any reason or (b) if Aptevo breaches any term of any of Sections 2.6.3, 2.6.5, 2.6.6, this 9.4.2 or 12.4 and (i) fails to cure such breach within ninety (90) days after receipt of written notice of such breach from Emergent or (ii) if such breach is incapable of cure, as determined by Emergent in Emergent's reasonable discretion.

ARTICLE X
INSURANCE

10.1 Product Liability Insurance. Aptevo and Emergent shall each, at its own expense, maintain product liability insurance coverage, through the term of this Agreement and for a period of six (6) years thereafter, of at least ten million dollars ($10,000,000). Aptevo and Emergent will provide a certificate of insurance to the other upon request. Emergent shall be covered as an additional insured on Aptevo's product liability policy. If such product liability insurance is underwritten on a claims made basis, Aptevo and Emergent agree that any change of the fronting insurance carriers may require the purchase of prior acts coverage to ensure that coverage will be continuous throughout the term of this Agreement and for a period of six (6) years thereafter.

10.2 Insurance; Liability to Third Persons. Emergent and Aptevo, each at their own expense, shall obtain and thereafter maintain during the term of this Agreement:

10.2.1 workers' compensation as required by all applicable laws and Employer's Liability insurance with a policy limit of not less than one million dollars ($1,000,000); and

10.2.2 A combination of commercial general liability insurance and excess or umbrella insurance including contractual liability with combined minimum limits of ten million dollars ($10,000,000) for each occurrence and in the aggregate.

Each Party shall immediately give the other or its representative notice of any suit or action filed, or prompt notice of any claim made, against them arising out of the performance of this Agreement.

ARTICLE XI
DISPUTE RESOLUTION

11.1 Resolution Process. Notwithstanding anything to the contrary in the SDA, any Dispute (as defined below) shall be resolved exclusively in accordance with the following provisions of this ARTICLE XI:

11.1.1 *Disputes.* Any controversy or claim arising after the Effective Time and arising out of or relating to this Agreement, or the breach hereof, other than an inability to reach agreement under Section 3.16.3 (a "Dispute"), shall be resolved: (a) first, by negotiation by the Project Managers, and then (if there remains a Dispute) negotiation by and among the members of the Joint Steering Committee, with the possibility of mediation as provided in Section 11.1.2; and (b) then, if negotiation and mediation fail, by binding arbitration as provided in Section 11.2. Each Party agrees on behalf of itself and each of its Subsidiaries that the procedures set forth in this ARTICLE XI shall be the exclusive means for resolution of any Dispute. The initiation of mediation or arbitration hereunder will toll the applicable statute of limitations for the duration of any such proceedings.

11.1.2 *Negotiation and Mediation*. If either Party serves written notice of a Dispute upon the other Party (a "Dispute Notice"), the Parties will first attempt to resolve such Dispute by direct discussions and negotiation (including as set forth in Section 11.1.1 above). If

the Parties agree, the Parties may also attempt to resolve the Dispute by a mediation administered by the International Institute for Conflict Prevention & Resolution ("CPR") under its Mediation Procedure.

11.2 Arbitration.

11.2.1 If a Dispute is not resolved within forty-five (45) days (or later if mutually agreed by the Parties) after the service of a Dispute Notice, either Party shall have the right to commence arbitration. The arbitration shall be administered by the CPR pursuant to its Arbitration Rules and Procedures. References herein to any arbitration rules or procedures mean such rules or procedures as amended from time to time, including any successor rules or procedures, and references herein to the CPR include any successor thereto. The arbitration shall be before three (3) arbitrators. Each Party shall designate one arbitrator in accordance with the "screened" appointment procedure provided in Rule 5.4 of the CPR Rules. The two Party-appointed arbitrators will select the third, who will serve as the panel's chair or president. This arbitration provision, and the arbitration itself, shall be governed by the Laws of the State of Delaware and the Federal Arbitration Act, 9 U.S.C. §§ 1-16.

11.2.2 Consistent with the expedited nature of arbitration, each Party will, upon the written request of the other Party, promptly provide the other with copies of documents on which the producing Party may rely in support of or in opposition to any claim or defense. At the request of a Party, the arbitrators shall have the discretion to order examination by deposition of witnesses to the extent the arbitrator deems such additional discovery relevant and appropriate. Depositions shall be limited to a maximum of five (5) per Party and shall be held within forty-five (45) days of the grant of a request. Additional depositions may be scheduled only with the permission of the arbitrators, and for good cause shown. Each deposition shall be limited to a maximum of one day's duration. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary or confidential information. The Parties shall not utilize any other discovery mechanisms, including international processes and U.S. federal statutes, to obtain additional evidence for use in the arbitration. Any dispute regarding discovery, or the relevance or scope thereof, shall be determined by the arbitrators, which determination shall be conclusive. All discovery shall be completed within 120 days following the appointment of the arbitrators. All costs and fees relating to the retrieval, review and production of electronic discovery shall be paid by the Party requesting such discovery.

11.2.3 The panel of arbitrators shall have no right, power or authority, under the CPR Rules for Non-Administered Arbitration or otherwise, to (i) award non-monetary or equitable relief of any sort (except as set forth in Section 2.6.3, ARTICLE VI, and except in the event of a breach of Section 12.4.2 or as necessary to otherwise enforce Section 12.4.2); (ii) relieve the Parties from their agreement hereunder to arbitrate or otherwise to amend or disregard any provision of this Agreement; (iii) limit, expand, alter, amend, modify, revoke or suspend any condition or provision of this Agreement; or (iv) adjudicate any matters pertaining to the SDA or any Ancillary Agreement other than this Agreement.

11.2.4 Absent fraud or manifest error, any arbitral award issued hereunder shall be final, binding and the sole and exclusive remedy to the Parties. Either Party may seek to

confirm and enforce any final award entered in arbitration, in any court of competent jurisdiction.

11.2.5 Except as may be required by Law or any applicable rules and regulations of any stock exchange, neither a Party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both Parties.

11.3 Expert Resolution for Lack of Agreement in Section 3.16.3. If the Parties are unable to reach agreement within thirty (30) days of beginning discussions under Section 3.16.3, the disagreement shall be resolved pursuant to this Section 11.3.

11.3.1 Any matter under this Section 11.3 shall be referred to a person suitably qualified to determine such matter who shall be jointly nominated and approved by the Parties (the "Expert"). The Expert will act as an expert, not as an arbitrator. Any fee due the Expert shall be shared by the Parties. The Expert's terms of appointment shall include: (i) a requirement that the Expert act fairly; (ii) unless otherwise agreed by the Parties, a requirement that the Expert hold adequate professional indemnity insurance both then and for at least the period of statutory limitation following the date of the Expert's determination; (iii) confidentiality obligations reasonably acceptable to the Parties; and (iv) a commitment by the Parties to supply to the Expert all such assistance, documents and information as the Expert may reasonably require for the purpose of his or her determination.

11.3.2 Within fifteen (15) days after the designation of the Expert pursuant to Section 11.3.1, the Parties shall each simultaneously submit to the Expert and one another a written statement of their respective positions on the disagreement. Each Party shall have five (5) days from receipt of the other Party's submission to submit to the Expert and the other Party a written response thereto, which shall include any specific financial or back-up information in support thereof. The Expert shall have the right to meet with the Parties, either alone or together, as necessary to make a determination.

11.3.3 No later than thirty (30) days after the designation of the Expert, the Parties shall each submit a final proposal to the Expert, who shall select one of such proposals based on the Expert's opinion as to the overall fairness and reasonableness of such proposal in light of the totality of the circumstances. The Expert shall provide the Parties with a written statement setting forth the basis of the determination. The decision of the Expert shall be final and conclusive, absent manifest error on all such matters.

11.4 Interim Relief. At any time during the resolution of a dispute between the Parties, either Party has the right to apply to any court of competent jurisdiction for interim relief, including pre-arbitration attachments or injunctions, necessary to preserve the Parties' rights or to maintain the Parties' relative positions until such time as the arbitration award is rendered or the dispute is otherwise resolved.

11.5 Expenses. Each Party shall bear its own costs, expenses and attorneys' fees in pursuit and resolution of any dispute; provided, however, that, in the event of any arbitration with respect to any dispute pursuant to Section 11.1 in which the arbitrator issues an arbitral award in an amount that is within ten percent (10%) of the amount of the most recent bona fide

written settlement offer submitted by a Party and rejected by a Party in connection with such dispute, then the Party that rejected such settlement offer shall bear both Parties' costs, expenses and attorneys' fees incurred in connection with such arbitration (including the fees and expenses of any arbitrator).

ARTICLE XII
MISCELLANEOUS

12.1 Provisions from the SDA. The Parties agree and acknowledge that this Agreement is an Ancillary Agreement and, therefore, that certain provisions of the SDA apply hereto, provided, however, that if there is any conflict between the terms of this Agreement and the terms of the SDA, the terms of this Agreement apply with respect to the subject matter hereof. Sections 11.1 (Counterparts; Entire Agreement; Corporate Power), 11.2 (Governing Law), 11.6 (Severability), 11.10 (Headings), 11.11 (Survival of Covenants), 11.12 (Waivers of Default), 11.14 (Amendments), 11.15 (Interpretation) and 11.16 (No Set Off) of the SDA are incorporated herein by reference, *mutatis mutandis*.

12.2 Notices. All notices, requests, claims, demands or other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile or electronic transmission with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 12.2):

If to Emergent, to:

General Counsel
400 Professional Drive
Suite 400
Gaithersburg, MD 20879

If to Aptevo to:

General Counsel
2401 4th Avenue
Suite 1050
Seattle, WA 98121

Any Party may, by notice to the other Party, change the address and contact person to which any such notices are to be given.

12.3 Force Majeure. If either Party fails to fulfill its obligations hereunder (other than an obligation for the payment of money), when such failure is due to an act of God, or other circumstances beyond its reasonable control (to the extent such Party could not have mitigated the effects of such events using reasonable efforts), including but not limited to unanticipated Manufacturing Facility shutdown, supplier delays or failures, equipment failure, fire, flood, civil commotion, riot, war (declared and undeclared), revolution, action by government including

delays in obtaining governmental approvals or embargoes, then said failure shall be excused for the duration of such event and for such a time thereafter as is reasonable to enable the Parties to resume performance under this Agreement. Any failure of Emergent in performing its obligations hereunder due to Aptevo's failure to provide to Emergent any information, assistance or material necessary for Emergent to perform its activities under this Agreement shall also so excuse Emergent's failure.

12.4 Assignability.

12.4.1 This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Except as otherwise provided for in this Agreement, this Agreement shall not be assignable by either Party, in whole or in part, without the express written consent of the other Party, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void. Notwithstanding the foregoing, no such consent shall be required for (i) the assignment of all of Aptevo's rights and obligations under this Agreement to an acquirer of all or substantially all of the assets of the Aptevo Group relating to all the Products, (ii) the assignment of all of Emergent's rights and obligations under this Agreement to an acquirer of all or substantially all of the assets of Emergent relating to the Manufacturing Technology or (iii) the licensing, assignment or otherwise transferring of any Aptevo Intellectual Property, subject to the license granted to Emergent herein.

12.4.2 If Aptevo or a member of the Aptevo Group (in each case, except to the extent otherwise expressly permitted by this Agreement or any other Ancillary Agreement), or any successor or assignee of Aptevo, or an Acquiring Entity operates a Competing Program, (i) such Person and its Affiliates shall establish and enforce internal processes, policies, procedures and systems to strictly segregate information relating to any Competing Program from the Manufacturing Technology and the Included Manufacturing Improvements; (ii) such Person and its Affiliates shall not use, directly or indirectly, any Manufacturing Technology, Included Manufacturing Improvements or any Confidential Information of Emergent in such Competing Program (except that a CMO is permitted to use the Manufacturing Technology and the Included Manufacturing Improvements solely to manufacture the Products on behalf of Aptevo or its successor or assignee, as applicable, solely in accordance with the terms of this Agreement and the PLA); (iii) no personnel who had access to the Manufacturing Technology or Included Manufacturing Improvements at any time may conduct any activities under such Competing Program (except that a CMO is permitted to use the Manufacturing Technology and the Included Manufacturing Improvements solely to manufacture the Products on behalf of Aptevo or its successor or assignee, as applicable, solely in accordance with the terms of this Agreement and the PLA); and (iv) Emergent may abstain from sharing with such Person and its Affiliates any Confidential Information related to the Manufacturing Technology or the Included Manufacturing Improvements, in its sole discretion. Notwithstanding anything else to the contrary in the Agreement, following an assignment of this Agreement by a Party in accordance with such Party's right to assign this Agreement under Section 12.4.1(i) or (ii), as applicable, the assigning Party may request from the non-assigning Party that the assigning Party be released from liability with regard to the actions of such assignee under this Agreement following such assignment, which release shall not be unreasonably withheld or delayed.

12.4.3 Nothing herein shall prevent Emergent or any member of the Emergent Group from, subject to the licenses granted to Aptevo herein, licensing, assigning or otherwise transferring any right, title or interest in or to any Licensed IP or Included Manufacturing Improvements.

12.4.4 To the extent either Party assigns the Intellectual Property underlying any license granted under this Agreement, such Party shall assign the applicable portions of this Agreement to such assignee.

12.4.5 Notwithstanding anything to the contrary contained herein in the SDA or in any other Ancillary Agreement, any attempt by Aptevo to assign any rights or obligations arising under this Agreement, the CDA or the PLA shall be void unless Aptevo concurrently assigns this Agreement, the CDA and the PLA (to the extent such agreements have not terminated or expired) to the same assignee, and (b) the applicable assignment, transfer (including by operation of law) or change of control of Aptevo shall be void unless the same person or entity is, as of any relevant time, "Aptevo" under this Agreement and "Aptevo" under the CDA and PLA.

12.4.6 The assigning Party shall remain bound by all obligations with respect to the other Party's Confidential Information under this Agreement. The non-assigning Party may disclose the assigning Party's Confidential Information to the assignee as necessary for the non-assigning Party's performance of its obligations and exercise of its rights under this Agreement.

12.5 Independent Contractors. It is expressly agreed that Emergent and Aptevo shall be independent contractors and that the relationship between Emergent and Aptevo shall not constitute a partnership, joint venture or agency. Neither Emergent nor Aptevo shall have the authority to make any statements, representations, or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior written consent of the other Party.

12.6 Bankruptcy. All rights and licenses granted under or pursuant to any Section of this Agreement are rights to "intellectual property" (as defined in Section 101(35A) of Title 11 of the United States Code, as amended (the "Bankruptcy Code")). Each Party shall retain and may fully exercise all of its rights and elections under the Bankruptcy Code with respect to such rights and licenses.

12.7 Survival. All representations, warranties, covenants and agreements made herein and which by their express terms or by implication are to be performed after the execution and or termination hereof, or are prospective in nature, shall survive such execution or termination, as the case may be, including Sections 2.6.3, 2.6.5, 2.6.6, 3.7, 3.9, 3.17, 3.18, 3.20, 3.21, 6.1, 7.4, ARTICLE VIII, Section 9.3, Section 9.4 (solely to the extent a Triggering Event had occurred prior to the expiration or termination of this Agreement or if this Agreement is terminated pursuant to Section 9.2.5), ARTICLE X, Sections 11.1, 11.2, 11.4, 11.5, 12.1, 12.2, 12.3, 12.4, 12.5, 12.7, 12.8 and 12.9.

12.8 Further Assurances. Each Party covenants and agrees that, without any additional consideration, it shall execute and deliver any further legal instruments and perform any acts that are or may become necessary to effectuate this Agreement. For clarity, nothing in this Section 12.8 shall be construed as an obligation on the part of either Party to perform any services.

12.9 Quality Agreement. The Quality Agreement shall, together with this Agreement, apply to the provision of any service contemplated under this Agreement solely to the extent such service relates to quality assurance matters and is within the subject matter of the Quality Agreement. In the event of any conflict or inconsistency between the Quality Agreement and this Agreement solely with respect to quality assurance matters, the Quality Agreement shall control. In the event of any other conflict or inconsistency (including, for the avoidance of doubt, with respect to the respective remedies of the parties with respect to any service contemplated under this Agreement), this Agreement shall control.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date first written above by their duly authorized representatives.

EMERGENT BIOSOLUTIONS INC.

By: */s/ Robert Kramer*
Name: Robert Kramer
Title: EVP & CFO

APTEVO THERAPEUTICS INC.

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

LIST OF SCHEDULES:

Schedule A. Pricing

Schedule B. Order Minimums

Schedule C. Quality Agreement

Schedule D. [reserved]

Schedule E. 3PL Services

Schedule A

Pricing

This schedule is attached to and made part of the Amended and Restated Manufacturing Services Agreement by and between Emergent BioSolutions Inc. and Aptevo Therapeutics Inc., dated as of September [__], 2017 (the "Agreement"). All capitalized terms used in this schedule have the meaning set forth in the Agreement or otherwise shall be interpreted as set forth in the Agreement.

BASE COST PRICE TABLE AS OF AUGUST 1, 2017

		BASE PRODUCT COST/VIAL		
PRODUCT	SIZE	480L Batch	1000L Batch	Stability Cost (first Mfg'd Batch on an annual basis)
Hepagam B	1 ml	$ 56.65	$ 53.56	$ 23,690
Hepagam B	5 ml	$ 138.02	$ 125.66	$ 23,690
WinRho	120 ug	$ 23.69	$ 21.63	$ 19,570
WinRho (Unlabeled vials for Uruguay only)	120 ug	$ 21.63	$ 18.54	$ 19,570
WinRho	300 ug	$ 35.02	$ 29.87	$ 19,570
WinRho (Unlabeled vials for Uruguay only)	300 ug	$ 31.93	$ 26.78	$ 19,570
WinRho	500 ug	$ 108.15	$ 99.91	$ 19,570
WinRho	1000 ug	$ 99.91	$ 84.46	$ 19,570
WinRho	3000 ug	$ 315.18	$ 268.83	$ 19,570
VariZIG	125 iu	$ 231.75	N/A	$ 28,840

BASE COST PRICE TABLE AS OF JANUARY 1, 2018

		BASE PRODUCT COST/VIAL		
PRODUCT	SIZE	480L Batch	1000L Batch	Stability Cost (first Mfg'd Batch on an annual basis)
Hepagam B	1 ml	$ 56.65	$ 53.56	$ 23,690
Hepagam B	5 ml	$ 138.02	$ 125.66	$ 23,690
WinRho	120 ug	25.75	$ 22.66	$ 19,570
WinRho (Unlabeled vials for Uruguay only)	120 ug	$ 22.66	$ 19.57	$ 19,570
WinRho	300 ug	$ 38.11	$ 32.96	$ 19,570
WinRho (Unlabeled vials for Uruguay only)	300 ug	$ 35.02	$ 28.84	$ 19,570
WinRho	500 ug	$ 113.30	$ 104.03	$ 19,570
WinRho	1000 ug	$ 108.15	$ 92.70	$ 19,570
WinRho	3000 ug	$ 342.99	$ 294.58	$ 19,570
VariZIG	125 iu	$ 231.75	N/A	$ 28,840

Pricing for bulk product for Venezuela sales will be provided upon request from Aptevo

FOREIGN EXCHANGE ADJUSTMENT SCHEDULE

			ADJUSTMENT TO PER VIAL COST IF USD/CAD EXCHANGE RATES ARE:						
PRODUCT	**SIZE**		+/- 5bps	+/- 5 to 10 bps	+/- 10 - 15 bps	+/- 15 to 20 bps	+/- 20 - 25 bps	+/- 25 - 30 bps	Each incremental change of +/- 5bps beyond +/- 25 – 30 bps
Hepagam B	1 ml	480L	$ -	$ 2.40	$ 4.80	$ 7.20	$ 9.60	$ 12.00	$ 2.40
		1000L	$ -	$ 2.30	$ 4.60	$ 6.90	$ 9.20	$ 11.50	$ 2.30
Hepagam B	5 ml	480L	$ -	$ 3.40	$ 6.80	$ 10.20	$ 13.60	$ 17.00	$ 3.40
		1000L	$ -	$ 2.50	$ 5.00	$ 7.50	$ 10.00	$ 12.50	$ 2.50
WinRho	120 ug	480L	$ -	$ 1.10	$ 2.20	$ 3.30	$ 4.40	$ 5.50	$ 1.10
		1000L	$ -	$ 1.00	$ 2.00	$ 3.00	$ 4.00	$ 5.00	$ 1.00
WinRho	300 ug	480L	$ -	$ 1.30	$ 2.60	$ 3.90	$ 5.20	$ 6.50	$ 1.30
		1000L	$ -	$ 1.00	$ 2.00	$ 3.00	$ 4.00	$ 5.00	$ 1.00
WinRho	500 ug	480L	$ -	$ 5.40	$ 10.80	$ 16.20	$ 21.60	$ 27.00	$ 5.40
		1000L	$ -	$ 5.00	$ 10.00	$ 15.00	$ 20.00	$ 25.00	$ 5.00
WinRho	1000 ug	480L	$ -	$ 3.40	$ 6.80	$ 10.20	$ 13.60	$ 17.00	$ 3.40
		1000L	$ -	$ 2.50	$ 5.00	$ 7.50	$ 10.00	$ 12.50	$ 2.50
WinRho	3000 ug	480L	$ -	$ 11.10	$ 22.20	$ 33.30	$ 44.40	$ 55.50	$ 11.10
		1000L	$ -	$ 8.50	$ 17.00	$ 25.50	$ 34.00	$ 42.50	$ 8.50
VariZIG	125 iu	480L	$ -	$ 1.20	$ 2.40	$ 3.60	$ 4.80	$ 6.00	$ 1.20

Schedule B

Order Minimums

This schedule is attached to and made part of the Amended and Restated Manufacturing Services Agreement by and between Emergent BioSolutions Inc. and Aptevo Therapeutics Inc., dated as of September [__], 2017 (the "Agreement"). All capitalized terms used in this schedule have the meaning set forth in the Agreement or otherwise shall be interpreted as set forth in the Agreement.

1. Minimum Vials per Order

WinRho 120µg	10,000 Vials
WinRho 300µg	10,000 Vials
WinRho 500µg	1,000 Vials
WinRho 1000µg	2,500 Vials
WinRho 3000µg	1,000 Vials
HepaGam 1ml	5,000 Vials
HepaGam 5ml	8,000 Vials
VariZig	3,000 Vial

2. Minimum Annual Orders

Product	**Minimum Annual Order**
Hepagam B	1 Batch
WinRho SDF	4 Batches
VariZig	*No annual minimum order*

Schedule C

Quality Agreement

This schedule is attached to and made part of the Amended and Restated Manufacturing Services Agreement by and between Emergent BioSolutions Inc. and Aptevo Therapeutics Inc., dated as of September [__], 2017 (the "Agreement"). All capitalized terms used in this schedule have the meaning set forth in the Agreement or otherwise shall be interpreted as set forth in the Agreement.

Schedule D

[reserved]

Schedule E

3PL Services

This schedule is attached to and made part of the Amended and Restated Manufacturing Services Agreement by and between Emergent BioSolutions Inc. and Aptevo Therapeutics Inc., dated as of September [__], 2017 (the "Agreement"). All capitalized terms used in this schedule have the meaning set forth in the Agreement or otherwise shall be interpreted as set forth in the Agreement.

1. Pharmaceutical Products. Emergent shall perform the 3PL Services for the Products that are defined in ARTICLE I of the Agreement (for purposes of this Schedule E, Vials of the Products shall be referred to as the "3PL Vials").

2. Warehousing and Inventory Services

    a. Emergent warehousing sites shall store all 3PL Vials using reasonable and ordinary care to protect them against customary perils and complying with all applicable laws relating to the storage of such 3PL Vials.

    b. Emergent shall maintain sufficient records to determine the bin location, quantity and batch number of 3PL Vials in inventory.

    c. Emergent shall plan for removal of 3PL Vials from inventory for placement on the next available shipment in accordance with instructions sent by Aptevo via a shipping order or otherwise in writing. Aptevo shall bear sole responsibility for managing its inventory, including choosing the batches from which 3PL Vials are selected for shipment, monitoring product expiration dates and tracking the number and type of 3PL Vials in inventory.

    d. If any 3PL Vials require special handling, Aptevo shall notify Emergent of such requirement in writing and Aptevo shall be responsible for all costs incurred by Emergent with respect to such special handling.

    e. Aptevo shall give Emergent advance notice in writing of all deliveries of products or materials sent to Emergent (including for deliveries among different Emergent locations for production transfer) and shall ensure that each product or material shipped to Emergent is packaged in shipping containers and in individual packaging sufficient for identifying and storing such product or material.

    f. No more than once per calendar quarter, Emergent shall provide Aptevo with one scheduled physical count verification of the number of 3PL Vials in inventory upon Aptevo's written request.

    g. Aptevo, its employees and agents may enter the Storage Facility during normal business hours upon five (5) days prior written notice to Emergent for purposes of examining the 3PL Vials.

h. Each Storage Facility shall be operated per the hours set forth below except on statutory holidays.

i. Emergent Winnipeg 8 AM to 4:00 PM CST Monday to Friday

ii. Emergent Camden 7:30 AM to 4:00 PM EST Monday to Friday

i. Emergent will provide Aptevo with a holiday work schedule that applies to statutory holidays in Canada and the US for all Emergent facilities.

3. Transportation Services

a. Emergent shall provide Aptevo a list of Emergent-approved shipping companies associated with distribution of 3PL Vials.

b. Aptevo will select shipping companies to use from the Emergent-approved shipping companies, and shall provide Emergent a list of such shipping companies in writing.

c. Aptevo is responsible for the ongoing selection and qualification of all shipping-related entities associated with the distribution of product, including customs brokers, carriers and other such entities.

d. For new shipping company qualifications, Emergent will work with Aptevo on the qualification required. Emergent and Aptevo shall agree on the scope of work before proceeding with any such qualification work.

e. Aptevo shall set up direct vendor accounts with each shipping company and establish terms and conditions with each shipping company, including insurance and liability expectations.

f. Emergent locations shall provide Aptevo a list of all approved shipping containers with copies of supporting validations and pack out instructions by container.

g. In the event that Aptevo desires a different shipping container, then at Aptevo's cost, Emergent will work with Aptevo on the validation of new containers or shipping method. Emergent and Aptevo shall agree on the scope of work before proceeding with any such validation work. Aptevo also has the option to purchase the validation from any shipping container supplier and present that as a viable option for shipping Aptevo product.

4. Distribution Services.

a. *Order Processing – In General.*

i. Aptevo shall provide Emergent with a shipping schedule for requested shipments for Canadian and ROW shipments.

ii. With respect to each Shipping Order, Emergent shall use commercially reasonable efforts to meet Aptevo's requested delivery date and to perform its other responsibilities under this item, provided that Aptevo provides sufficient notice pursuant to the below items. Upon acceptance, Emergent shall confirm the date of the shipment.

iii. If Aptevo provides such sufficient notice and Emergent is unable to meet Aptevo's requested shipping date, Emergent shall promptly inform Aptevo in writing, which notice shall include a brief explanation of the cause of the delay and Emergent's plan to fulfill the Shipping Order.

iv. Aptevo will provide Emergent with a completed pick list or Request for Product Shipment (RFPS) that shall specify the 3PL Vials to be shipped and the Emergent locations from which the 3PL Vials shall be shipped.

v. Aptevo and Emergent will coordinate the completion of required documents for the shipment.

vi. For final shipment confirmation, Aptevo will provide Emergent with a copy of the completed Aptevo approval summary page for Canadian and ROW shipments and back up required documents for their respective shipping destination.

vii. All shipments are considered Ex Works Emergent locations. Freight costs and product insurance are the responsibility of either Aptevo or Aptevo's customers. This includes the transfer of product between Emergent facilities.

b. *US Orders*. For each Shipping Order with a Distribution Destination of the United States, the required steps are:

i. Aptevo shall provide a packing list to generate the shipment by Emergent

ii. Emergent will generate a pick list to pick and pack the order

iii. Emergent shall process orders between Monday to Thursday before 1:00pm EST to allow for same day processing.

iv. Shipping Orders received by Emergent after the 1:00pm EST will be processed and shipped the next business day for next day delivery.

v. Emergent shall send Aptevo confirmation of shipment including all paperwork by 4:00pm EST on the day of shipment.

vi. Emergent will be responsible for providing tracking and monitoring status of each US shipment if provided by the applicable shipping company. If Emergent is not involved in the arrangement of the shipment, Emergent shall have no responsibility for tracking the shipment.

vii. When available, Emergent shall provide Aptevo with a service delivery report (a "confirmation of delivery receipt") for all shipments on the next day from the date of shipment.

viii. Emergency Shipments/ Drop Shipments. In the event that Aptevo requires an emergency or drop shipment, received outside of the standard shipping times or processing days indicated above, Aptevo is to contact Emergent in writing with the requested shipping details. Emergent will review the request and confirm if the shipment can be processed.

c. *Canadian Orders*

i. Canadian Order Lead Time. For standard monthly Shipping Orders with a distribution center destination in Canada, Aptevo shall provide a Shipping Order schedule including shipping details and supporting RFPS's to Emergent at least seven (7) business days prior to the requested shipping date of such order.

ii. Canadian Emergency Shipments/ Drop Shipments. Aptevo shall provide a Shipping Order schedule including shipping details and supporting RFPS's to Emergent at least three (3) business days prior to the requested shipping date of such order.

d. ROW Orders

i. ROW Order Lead Time. For each Shipping Order with a Distribution Destination of ROW, Aptevo shall provide such Shipping Order to Emergent at least six (6) weeks prior to the requested shipping date of such order. If product cannot be delivered within 3 weeks, Aptevo may request an explanation as to why and when the order is anticipated to ship.

ii. ROW Emergency Shipments/ Drop Shipments. Aptevo shall provide a Shipping Order schedule including shipping details and supporting RFPS's to Emergent at least five (5) business days prior to the requested shipping date of such order.

e. *Warehouse Transfers*. For warehouse transfers among Aptevo distribution centers and Emergent locations, Aptevo shall provide Shipping Orders to Emergent at least seven (7) business days prior to the requested shipping date of such order, and all such shipments shall occur EXW (Manufacturing Facility (Winnipeg)).

f. *Shipping Labeling and Documents:*

i. Emergent to follow standard operating procedures for proper labeling and documentation. It is the responsibility of both parties to work together to ensure that all labeling and supporting documents meet the required

customs and regulatory standards. In the event of follow up questions, both parties will work to resolve in a timely manner.

ii. 3 sets of documents will be provided:

1. On the outside of each shipping container, a packing list for 3PL Vials and containers shall be included.

2. On the inside of each shipping container, customer documents including data logger instructions shall be included.

3. To the shipping company, accompanying shipping documents for customs and import/export shall be included.

g. *Freight.* Emergent shall use carriers approved and designated by Aptevo and freight billing shall be sent directly to Aptevo.

h. *Documentation*. Aptevo shall provide Emergent with all required import/export customs documentation, information as to any special customer requirements (as applicable), and any other details of the shipment request.

i. Emergent is responsible for the accuracy of all details used to complete the shipment documentation which is provided back to Aptevo.

5. Fee Schedule

Distribution Related Fees

Serialization Fee - 3PL Connection	$ 25,000.00
Handling of serialized product ongoing fee	TBD

Emergent Winnipeg

Warehouse Storage (Receiving and Handling)	$ 41,200/yr
Shipping Cost	$ 515/shipment

Shipping supplies

- Shipping Container
- Dry Ice
- Temptale
- Misc.

Shipping company qualification	per CMO hour rate
Shipping container validation	per CMO hour rate

Emergent Camden

Warehouse Storage (Receiving and Handling)	$ 28,200/yr
Shipping Cost	$ 231.75 (Standard Box) $ 334.75 (Large Box)

Shipping supplies

- Shipping Container
- Dry Ice
- Temptale
- Misc.

Shipping company qualification	per CMO hour rate
Shipping container validation	per CMO hour rate

SAP Set Up Fees

Applicable in the event of an assignment of this Agreement.

Item	CAMDEN FEES		
	Price	2018 Qty Estimate	2018 Camden Total
SAP addition of Product Sponsor - Customer	$ 1,500.00	1	1,500.00
SAP addition of New Sold To Customer	$ 1,500.00	1	1,500.00
SAP Configuration Activities to Ensure Transfer of Ownership - Includes the training and hand off of order responsibility to be submitted via this One Time Fee - Camden Portion -3PL Process Only, configured inventory reports	$ 25,888.00	1	25,888.00
Part Number Creation & Revision - Includes the initiation of - Includes Opening a Change Control to generate the new part number as reflected by change in Ownership ``	$ 500.00	10	5,000.00
Specification Revision Per Product SKU/(EBSI Camden Part Number)	$ 1,000.00	10	10,000.00

6. Roles and Responsibilities

Task	**Aptevo Responsibility**	**Ownership of Inventory**	**Emergent Responsibility**
PO request for Product and Warehousing Services	PO Creation		PO Receipt
Warehouse Receiving – Initial Receiving or Receipt after Transfer		Aptevo Emergent responsible for care	Yes
Inventory Control	Yes		Yes Quarterly count required
Shipping Forecast	Yes		
Sales Orders (Samples, RFPS, Transfers to other Warehouses) and Shipping Instructions	Yes		
Validation of Shipping Containers	Yes		Emergent to provide current list of validated shipping options New validations fall under CMO services agreement
Transportation Selection and Vendor Setup	Yes		Assistance provided
Shipping Logistics – Pick, Pack and Load with Documentation		Aptevo Emergent responsible for care	Emergent to follow SOP's established by Aptevo for shipping
Shipment of Goods – Ex Works All Emergent Locations	Freight cost & product responsibility	Aptevo or Aptevo's Customer	
TempTale Release	Aptevo		If requested under CMO agreement
Importer or Exporter of Record	Responsible for clarifying whether Aptevo or Customer is responsible	Aptevo or Aptevo's Customer	Check that documentation supports Aptevo's direction

Exhibit 10.7

AMENDED AND RESTATED TRADEMARK LICENSE AGREEMENT

BY AND BETWEEN

EMERGENT BIOSOLUTIONS INC.

AND

APTEVO THERAPEUTICS INC.

DATED AS OF SEPTEMBER 28, 2017

AMENDED AND RESTATED TRADEMARK LICENSE AGREEMENT

This AMENDED AND RESTATED TRADEMARK LICENSE AGREEMENT ("Agreement"), effective as of September 28, 2017 (the "Effective Date"), is by and between Emergent BioSolutions, Inc., a corporation organized under the laws of Delaware and having its corporate head office located at 400 Professional Drive, Suite 400, Gaithersburg, MD 20879 ("Emergent"), and Aptevo Therapeutics, Inc., a corporation organized under the laws of Delaware and having its principal place of business at 2401 4th Ave. Suite 1050, Seattle, WA 98121 ("Aptevo"). Unless otherwise defined in this Agreement, all capitalized terms used in this Agreement shall have the meaning set forth in the Separation and Distribution Agreement ("SDA"), or, if not therein, in the Transition Services Agreement ("TSA"), or, if not therein, in the Product License Agreement ("PLA"), or, if not therein, in the Manufacturing Services Agreement ("MSA") or, if not therein, in the Canadian Distribution Agreement ("CDA"), each dated as of the date hereof, by and between Emergent and Aptevo, each as may be amended.

This Agreement supersedes, amends and restates in its entirety that certain Trademark License Agreement, dated as of July 29, 2016 (the "Original TLA").

WHEREAS, Aptevo and Emergent entered into the Original TLA, pursuant to which Emergent licensed to Aptevo certain rights related to the Products (as defined therein), including with respect to the IXINITY product;

WHEREAS, Aptevo intends to sell, soon after the Effective Date, all of its right, title and interest in and to the Products to Saol Therapeutics, Inc. or an affiliate thereof ("Saol") and assign, in connection therewith, its rights under certain agreements between Emergent and Aptevo related to the Products to Saol, including this Agreement, the MSA, CDA, and PLA, pursuant to the terms of a LLC Purchase Agreement entered into between the parties (the "Transaction");

WHEREAS, in connection with the Transaction, Aptevo and Emergent desire to amend and restate the Original TLA to remove all rights and obligations with respect to the IXINITY product;

WHEREAS, Aptevo and Emergent have entered into the SDA, TSA, PLA, MSA and CDA; and

WHEREAS, in connection with the foregoing, Emergent desires to grant to Aptevo a limited license to use certain Licensed Marks (as defined below) and certain other materials and content;

NOW, THEREFORE, in consideration of the mutual promises of the Parties, and of good and valuable consideration, it is agreed by and between the Parties as follows:

ARTICLE I
DEFINITIONS

For the purpose of this Agreement, the following terms shall have the following meanings.

"Licensed Marks" means, (i) all Trademarks of Emergent or the applicable members of the Emergent Group that are present on the Packaging Inventory or the Marketing Inventory, and (ii) with respect to any country in the Territory, such Trademarks of Emergent or applicable members of

the Emergent Group as are required by the relevant Governmental Authority to be present on the Packaging Materials for Products within such country as a result of such Products being Manufactured by Emergent or a member of the Emergent Group under the MSA or distributed by Emergent or a member of the Emergent Group under the CDA, during the term of each such agreement respectively.

"Marketing Inventory" means the physical inventory of the printed materials used in the ordinary course of business to market the Products as of the Effective Time, which physical inventory is assigned to Aptevo as part of the Distribution.

"New Marketing Materials" means any printed materials used in the ordinary course of business to market the Products that do not include any of the Licensed Marks or any other Trademarks of Emergent or any member of the Emergent Group.

"New Packaging Materials" means the packaging materials for any of the Products, including product labels, packaging inserts, external packaging and similar materials, that do not include any of the Licensed Marks or any other Trademarks of Emergent or any member of the Emergent Group.

"Over-Labeling Country" means a country in the Territory where (i) Aptevo relies on Packaging Materials approved by the relevant Governmental Authority in Canada to satisfy the regulatory requirements of the relevant Governmental Authority in such country to sell, offer to sell and otherwise commercialize the Products, and (ii) such Governmental Authority in such country requires an additional label to be placed on the Packaging Materials identifying the manufacturer of the Product, which additional label is required to contain a Licensed Mark.

"Packaging Inventory" means the physical inventory of the Packaging Materials as of the Effective Time, which physical inventory (i) is assigned to Aptevo as part of the Distribution and (ii) has already been used to package Products for entry into the stream of commerce.

"Packaging Materials" means the packaging materials for any of the Products, including product labels, packaging inserts, external packaging and similar materials.

"Product" has the meaning set forth in the PLA.

"Territory" means the world.

ARTICLE II
LICENSE

2.1 Emergent Trademark License Grant and Restrictions.

(a) Packaging Inventory and Marketing Inventory. Subject to the terms and conditions of this Agreement, Emergent hereby grants to Aptevo and the other members of the Aptevo Group a non-exclusive, royalty-free, sublicensable (on written notice to Emergent, provided that the sublicensee complies with all applicable terms of this Agreement) license within the Territory, under the Licensed Marks, to distribute the Packaging Inventory and the Marketing Inventory, solely to sell, offer to sell and otherwise commercialize the Products, until the Packaging Inventory and the Marketing Inventory are depleted or, if earlier, the third anniversary of the

Effective Time. Aptevo shall use commercially reasonable efforts to use or destroy the Packaging Inventory and the Marketing Inventory before distributing any other Packaging Materials or Marketing Materials, provided that, on a Product-by-Product basis, Aptevo shall cease to distribute the Marketing Inventory and shall destroy all remaining Marketing Inventory in Aptevo's possession on the ninetieth (90th) day after the first external use of any other Marketing Materials anywhere in the Territory.

(b) Packaging Materials in Canada and ROW. Subject to the terms and conditions of this Agreement, Emergent hereby grants to Aptevo and the other members of the Aptevo Group a non-exclusive, royalty-free, sublicenseable (on written notice to Emergent, provided that the sublicensee complies with all applicable terms of this Agreement) license in the Territory other than the United States, under the Licensed Marks, to use the Licensed Marks on Packaging Materials, solely to sell, offer to sell and otherwise commercialize the Products, until the earlier of (i) the third anniversary of the termination or expiration of the CDA or (ii) the depletion of all of the applicable Packaging Materials in Aptevo's inventory bearing the Licensed Marks as of the termination or expiration of the CDA, in each case provided that Aptevo shall cease to distribute all Packaging Materials bearing the Licensed Marks and destroy all remaining such Packaging Materials in Aptevo's possession on the ninetieth (90th) day after the first external use of any New Packaging Materials.

(c) Over-labeling in ROW. Subject to the terms and conditions of this Agreement, Emergent hereby grants to Aptevo and the other members of the Aptevo Group a non-exclusive, royalty-free, non-sublicenseable, non-transferrable license in each Over-Labeling Country, under the Licensed Marks, to use the Licensed Marks on Packaging Materials in such Over-Labeling Country, solely to sell, offer to sell and otherwise commercialize the Products, until the third anniversary of the termination or expiration of the MSA.

(d) E-mail. Subject to the terms and conditions of this Agreement, Emergent hereby grants to Aptevo and the other members of the Aptevo Group a non-exclusive, royalty-free, non-sublicenseable, non-transferrable license within the Territory under the Licensed Marks to use such Licensed Marks as are necessary to effect the forwarding of e-mails from the prior "@ebsi.com" e-mail addresses of Aptevo employees for sixty (60) days after the Effective Time, solely to facilitate the transition of contracts and other business as contemplated under the SDA and the Ancillary Agreements.

2.2 Trade Dress; Copyright.

(a) Emergent shall not, and shall cause all members of the Emergent group not to, commence any action alleging trade dress infringement against Aptevo or any member of the Aptevo Group based on Packaging Materials with substantially similar trade dress to the Packaging Inventory. This covenant not to sue shall terminate on the third anniversary of the termination or expiration of the MSA.

(b) Subject to the terms and conditions of this Agreement, Emergent hereby grants to Aptevo and the other members of the Aptevo Group, effective at the Effective Time, a non-exclusive, perpetual, royalty-free, transferable, sublicensable license to reproduce the text passages

contained in the Packaging Inventory and the Marketing Inventory, provided that such license shall not extend to any Trademarks of Emergent or the Emergent Group contained in such text passages.

2.3 Additional Restrictions on Aptevo. In no event may Aptevo, any member of the Aptevo Group or any sublicensee hereunder copy, use or distribute any product or material containing any Licensed Mark or any other Trademark of Emergent or any member of the Emergent Group except the distribution of the Packaging Inventory, Packaging Materials or Marketing Inventory in accordance with this Agreement and in accordance with all applicable Law. During the term of the applicable license granted under this Agreement, (a) to the extent that Emergent is not manufacturing the relevant Product as of the relevant time pursuant to the MSA and Aptevo is then permitted to exercise rights under the Manufacturing Technology (as defined in the PLA), Aptevo shall have such Product Manufactured in accordance with the Specifications for such Product, cGMP and as described in the relevant packaging and labeling materials and regulatory approvals; (b) Aptevo shall not sell any such Product that does not meet such specifications, nor shall Aptevo or any sublicensee distribute any such Packaging Materials or Marketing Materials with respect to any such non-conforming Product; and (c) to the extent that Aptevo or its sublicensee produces any Packaging Materials that use the Licensed Marks, Aptevo or such sublicensee, as applicable, shall use such Licensed Marks in accordance with this Agreement and shall use commercially reasonable efforts to comply with Emergent's applicable trademark guidelines (which guidelines Emergent shall provide to Aptevo, including updates to such guidelines as applicable), and shall, in all cases, provide advance copies of such Packaging Materials to Emergent for approval before use.

2.4 Aptevo License Grant and Restrictions.

(a) *For Performing Services*. Subject to the terms and conditions of this Agreement, Aptevo, on its own behalf and on behalf of the other members of the Aptevo Group, hereby grants to Emergent and the other members of the Emergent Group a non-exclusive, worldwide, irrevocable, royalty-free license to use, have used, display and have displayed such Trademarks owned by Aptevo or any member of the Aptevo Group as are applicable to Emergent's obligations under the TSA and the Ancillary Agreements, solely in furtherance of Emergent's obligations under the TSA and the Ancillary Agreements. Such license shall expire on the expiration date of the last to expire of the MSA, the CDA or any Schedule of the TSA.

(b) *Incidental Uses*. Subject to the terms, conditions and limitations contained herein, Aptevo, on its own behalf and on behalf of the other members of the Aptevo Group, hereby grants to Emergent and the members of the Emergent Group, effective at the Effective Time, a non-exclusive, worldwide, irrevocable, royalty-free license to use, have used, display and have displayed the name "Aptevo" in their legal names and for related incidental uses following the Effective Time (e.g., in payroll checks, regulatory filings and bank accounts). Such license may be assigned by the relevant entity only (i) as set forth in Section 11.3 of the SDA, (ii) in connection with a merger of such entity, or (iii) in connection with the sale, transfer or other divestiture of all or substantially all of such entity's business. In no event shall Emergent or the members of the Emergent Group create, reproduce or arrange for the creation or reproduction of the "Aptevo" name or use the "Aptevo" name in any advertising or marketing materials. Such license shall expire on the two year anniversary of the Effective Time. If Aptevo becomes aware of a use of the name "Aptevo" by Emergent or any member of the Emergent Group in commerce that it reasonably believes could cause confusion as to the source of Aptevo's products, Aptevo may request that such use be

discontinued by written notice to Emergent, in which case Emergent shall make commercially reasonable efforts to discontinue (or cause to be discontinued) such use (which discontinuation shall not be interpreted as an admission of wrongdoing and shall not be used by Aptevo or any other entity as evidence of wrongdoing on the part of Emergent or any member of the Emergent Group in any legal proceeding), or, if Emergent believes in good faith that such use does not harm Aptevo's rights in the "Aptevo" name, Emergent and Aptevo shall discuss in good faith a resolution to Aptevo's request.

ARTICLE III
OWNERSHIP OF LICENSED MARKS

3.1 Ownership and Retention of Good Will. As between the Parties, Emergent shall own all right, title and interest in the Licensed Marks and, notwithstanding anything to the contrary in the definition of "Trademarks", all goodwill therein. Aptevo shall not, and shall ensure that its Affiliates do not, challenge the ownership or validity of any of the Licensed Marks. The use of the Licensed Marks by or on behalf of Aptevo or any of its Affiliates hereunder shall inure exclusively to the benefit of Emergent and none of Aptevo or any of its Affiliates shall acquire or assert any rights therein. Emergent grants no other rights (a) with respect to the Licensed Marks than expressly granted in this Agreement or (b) with respect to any Trademarks than expressly granted in this Agreement or the SDA. Aptevo acknowledges Emergent's exclusive ownership of the Licensed Marks and the renown of the Licensed Marks worldwide.

3.2 No Obligation to Obtain or Maintain Marks. Neither Emergent, nor any member of the Emergent Group, is obligated to: (a) file any application for registration of any Licensed Mark, or to secure any rights in any Licensed Mark, or (b) maintain any registration for any Licensed Mark. Neither Aptevo, nor any member of the Aptevo Group, is obligated to: (a) file any application for registration of any Trademark owned by Aptevo or any member of the Aptevo Group, or to secure any rights in any such Trademark, or (b) maintain any registration for any Trademark owned by Aptevo or any member of the Aptevo Group.

3.3 Disclaimer of Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THE SDA AND THE TSA, (a) EACH PARTY ACKNOWLEDGES AND AGREES THAT ALL LICENSED MARKS AND OTHER TRADEMARKS ARE PROVIDED "AS IS," WITHOUT ANY WARRANTY OF ANY KIND; AND (b) WITHOUT LIMITING THE FOREGOING, NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY REGARDING THE LICENSED MARKS, AND EACH PARTY HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF ANY KIND, WHETHER EXPRESS, IMPLIED OR STATUTORY, REGARDING THE INTELLECTUAL PROPERTY LICENSED HEREUNDER, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, ENFORCEABILITY OR NON-INFRINGEMENT.

ARTICLE IV
TERM AND TERMINATION

4.1 Term. The term of this Agreement shall begin on the Effective Date and continue in each portion of the Territory until the license to the Licensed Marks or the Aptevo Trademarks is terminated pursuant to Sections 2.1 or 2.4, as applicable. Upon the expiration of the last to expire license to (i) the Licensed Marks under Section 2.1 or (ii) the Aptevo Trademarks under Section 2.4, this Agreement shall terminate in its entirety.

4.2 Termination.

(a) Voluntary Termination by Aptevo. By written notice to Emergent, Aptevo may voluntarily terminate this Agreement in its entirety or with respect to any Licensed Mark or Product.

(b) Termination by Emergent. Emergent may terminate this Agreement if Aptevo breaches this Agreement and (i) does not cure such breach within sixty (60) days after receipt of written notice of such breach from Emergent or (ii) such breach is incapable of cure, as determined in Emergent's reasonable discretion.

4.3 Effects of Expiration or Termination.

(a) Destruction. Upon any expiration of this Agreement, termination of this Agreement in its entirety, or termination of this Agreement with respect to any Licensed Mark or Product, Aptevo shall destroy all remaining Packaging Inventory and Marketing Inventory as applicable to the terminated Licensed Mark or Product.

(b) Survival. Any voluntary termination of this Agreement by Aptevo under Section 4.2(a) hereof shall not affect Aptevo's licenses and rights with respect to any Licensed Marks or Products for which the license has not been terminated hereunder. In addition, Article I (to the extent necessary to interpret the surviving provisions of this Agreement), Section 2.2(b), Section 2.4 (to the extent set forth therein), Article III, Section 4.3, Article V and Article VI shall survive any termination or expiration of this Agreement or the licenses hereunder.

ARTICLE V
LIMITATION OF LIABILITY

5.1 TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW IN NO EVENT SHALL EMERGENT BE LIABLE UNDER THIS AGREEMENT TO APTEVO OR TO ANY PARTY CLAIMING THROUGH OR UNDER APTEVO, FOR ANY LOST PROFITS, OR FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, WHETHER IN AN ACTION IN CONTRACT, TORT (INCLUDING STRICT LIABILITY), BASED ON A WARRANTY, OR OTHERWISE, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, EVEN IF EMERGENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

5.2 NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE SDA OR ANY OTHER ANCILLARY AGREEMENT, EMERGENT SHALL BE ENTITLED TO SEEK LOST PROFITS, OR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, AGAINST APTEVO, ANY MEMBER OF THE APTEVO GROUP, ANY ACQUIRING PARTY OR ANY AFFILIATE OF THE FOREGOING ARISING OUT OF OR IN CONNECTION WITH ANY BREACH OF THIS AGREEMENT, DIRECTLY OR INDIRECTLY, BY APTEVO OR ANY OF THE FOREGOING.

ARTICLE VI
MISCELLANEOUS

6.1 Provisions from the SDA. The Parties agree and acknowledge that this Agreement is an Ancillary Agreement and, therefore, that certain provisions of the SDA apply hereto.

6.2 Notices. All notices, requests, claims, demands or other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile or electronic transmission with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 6.2):

If to Emergent, to:

General Counsel
400 Professional Drive
Suite 400
Gaithersburg, MD 20879

If to Aptevo to:

General Counsel
2401 4th Avenue
Suite 1050
Seattle, WA 98121

Any Party may, by notice to the other Party, change the address and contact person to which any such notices are to be given.

6.3 Assignability.

(a) This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Except as otherwise provided for in this Agreement, this Agreement shall not be assignable, in whole or in part, directly or indirectly, by Aptevo without the express written consent of Emergent, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void. Notwithstanding the foregoing, no such consent shall be required for the assignment of all of Aptevo's rights and

obligations under this Agreement to an acquirer of all or substantially all of the assets of the Aptevo Group relating to the Products.

(b) Nothing herein shall prevent Emergent or any member of the Emergent Group from (i) assigning any of its rights or obligations under this Agreement or (ii) subject to the non-exclusive license granted to Aptevo herein, licensing, assigning or otherwise transferring any right, title or interest in or to any Licensed Marks.

(c) To the extent either Party assigns the Intellectual Property underlying any license granted under this Agreement, such Party shall assign the applicable portions of this Agreement to such assignee.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date first written above by their duly authorized representatives.

EMERGENT BIOSOLUTIONS INC.

By: */s/ Robert Kramer*
Name: Robert Kramer
Title: EVP & CFO

APTEVO THERAPEUTICS INC.

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

[Signature Page to Amended and Restated Trademark License Agreement]

Exhibit 10.38

AMENDMENT NO. 3 TO CREDIT AND SECURITY AGREEMENT

This AMENDMENT NO. 3 TO CREDIT AND SECURITY AGREEMENT (this "**Agreement**") is made as of February 23, 2018, by and among **APTEVO THERAPEUTICS INC.**, a Delaware corporation ("**Aptevo Therapeutics**"), **APTEVO BIOTHERAPEUTICS LLC**, a Delaware limited liability company ("**Aptevo BioTherapeutics**"), **APTEVO RESEARCH AND DEVELOPMENT LLC**, a Delaware limited liability company ("**Aptevo R&D**", and Aptevo R&D together with Aptevo Therapeutics and Aptevo BioTherapeutics, each individually, a "**Borrower**" and collectively, the "**Borrowers**"), **MIDCAP FINANCIAL TRUST**, a Delaware statutory trust, as Agent (in such capacity, together with its successors and assigns, "**Agent**") and the other financial institutions or other entities from time to time parties to the Credit Agreement referenced below, each as a Lender.

RECITALS

A. Agent, Lenders and Borrowers have entered into that certain Credit and Security Agreement, dated as of August 4, 2016 (as amended by that certain Amendment No. 1 to Credit and Security Agreement, dated as of May 11, 2017, as amended by that certain Amendment No. 2 to Credit and Security Agreement, dated as of September 28, 2017, and as further amended, modified, supplemented and restated prior to the date hereof, the "**Original Credit Agreement**" and as the same is amended hereby and as it may be further amended, modified, supplemented and restated from time to time, the "**Credit Agreement**"), pursuant to which the Lenders have agreed to make certain advances of money and to extend certain financial accommodations to Borrowers in the amounts and manner set forth in the Credit Agreement.

B. Borrowers have requested, and Agent and Lenders constituting at least the Required Lenders have agreed, to amend certain provisions of the Original Credit Agreement to, among other things, permit the Borrowers to maintain a cash collateral account as security for its reimbursement obligations in respect of certain letters of credit to be issued for the account of Borrower by Wells Fargo, all in accordance with the terms and subject to the conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the terms and conditions set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Agent, Required Lenders and Borrowers hereby agree as follows:

1. **Recitals**. This Agreement shall constitute a Financing Document and the Recitals and each reference to the Credit Agreement, unless otherwise expressly noted, will be deemed to reference the Credit Agreement as amended hereby. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement (including those capitalized terms used in the Recitals hereto).

2. **Amendments to Original Credit Agreement**. Subject to the satisfaction of the conditions to effectiveness set forth in Section 4 below, the Original Credit Agreement is hereby amended as follows:

(a) The definition of "Excluded Property" in Section 1.1 of the Original Credit Agreement is hereby amended by adding a new clause (e) immediately following clause (d) thereof and prior to the words "*provided, however*" as follows:

"(e) at all times during the Wells Fargo LC Period, the Wells Fargo LC Cash Collateral Account, all cash and cash equivalents deposited therein and all identifiable proceeds thereof,"

(b) The definition of "Permitted Debt" in Section 1.1 of the Original Credit Agreement is hereby amended by restating clause (i) thereof to read as follows:

"(i) Debt of Borrower, incurred during the Wells Fargo LC Period under or pursuant to the Wells Fargo Standby Letter of Credit Agreement in respect of the Wells Fargo Letters of Credit, *provided* that the aggregate amount of such Debt shall not, at any time, when combined with the Contingent Obligations set forth in clause (h) of the definition of "Permitted Contingent Obligations", exceed $3,500,000."

(c) The definition of "Permitted Contingent Obligations" in Section 1.1 of the Original Credit Agreement is hereby amended by deleting "and" at the end of clause (g) thereof, renumbering clause (h) to clause (i), and adding a new clause (h) as set forth below:

"(h) Contingent Obligations of Borrower, incurred during the Wells Fargo LC Period under or pursuant to the Wells Fargo Standby Letter of Credit Agreement in respect of the Wells Fargo Letters of Credit, *provided* that the aggregate amount of such Contingent Obligations shall not, at any time, when combined with the Debt set forth in clause (i) of the definition of "Permitted Debt", exceed $3,500,000."

(d) The definition of "Permitted Liens" in Section 1.1 of the Original Credit Agreement is hereby amended by deleting "and" at the end of clause (l), renumbering clause (m) to clause (n), and adding a new clause (m) as set forth below:

"(m) during the Wells Fargo LC Period, Liens on the Wells Fargo LC Cash Collateral Account and the cash and cash equivalents deposited therein, in an aggregate amount not to exceed $3,500,000, securing Borrower's obligations under the Wells Fargo Standby Letter of Credit Agreement and the Wells Fargo Letters of Credit;"

(e) Section 1.1 of the Original Credit Agreement is hereby amended by adding the following definitions in the appropriate alphabetical order therein:

""**Third Amendment**" means that certain Amendment No. 3 to Credit and Security Agreement, dated as of February 23, 2018, by and among Borrowers, Agent and the Required Lenders."

""**Third Amendment Effective Date**" means the first date that all of the conditions in Section 4 of the Third Amendment are satisfied."

""**Wells Fargo LC Cash Collateral Account**" means one or more certificates of deposit of Borrower maintained at Wells Fargo (including without limitation certificate of deposit number 1139862385) that are segregated from and not commingled with any other funds of Borrower or its Subsidiaries, the aggregate balance of which shall not at any time exceed 105% of the face value of the Wells Fargo Letters of Credit then outstanding, and which shall constitute the sole security for the obligations of Borrower

under the Wells Fargo Standby Letter of Credit Agreement and the Wells Fargo Letters of Credit."

""**Wells Fargo LC Period**" means the period commencing on the Third Amendment Effective Date and terminating on the date Borrower receives all or substantially all of its anticipated value added tax refunds from the Italian government, the Wells Fargo Letters of Credit have expired or been terminated and the Borrower's obligations under the Wells Fargo Standby Letter of Credit Agreement have terminated."

"**Wells Fargo Standby Letter of Credit Agreement**" means that certain Standby Letter of Credit Agreement, dated as of February 23, 2018, pursuant to which Wells Fargo has agreed to issue letters of credit for the account of Borrower and Borrower has agreed to reimburse Wells Fargo for amounts drawn under such letters of credit, as amended, supplemented or otherwise modified from time to time in accordance with the terms hereof and thereof.

""**Wells Fargo Letters of Credit**" means those certain letters of credit issued during the Wells Fargo LC Period by Wells Fargo for the account of Borrowers pursuant to the Wells Fargo Standby Letter of Credit Agreement, but solely to the extent required by the beneficiary thereof in order for Borrowers to receive value added tax refunds from the Italian government; *provided,* however, that the aggregate face value of all such letters of credit may not exceed $3,500,000 at any time outstanding."

(f) Section 5.14 of the Original Credit Agreement is hereby amended by deleting the third sentence thereof (which sentence, for the avoidance of doubt, begins with the phrase "The provisions of this Section requiring …") in its entirety and replacing it with the following sentence:

"The provisions of this Section requiring Deposit Account Control Agreements shall not apply to (a) the Wells Fargo Cash Collateral Account, (b) the Wells Fargo LC Cash Collateral Account during the Wells Fargo LC Period, and (c) Deposit Accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrowers' employees and identified to Agent by Borrowers as such (the Deposit Accounts in clauses (a) through (c), collectively, "**Excluded Accounts**"); *provided, however*, that at all times that any Obligations remain outstanding following the date that is thirty (30) days following the Closing Date (the "**Post-Closing Payroll Account Period**"), Borrower shall maintain one or more separate Deposit Accounts to hold any and all amounts to be used for payroll, payroll taxes and other employee wage and benefit payments, and shall not commingle any monies allocated for such purposes with funds in any other Deposit Account."

(g) Section 5.14 of the Original Credit Agreement is hereby also amended by adding the following sentence as the last sentence of such section:

"Notwithstanding any other provision to the contrary contained herein, upon the expiration of the Wells Fargo LC Period, Borrowers shall promptly transfer all funds on deposit in the Wells Fargo LC Cash Collateral Account to a Deposit Account or Securities Account subject to a Deposit Account Control Agreement or a Securities Account Control Agreement in favor of Agent."

3. **Representations and Warranties; Reaffirmation of Security Interest.** Each Borrower hereby confirms that each of the representations and warranties set forth in the Credit Agreement is true

and correct in all material respects (without duplication of any materiality qualifier in the text of such representation or warranty) with respect to such Borrower as of the date hereof except to the extent that any such representation or warranty relates to a specific date in which case such representation or warranty shall be true and correct in all material respects as of such earlier date (without duplication of any materiality qualifier in the text of such representation or warranty). Each Borrower confirms and agrees that all security interests and Liens granted to Agent continue in full force and effect, and that all Collateral remains free and clear of any Liens, other than Permitted Liens. Nothing herein is intended to impair or limit the validity, priority or extent of Agent's security interests in and Liens on the Collateral. Each Borrower acknowledges and agrees that the Credit Agreement, the other Financing Documents and this Agreement constitute the legal, valid and binding obligation of such Borrower, and are enforceable against such Borrower in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws relating to the enforcement of creditors' rights generally and by general equitable principles.

4. **Conditions to Effectiveness.** This Agreement shall become effective as of the date on which each of the following conditions has been satisfied (or waived in writing by the Agent and the Required Lenders), as determined by Agent in its sole discretion:

(a) Borrowers, Agent and Required Lenders shall have delivered to Agent this Agreement, executed by an authorized officer of each such Person;

(b) Borrowers shall have delivered to Agent a duly executed copy of the Wells Fargo Standby Letter of Credit Agreement, in form and substance reasonably satisfactory to Agent;

(c) all representations and warranties of Borrowers contained herein shall be true and correct in all material respects (without duplication of any materiality qualifier in the text of such representation or warranty) as of the date hereof except to the extent that any such representation or warranty relates to a specific date in which case such representation or warranty shall be true and correct in all material respects as of such earlier date (without duplication of any materiality qualifier in the text of such representation or warranty) (and such parties' delivery of their respective signatures hereto shall be deemed to be its certification thereof); and

(d) prior to and after giving effect to the agreements set forth herein, no Default or Event of Default shall exist under any of the Financing Documents.

5. **UCC Financing Statements.** On the Third Amendment Effective Date, Agent hereby agrees to file, or cause to be filed, the UCC-3 financing statement attached hereto as Exhibit A with the Delaware Secretary of State, with respect to certificate of deposit of Borrower maintained at Wells Fargo with number 1139862385. Thereafter, Agent agrees to file, or cause to be filed, at Borrower's sole cost and expense, within a commercially reasonable period of time following request from the Borrower, additional UCC-3 financing statements in form reasonably satisfactory to the Borrower and Agent deleting from the Collateral such additional certificates of deposit of Borrower maintained at Wells Fargo *provided* that such certificates of deposit constitute a portion of the Wells Fargo LC Cash Collateral Account. Upon the termination of the Wells Fargo LC Period, Borrowers hereby agree that Agent may file, or cause to be filed, any UCC-1 financing statements that Agent deems reasonably necessary to add to the Collateral the Wells Fargo LC Cash Collateral Accounts in accordance with the terms of the Credit Agreement.

6. **Release**. In consideration of the agreements of Agent and Required Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby

acknowledged, Borrower, voluntarily, knowingly, unconditionally and irrevocably, with specific and express intent, for and on behalf of itself and all of its respective parents, subsidiaries, affiliates, members, managers, predecessors, successors, and assigns, and each of their respective current and former directors, officers, shareholders, agents, and employees, and each of their respective predecessors, successors, heirs, and assigns (individually and collectively, the "**Releasing Parties**") does hereby fully and completely release, acquit and forever discharge each of Agent, Lenders, and each their respective parents, subsidiaries, affiliates, members, managers, shareholders, directors, officers and employees, and each of their respective predecessors, successors, heirs, and assigns (individually and collectively, the "**Released Parties**"), of and from any and all actions, causes of action, suits, debts, disputes, damages, claims, obligations, liabilities, costs, expenses and demands of any kind whatsoever, at law or in equity, whether matured or unmatured, liquidated or unliquidated, vested or contingent, choate or inchoate, known or unknown that the Releasing Parties (or any of them) has against the Released Parties or any of them (whether directly or indirectly), based in whole or in part on facts, whether or not now known, existing on or before the date hereof (and not, for the avoidance of doubt, arising at any time hereafter). Each Borrower acknowledges that the foregoing release is a material inducement to Agent's and each Required Lender's decision to enter into this Agreement and agree to the modifications contemplated hereunder, and has been relied upon by Agent and Required Lenders in connection therewith.

7. **No Waiver or Novation.** The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided in this Agreement, operate as a waiver of any right, power or remedy of Agent, nor constitute a waiver of any provision of the Credit Agreement, the Financing Documents or any other documents, instruments and agreements executed or delivered in connection with any of the foregoing. Nothing herein is intended or shall be construed as a waiver of any existing Defaults or Events of Default under the Credit Agreement or the other Financing Documents or any of Agent's rights and remedies in respect of such Defaults or Events of Default. This Agreement (together with any other document executed in connection herewith) is not intended to be, nor shall it be construed as, a novation of the Credit Agreement.

8. **Affirmation.** Except as specifically amended pursuant to the terms hereof, each Borrower hereby acknowledges and agrees that the Credit Agreement and all other Financing Documents (and all covenants, terms, conditions and agreements therein) shall remain in full force and effect, and are hereby ratified and confirmed in all respects by such Borrower. Each Borrower covenants and agrees to comply with all of the terms, covenants and conditions of the Credit Agreement and the Financing Documents, notwithstanding any prior course of conduct, waivers, releases or other actions or inactions on Agent's or any Lender's part which might otherwise constitute or be construed as a waiver of or amendment to such terms, covenants and conditions.

9. **Miscellaneous**.

(a) Reference to the Effect on the Credit Agreement. Upon the effectiveness of this Agreement, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of similar import shall mean and be a reference to the Credit Agreement, as amended by this Agreement.

(b) Incorporation of Credit Agreement Provisions. The provisions contained in Section 11.6 (Indemnification) of the Credit Agreement are incorporated herein by reference to the same extent as if reproduced herein in their entirety.

(c) THIS AGREEMENT AND ALL DISPUTES AND OTHER MATTERS RELATING HERETO OR ARISING THEREFROM (WHETHER SOUNDING IN CONTRACT LAW, TORT LAW OR OTHERWISE), SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE

LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

(d) EACH BORROWER HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN THE STATE OF NEW YORK IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN, AND IRREVOCABLY AGREES THAT, SUBJECT TO AGENT'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE LITIGATED IN SUCH COURTS. EACH BORROWER EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS. EACH BORROWER HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON SUCH BORROWER BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO SUCH BORROWER AT THE ADDRESS SET FORTH IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED.

(e) EACH BORROWER, AGENT AND THE LENDERS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. EACH BORROWER, AGENT AND EACH LENDER ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH BORROWER, AGENT AND EACH LENDER WARRANTS AND REPRESENTS THAT IT HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

(f) Headings. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

(g) Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or by electronic mail delivery of an electronic version (e.g., .pdf or .tif file) of an executed signature page shall be effective as delivery of an original executed counterpart hereof and shall bind the parties hereto.

(h) Entire Agreement. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

(i) Severability. In case any provision of or obligation under this Agreement shall be invalid, illegal or unenforceable in any applicable jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(j) Successors/Assigns. This Agreement shall bind, and the rights hereunder shall inure to, the respective successors and assigns of the parties hereto, subject to the provisions of the Credit Agreement and the other Financing Documents.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, intending to be legally bound, the undersigned have executed this Agreement as of the day and year first hereinabove set forth.

AGENT:

MIDCAP FINANCIAL TRUST,
as Agent

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Michael Levin
Name: Michael Levin
Title: Authorized Signatory

LENDER:

APOLLO INVESTMENT CORPORATION

By: Apollo Investment Management, L.P., as Advisor

By: ACC Management, LLC, as its General Partner

By: _/s/Tanner Powell_____
Name: Tanner Powell
Title: Authorized Signatory

LENDER: **FLEXPOINT MCLS SPV LLC**

By: _/s/ Daniel Edelman_____
Name: Daniel Edelman
Title: Vice President

LENDER:

ELM 2016-1 TRUST

By: MidCap Financial Services Capital Management, LLC, as Servicer

By: /s/ John O'Dea
Name: John O'Dea
Title: Authorized Signatory

BORROWERS:

APTEVO THERAPEUTICS INC.

By: /s/ Jeff Lamothe_____
Name: Jeff Lamothe
Title: Chief Financial Officer

APTEVO BIOTHERAPEUTICS LLC

By: /s/ Jeff Lamothe_____
Name: Jeff Lamothe
Title: Chief Financial Officer

APTEVO RESEARCH AND DEVELOPMENT LLC

By: /s/ Jeff Lamothe_____
Name: Jeff Lamothe
Title: Chief Financial Officer

Exhibit A

UCC-3 Financing Statement

[See Attached]

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-213108) pertaining to Converted Equity Awards Incentive Plan and 2016 Stock Incentive Plan of Aptevo Therapeutics Inc., and
(2) Registration Statement (Form S-8 No. 333-219875) pertaining to the 2016 Stock Incentive Plan of Aptevo Therapeutics Inc.; and
(3) Registration Statement (Form S-3 No. 333-221499) of Aptevo Therapeutics Inc.

of our report dated March 13, 2018, with respect to the consolidated financial statements of Aptevo Therapeutics Inc. included in this Annual Report (Form 10-K) of Aptevo Therapeutics Inc. for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Seattle, Washington
March 13, 2018

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 Annual Report on Form 10-K of Aptevo Therapeutics Inc.;

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

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

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

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

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

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

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

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

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

Date: March 13, 2018

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 Annual Report on form 10-K of Aptevo Therapeutics Inc.;

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

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

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

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

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

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

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

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

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

Date: March 13, 2018

By: /s/ Jeff Lamothe
Jeff Lamothe
Senior Vice President, Chief Financial Officer, and Treasurer

Exhibit 32.1

CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED AND
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Aptevo Therapeutics Inc. on Form 10-K for the period ending December 31, 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: March 13, 2018

By: /s/ Marvin White
Marvin White
President and Chief Executive Officer

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

Exhibit 32.2

CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED AND
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Aptevo Inc. on Form 10-K for the period ending December 31, 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, as amended; and

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

Date: March 13, 2018

By: /s/ Jeff Lamothe

Jeff Lamothe
Senior Vice President, Chief Financial Officer,
and Treasurer

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