UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2016

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: **001-36278**

Alliqua BioMedical, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**58-2349413**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1010 Stony Hill Road **Yardley, PA**	**19067**
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code: **(215) 702-8550**

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) . Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 3, 2016, the registrant had 29,674,087 shares of common stock outstanding.

ALLIQUA BIOMEDICAL, INC.

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ALLIQUA BIOMEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 12,572	$ 26,080
Accounts receivable, net	2,514	2,060
Inventory, net	3,128	2,275
Prepaid expenses and other current assets	646	942
Current assets of discontinued operations	533	1,315
Amount due from sale of assets	4,103	-
Total current assets	23,496	32,672
Improvements and equipment, net	2,291	1,847
Intangible assets, net	31,926	33,667
Goodwill	21,166	21,166
Other assets	173	173
Assets of discontinued operations - noncurrent	-	227
Total assets	$ 79,052	$ 89,752
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 2,117	$ 2,594
Accrued expenses and other current liabilities	3,042	3,071
Contingent consideration, current	1,359	2,573
Current portion of long-term debt, net	1,780	-
Warrant liability	199	861
Current liabilities of discontinued operations	111	103
Total current liabilities	8,608	9,202
Long-term debt, net	10,776	12,126
Contingent consideration, long-term	1,792	14,455
Deferred tax liability	1,474	1,468
Other long-term liabilities	361	76
Total liabilities	23,011	37,327
Commitments and Contingencies		
Stockholders' Equity		
Preferred Stock, par value $0.001 per share, 1,000,000 shares authorized, no shares issued and outstanding	-	-
Common Stock, par value $0.001 per share, 95,000,000 shares authorized; 29,674,609 and 27,668,913 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	30	28
Additional paid-in capital	154,581	148,457
Accumulated deficit	(98,570)	(96,060)
Total stockholders' equity	56,041	52,425
Total liabilities and stockholders' equity	$ 79,052	$ 89,752

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

ALLIQUA BIOMEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Revenue, net of returns, allowances and discounts	$ 4,467	$ 2,488	$ 8,424	$ 4,049
Cost of revenues	1,599	1,190	3,189	2,223
Gross profit	2,868	1,298	5,235	1,826
Operating expenses				
Selling, general and administrative	9,551	8,230	19,509	14,508
Research and product development	328	279	527	300
Acquisition-related	-	915	-	2,861
Change in fair value of contingent consideration liability	(9,092)	265	(8,730)	373
Total operating expenses	787	9,689	11,306	18,042
Income (loss) from operations	2,081	(8,391)	(6,071)	(16,216)
Other income (expense)				
Interest expense	(653)	(233)	(1,271)	(233)
Interest income	7	13	15	19
Change in fair value of warrant liability	(75)	(90)	662	(78)
Total other expense	(721)	(310)	(594)	(292)
Income (loss) from continuing operations before tax	1,360	(8,701)	(6,665)	(16,508)
Income tax (expense) benefit	(3)	1,440	(6)	1,437
Income (loss) from continuing operations	1,357	(7,261)	(6,671)	(15,071)
Discontinued operations:				
Income from discontinued operations, net of tax of $0 for the three and six months ended June 30, 2016 and 2015	504	271	850	420
Gain on sale of assets, net of tax of $0 for the three and six months ended June 30, 2016 and 2015	3,311	-	3,311	-
Income from discontinued operations, net of tax	3,815	271	4,161	420
Net income (loss)	$ 5,172	$ (6,990)	$ (2,510)	$ (14,651)
Net income (loss) per basic common share:				
Income (loss) from continuing operations	$ 0.05	$ (0.33)	$ (0.24)	$ (0.68)
Income from discontinued operations	0.02	0.01	0.03	0.02
Gain on sale of assets	0.11	-	0.12	-
Total	0.13	0.01	0.15	0.02
Net income (loss) per basic common share	$ 0.18	$ (0.32)	$ (0.09)	$ (0.66)
Net income (loss) per diluted common share:				
Income (loss) from continuing operations	$ 0.05	$ (0.33)	$ (0.24)	$ (0.68)
Income from discontinued operations	0.02	0.01	0.03	0.02
Gain on sale of assets	0.11	-	0.12	-
Total	0.13	0.01	0.15	0.02
Net income (loss) per diluted common share	$ 0.18	$ (0.32)	$ (0.09)	$ (0.66)
Weighted average shares used in computing net				

income (loss) per common share:				
Basic	28,169,843	22,108,703	27,731,465	22,103,377
Diluted	28,568,600	22,108,703	27,731,465	22,103,377

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

ALLIQUA BIOMEDICAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2016	**2015**
Operating Activities		
Net loss	$ (2,510)	$ (14,651)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,085	832
Amortization of deferred lease incentive	(19)	(4)
Deferred income tax expense (benefit)	6	(1,437)
Provision for doubtful accounts	31	46
Provision for excess and slow moving inventory	3	13
Stock-based compensation expense	3,080	4,323
Deferred rent	75	-
Amortization of debt issuance and debt discount costs	428	85
Change in fair value of warrant liability	(662)	78
Fair value adjustment of contingent consideration liability	(8,730)	373
Gain on sale of assets	(3,311)	-
Changes in operating assets and liabilities:		
Accounts receivable	(560)	(533)
Inventory	(601)	(1,122)
Prepaid expenses and other current assets	294	(15)
Accounts payable	(473)	345
Accrued expenses and other current liabilities	413	(691)
Net Cash Used in Operating Activities	(10,451)	(12,358)
Investing Activities		
Purchase of improvements and equipment	(484)	(77)
Acquisition of business, net of cash acquired	-	(14,948)
Net Cash Used in Investing Activities	(484)	(15,025)
Financing Activities		
Contingent purchase price payments	(2,573)	-
Net proceeds from issuance of common stock	-	32,197
Net proceeds from long-term debt	-	14,244
Proceeds from the exercise of stock options	-	300
Payment of withholding taxes related to stock-based employee compensation	-	(369)
Net Cash (Used in) Provided by Financing Activities	(2,573)	46,372
Net (Decrease) Increase in Cash and Cash Equivalents	(13,508)	18,989
Cash and Cash Equivalents - Beginning of period	26,080	16,771
Cash and Cash Equivalents - End of period	$ 12,572	$ 35,760
Supplemental Disclosure of Cash Flows Information		
Cash paid during the period for:		
Interest	$ 842	$ 148
Non-cash investing and financing activities:		
Extinguishment of warrant liability due to cashless warrant exercise	$ -	$ 31
2015 Accrued bonus awarded in equity	474	-
Common stock issued for contingent purchase price payments	2,574	-
Acquisition of business:		
Current assets, excluding cash and cash equivalents	$ -	$ 1,836
Intangibles	-	31,952
Goodwill	-	16,825
Liabilities assumed	-	(2,006)
Deferred tax liability	-	(2,881)
Contingent consideration	-	(15,570)
Issuance of common stock for acquisition	-	(15,208)

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

ALLIQUA BIOMEDICAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Description of Business and Basis of Presentation

Alliqua BioMedical, Inc. (the "Company") is a provider of advanced wound care solutions. The Company has a suite of advanced wound care solutions that enable surgeons, clinicians, and wound care practitioners to address some of the challenges presented by chronic and advanced wounds.

Basis of Presentation

The condensed consolidated financial statements contained in this report are unaudited. In the opinion of management, the condensed consolidated financial statements include all adjustments, which are of a normal recurring nature, necessary to present fairly the Company's financial position as of June 30, 2016 and results of operations and cash flows for the three and six months ended June 30, 2016. While management believes that the disclosures presented are adequate to make the information not misleading, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the Company's latest year-end financial statements, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 (the "2015 Annual Report"). The results of the Company's operations for any interim period are not necessarily indicative of the results of operations for any other interim period or for the full year.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, AquaMed Technologies, Inc. All significant inter-company transactions and accounts have been eliminated in consolidation.

Reclassifications

Certain amounts in prior periods have been reclassified to conform to the current year presentation. Such reclassifications did not have a material effect on the Company's financial condition or results of operations as previously reported.

Liquidity

As of June 30, 2016, the Company had cash and cash equivalents and working capital of approximately $12.6 million and $14.9 million, respectively. During the six months ended June 30, 2016, the Company utilized approximately $10.5 million of cash in its operations, and funded $2.6 million for the first cash installment due for the contingent consideration obligation that arose in the Celleration acquisition. Further, a final contingent consideration obligation, in connection with this acquisition, is due and payable in March 2017. At June 30, 2016, the cash portion of this contingent obligation is estimated at approximately $1.4 million.

The Company's cash requirements have historically been for mergers and acquisitions, product development, clinical trials, marketing and sales activities, finance and administrative costs, capital expenditures and working capital. Since inception, the Company has incurred negative cash flows and has funded operations primarily from the sales of common stock and other securities.

On June 30, 2016 the Company sold the rights to the sorbion product for total consideration of approximately $4.1 million. The Company received $3.5 million of this amount on July 1, 2016 and expects to receive the balance of the proceeds in the third quarter of 2016. The Company used approximately $1.8 million of these proceeds to reduce its debt balance. See Note 4 — Discontinued Operations for further discussion.

Due to the time delay between collection of revenues and the initial outlays for costs for acquiring rights to additional products, the hiring and training of sales agents and personnel, marketing, purchasing inventory, billing and collection of revenue, conducting a post market clinical trial for Biovance, servicing debt, and due diligence related to merger and acquisition activities, the Company expects to continue to have a cash outflow until it has a significant increase in revenue, achieves profitability or raises additional financing. If the Company is unable to achieve profitability, raise additional financing or extend the time or manner of the final installment of the contingent consideration, it will need to develop and implement an alternative plan to extend payables, reduce operating costs and/or scale back planned business operations until sufficient capital is raised to support its business plans. There can be no assurance that such a plan will be successful.

In addition, the Company's credit agreement requires it to meet certain financial covenants. Failure to observe or perform any covenant contained in the credit agreement would result in the event of default. If an event to default were to occur, payment of the remaining principal amount of approximately $13.7 million would be accelerated and immediately become due and payable. Proceeds to pay down such debt would most likely come from the Company's working capital, which could leave the Company with insufficient cash to fund operations.

Significant Accounting Policies and Estimates

The Company's significant accounting policies are disclosed in Note 2 — *Summary of Significant Accounting Policies* in the 2015 Annual Report. Since the date of the 2015 Annual Report, there have been no material changes to the Company's significant accounting policies. The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. These estimates and assumptions include valuing equity securities and derivative financial instruments issued in financing transactions, allowance for doubtful accounts, inventory reserves, deferred taxes and related valuation allowances, and the fair values of long lived assets, intangibles, goodwill and contingent consideration. Actual results could differ from the estimates.

Recent Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, which for the Company will commence with the year beginning January 1, 2018, with early adoption permitted commencing January 1, 2017. The Company is currently evaluating the standard to determine the impact of its adoption on the condensed consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). The standard requires a lessee to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. The standard is effective for annual reporting periods beginning after December 15, 2018, which for the Company will commence with the year beginning January 1, 2019, with early application permitted. The adoption will require a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest period presented. The Company is currently evaluating the standard to determine the impact of the adoption on the condensed consolidated financial statements.

2. Net Loss Per Common Share

Basic income (loss) per share data for each period presented is computed using the weighted-average number of shares of common stock outstanding during each such period. Diluted income (loss) per share data is computed using the weighted-average number of common and dilutive common-equivalent shares outstanding during each period. Dilutive common-equivalent shares consist of: (a) shares that would be issued upon the exercise of stock options and warrants, computed using the treasury stock method; and (b) shares of non-vested restricted stock.

The Company calculated the potential diluted earnings per share in accordance with ASC 260, as follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator:				
Net income (loss) from continuing operations (numerator for basic and diluted earnings per share)	$ 1,357	$ (7,261)	$ (6,671)	$ (15,071)
Weighted average shares outstanding (denominator for basic earnings per share)	28,169,843	22,108,703	27,731,465	22,103,337
Effect of dilutive securities:				
Assumed vesting of restricted stock, treasury stock method	398,757	-	-	-
Dilutive potential common shares	398,757	-	-	-
Denominator for diluted earnings per share- weighted average shares and assumed potential common shares	28,568,600	22,108,703	27,731,465	22,103,337
Basic earnings (loss) from continuing operations per share	$ 0.05	$ (0.33)	$ (0.24)	$ (0.68)
Diluted earnings (loss) from continuing operations per share	$ 0.05	$ (0.33)	$ (0.24)	$ (0.68)

The following securities are excluded from the calculation of weighted average dilutive common shares for the following periods because their inclusion would have been anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Options	7,427,279	6,073,740	7,427,279	6,073,740
Warrants	3,365,407	3,372,550	3,365,407	3,372,550
Non-vested restricted stock	460,001	784,076	1,480,041	784,076
Total potentially dilutive shares	11,252,687	10,230,366	12,272,727	10,230,366

3. Acquisitions

Acquisition of Celleration, Inc.

On May 29, 2015, the Company acquired all outstanding equity interest of Celleration, Inc. ("Celleration"), a medical device company focused on developing and commercializing the MIST Therapy® therapeutic ultrasound platform for the treatment of acute and chronic wounds for an aggregate purchase price of approximately $46.3 million. The purchase price consisted of an initial cash payment of approximately $15.5 million (including working capital adjustments of approximately $0.3 million), 3,168,229 shares of the Company's common stock and contingent consideration with an estimated acquisition date fair value of approximately $15.6 million. This acquisition complemented the Company's growth strategy aimed at providing a portfolio of advanced wound care solutions.

The Company has agreed to pay contingent consideration of 3.5 times revenue from acquired MIST Therapy products in excess of certain revenue targets for the years ending December 31, 2015 and 2016, payable in equal amounts of cash and the Company's common stock. This contingent consideration is payable in two installments in March 2016 and March 2017.

The first installment consisted of $2.6 million of cash and approximately 986,000 shares of the Company's common stock valued at approximately $2.6 million and was paid in March 2016. This payment was based on 3.5 times of the excess of 2015 MIST Therapy revenue of approximately $10.2 million over 2014 MIST Therapy revenue of approximately $8.7 million.

As of June 30, 2016, the Company has recorded a liability of approximately $2.8 million for the second installment of contingent consideration due in March 2017. For the three and six months ended June 30, 2016 the Company recorded a decrease in the fair value of this liability of $9.1 million and $8.7 million, respectively. The fair value of this liability is based on 3.5 times of the excess of projected 2016 MIST Therapy revenue over 2015 MIST Therapy revenue. This payment is payable in equal amounts of cash and the Company's stock.

At the date of acquisition and June 30, 2016, the cash flow projection was discounted using a weighted average cost of capital of 12.5%. These fair value measurements were based on significant inputs not observed in the market and thus represented a Level 3 measurement.

Pro Forma Results

The following unaudited pro forma financial information summarizes the results of operations for the three and six months ended June 30, 2015, as if the acquisition had been completed as of January 1, 2015. The pro forma results were calculated applying the Company's accounting policies and include the effects of adjustments related to the amortization charges from the acquired intangibles and long-term debt. The unaudited pro forma information does not purport to be indicative of the results that would have been obtained if the acquisitions had actually occurred at the beginning of the year prior to acquisition, nor of the results that may be reported in the future. The unaudited pro forma results of operations for the three and six months ended June 30, 2015 are as follows (in thousands, except per share amounts):

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Revenues	$ 4,362	$ 8,138
Net loss	$ (10,835)	$ (21,128)
Net loss per share	$ (0.43)	$ (0.84)

4. Discontinued Operations

Asset Sale

In order to add capital and to focus on future investments on commercializing its own highly differentiated advanced wound care and regenerative technologies effective June 30, 2016, the Company entered into a purchase agreement (the "Purchase Agreement") with BSN medical, Inc. ("BSN") whereby the Company agreed to sell to BSN (i) all of the Company's rights, including all distribution rights, exclusivity rights, intellectual property rights and marketing rights (collectively, the "Rights") to the sorbion product line pursuant to its distribution agreement (as amended, the "Sorbion Agreement") with Sorbion GmbH & Co KG and (ii) the unsold inventory of sorbion products previously purchased by the Company) in existence as of the closing, which occurred upon execution and delivery of the Purchase Agreement. In consideration for the sale of the Rights and the unsold sorbion inventory to BSN by the Company, BSN agreed to pay (i) $3.5 million related to the purchase of the Rights and the termination of the Sorbion Agreement and certain other agreements between the parties and (ii) up to $900,000 related to the unsold sorbion inventory upon the Company's completion of its obligations to deliver all remaining and qualifying unsold sorbion inventory, with such payment amount varying based upon the condition of the sorbion inventory, as specified in the Purchase Agreement.

During the three and six months ended June 30, 2016, the Company recorded a gain of approximately $3.3 million (net of tax of $0) on the sale of the assets related to the Purchase Agreement, pursuant to the following (in thousands):

Proceeds from sale		
Consideration for inventory	$ 603	
Consideration for intangible assets	3,500	
Total Consideration		4,103
Less: Net book value of assets sold to BSN		
Inventory, net	(603)	
Intangibles, net	(189)	
Total net book value of assets		(792)
Gain on sale of assets		$ 3,311

On June 30, 2016, the Company entered into a ninety-day transition services agreement with BSN ("Transition Agreement"). Under the Transition Agreement, the Company shall perform certain services related to the communication with distributors, wholesalers and customers in respect of transition of the business to BSN, as specified in the Transition Agreement. As compensation, BSN shall pay the Company $100,000 upon completion of the services and the revenue will be recognized over the service period. BSN may terminate the Transition Agreement or reduce the level of services provided by the Company at any time.

Discontinued Operations

Summarized operating results of discontinued operations are presented in the following table (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue, net of returns, allowances and discounts	$ 1,023	$ 648	$ 1,709	$ 1,201
Cost of revenues	348	184	536	358
Gross profit	675	464	1,173	843
Selling, general and administrative	171	193	323	423
Income from discontinued operations, net of tax	504	271	850	420

Non-cash amortization expense of $38,000 is included in selling, general and administrative expense for each of the six month periods ended June 30, 2016 and June 30, 2015.

Summarized assets and liabilities of discontinued operations are presented in the following table (in thousands):

	June 30, 2016	December 31, 2015
Accounts receivable, net	$ 533	$ 457
Inventory, net	-	858
Total current assets	533	1,315
Intangible assets, net	-	227
Total assets	533	1,542
Accounts payable	48	44
Accrued expenses and other current liabilities	63	59
Total current liabilities	$ 111	$ 103

5. Inventory

Inventory consists of the following (in thousands):

	June 30, 2016	December 31, 2015
Raw materials	$ 213	$ 241
Work in process	255	228
Finished goods	2,722	1,865
Less: Inventory reserve for excess and slow moving inventory	(62)	(59)
Total	$ 3,128	$ 2,275

6. Intangible Assets

The gross carrying amount and accumulated amortization of intangible assets are as follows (in thousands):

	Useful Life (Years)	June 30, 2016 Gross Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:				
Technology	10	$ 32,539	$ (5,685)	$ 26,854
Customer relationships	9-12	1,984	(544)	1,440
Tradename	3	111	(80)	31
Non-compete	1	208	(208)	-
Total intangible assets subject to amortization		34,842	(6,517)	28,325
Indefinite-lived intangible assets:				
Tradename	Indefinite	3,601	-	3,601
Total indefinite-lived intangible assets		3,601	-	3,601
Total intangible assets		$ 38,443	$ (6,517)	$ 31,926

	Useful Life (Years)	December 31, 2015 Gross Amount	Accumulated Amortization	Net Carrying Amount
Technology	10	$ 32,539	$ (4,057)	$ 28,482
Customer relationships	9-12	1,984	(449)	1,535
Tradename	3	111	(62)	49
Non-compete	1	208	(208)	-
		$ 34,842	$ (4,776)	$ 30,066
Indefinite-lived intangible assets:				
Tradename	Indefinite	3,601	-	3,601
Total indefinite-lived intangible assets		3,601	-	3,601
Total intangible assets		$ 38,443	$ (4,776)	$ 33,667

Amortization expense attributable to intangible assets for the three months ended June 30, 2016 and 2015 was $870,000 and $415,000 respectively. Amortization expense attributable to intangible assets for the six months ended June 30, 2016 and 2015 was $1.7 million and $629,000 respectively. Total amortization expense for the years ending December 31, 2016, 2017, 2018, 2019 and 2020 is expected to be $3.5 million, $3.5 million, $3.4 million, $3.2 million and $3.1 million, respectively.

7. Accrued Expenses

Accrued expenses and other current liabilities consist of the following (in thousands):

	June 30, 2016	December 31, 2015
Salaries, benefits and incentive compensation	$ 1,734	$ 2,118
Professional fees	715	671
Royalty fees	407	52
Deferred revenue	51	92
Other	135	138
Total accrued expenses and other current liabilities	$ 3,042	$ 3,071

8. Debt

Senior Secured Term Loan Facility

On May 29, 2015, simultaneously with and related to the closing of the Celleration acquisition, the Company entered into a Credit Agreement and Guaranty (the "Credit Agreement") with Perceptive Credit Opportunities Fund, L.P. ("Perceptive"). The Credit Agreement provided a senior secured term loan in a single borrowing to the Company in the principal amount of $15.5 million. The Credit Agreement (i) has a four-year term, (ii) accrues interest at an annual rate equal to the greater of (a) one-month LIBOR or 1% plus (b) 9.75%, (iii) is interest only for the first 24 months, followed by monthly amortization payments of $225,000, with the remaining unpaid balance due on the maturity date and (iv) is secured by a first priority lien on substantially all of the Company's assets. The interest rate at June 30, 2016 was 10.75%. In connection with the Credit Agreement, the Company incurred approximately $1.3 million of debt issuance costs, which includes legal expenses and the loan commitment, placement and exit fee, discussed below. The debt issuance costs are being amortized over the term of the loan on a straight-line basis, which approximates the effective interest method. During the three and six months ended June 30, 2016, the Company recorded amortization of debt issuance costs of $72,000 and $144,000, respectively, which is included in interest expense. During the three and six months ended June 30, 2015, the Company recorded amortization of debt issuance costs of $26,000, which is included in interest expense.

In connection with the entry into the Credit Agreement, a five-year warrant (the "Warrant") to purchase 750,000 shares of common stock, par value of $0.001 per share at an exercise price of $5.5138 per share (the "Exercise Price") was issued to Perceptive. The Company granted Perceptive customary demand and piggy-back registration rights with respect to the shares of common stock issuable upon exercise of the Warrant. The warrant contains a weighted average anti-dilution feature whereby the Exercise Price is subject to reduction if the Company issues shares of common stock (or securities convertible into common stock) in the future at a price below the current Exercise Price. As a result, the warrant was determined to be a derivative liability. The warrant had an issuance date fair value of approximately $2.7 million which was recorded as a debt discount. During the three and six months ended June 30, 2016, the Company recorded amortization of debt discount of $159,000 and $284,000, respectively, which is included in interest expense. During the three and six months ended June 30, 2015, the Company recorded amortization of debt discount of $59,000 which is included in interest expense. See Note 13 – Fair Value Measurement for additional details.

The Credit Agreement requires the Company to prepay the outstanding principal amount of the term loan up to 100% of the net cash proceeds received from specified asset sales, issuances or sales of equity and incurrences of borrowed money indebtedness, subject to certain exceptions. In addition, the Company may voluntarily prepay the term loan upon five days' prior written notice to Perceptive. The Company will incur an incremental fee for any repayments or prepayments other than the required monthly principal payments made prior to the third anniversary of the Closing Date. The Company is required to pay an exit fee when the term loan is paid in full equal to the greater of 1% of the outstanding principal balance immediately prior to the final payment and $100,000.

The Credit Agreement contains customary affirmative and negative covenants and events of default for a secured financing arrangement, including limitations on additional indebtedness, liens, asset sales and acquisitions, as well as minimum trailing twelve-month revenue levels and minimum cash requirements, among others. In addition to other customary events of default, any termination of that certain License, Marketing and Development Agreement between the Company and CCT, as amended, will constitute an event of default under the Credit Agreement.

On June 30, 2016, the Company entered into a Consent Under Credit Agreement (the "Consent Agreement") with Perceptive pursuant to which Perceptive consented to the Purchase Agreement with BSN (see Note 4 – Discontinued Operations), provided that the Company agreed to pay $1,800,000 of the proceeds from the Purchase Agreement to Perceptive, of which $1,747,573 will be applied towards the outstanding principal amount of the term loan under the Credit Agreement and $52,427 shall be used to pay an early prepayment fee. This payment was made on July 1, 2016.

Debt consists of the following (in thousands):

	June 30, 2016	December 31, 2015
Long-term debt	$ 15,500	$ 15,500
Unamortized debt issuance and discount costs	(2,944)	(3,374)
Total	$ 12,556	$ 12,126
Less: Current portion of long-term debt	1,780	-
Long-term debt, net	$ 10,776	$ 12,126

9. Commitments and Contingencies

License Agreement

On July 15, 2011, the Company entered into a license agreement with Noble Fiber Technologies, LLC, whereby the Company has the exclusive right and license to manufacture and distribute "SilverSeal Hydrogel Wound Dressings" and "SilverSeal Hydrocolloid Wound Dressings". The license is granted for ten years with an option to be extended for consecutive renewal periods of two years after the initial term. Royalties are to be paid equal to 9.75% of net sales of licensed products. The agreement calls for minimum royalties to be paid in 2016 in the amount of $600,000. Total royalties charged to selling, general and administrative expense for the three months ended June 30, 2016 and 2015 were $150,000 and $125,000, respectively. Total royalties charged to selling, general and administrative expense for the six months ended June 30, 2016 and 2015 were $300,000 and $250,000, respectively. Approximately $299,000 is included in accrued expenses as of June 30, 2016 in connection with this agreement. $497,000 is included in accounts payable as of December 31, 2015 in connection with this agreement. The Company expects to incur the minimum royalty in 2016.

Agreements for Human Placental Based Products

Human Longevity, Inc.

In January 2016, Human Longevity, Inc.'s ("HLI"), a genomics-based, technology-driven company, announced the purchase of LifebankUSA and other select assets from Celgene Cellular Therapeutics ("CCT"), an affiliate of Celgene Corporation ("Celgene"). CCT assigned and HLI assumed the agreements referred to below. In April 2016, the Company entered into a Supply Agreement with HLI, pursuant to which HLI will supply the Company with the Company's entire requirement of Interfyl™ Human Connective Tissue Matrix (CTM). The Company expects to initiate sales and marketing efforts for Interfyl™ Human Connective Tissue Matrix in 2016.

License Agreement with CCT

In November 2013, the Company entered into a License, Marketing and Development Agreement (the "License Agreement") with Anthrogenesis Corporation, d/b/a Celgene Cellular Therapeutics ("CCT"), an affiliate of Celgene Corporation ("Celgene"), pursuant to which CCT granted the Company an exclusive, royalty-bearing license in its intellectual property for certain placental based products, including ECM, a purified extracellular matrix that is derived from the human placenta, and Biovance®, CCT's proprietary wound coverings produced from decellularized, dehydrated human amniotic membrane, to develop and commercialize ECM and Biovance in the United States. The Company is required to pay CCT annual license fees, designated amounts when certain milestone events occur and royalties on all sales of licensed products, with such amounts being variable and contingent on various factors. The initial term of the License Agreement ends on November 14, 2023, unless sooner terminated pursuant to the termination rights under the License Agreement, and will extend for additional two-year terms unless either party gives written notice within a specified period prior to the end of a term. The License Agreement may be terminated (i) by CCT if the Company or any of its affiliates challenges the validity, enforceability or scope of certain enumerated CCT patents anywhere in the world; (ii) by either party if there is a final decree that a licensed product infringed on the intellectual property of a third party; (iii) by either party for breach of the License Agreement, if the breach is not cured within a specified period after receiving written notice of the breach; or (iv) by either party if the other party is the subject of insolvency proceedings, either voluntary or involuntary. In addition, the License Agreement is terminable on a product-by-product basis, and not with respect to the entire License Agreement (i) by CCT in the second year of the License Agreement, and by either CCT or the Company in the third year of the License Agreement and beyond, if the Company fails to meet certain sales thresholds and (ii) by either party upon written notice if outside legal counsel recommends discontinuance of commercialization of a product because of significant safety, legal, or economic risk as a result of a claim, demand or action or as a result of a change in the interpretation of law by a governmental or regulatory authority. The License Agreement also contains mutual confidentiality and indemnification obligations for the Company and CCT. In September 2014, the Company entered into a First Amendment to the License Agreement (the "Amended License Agreement"), pursuant to which the Company received the right to market Biovance for podiatric and orthopedic applications. The Amended License Agreement also amends certain terms and the related schedule for milestone payments to CCT.

The Company is still evaluating the development path for ECM based on continued consultation with the FDA. Any further development and commercialization is unlikely at this time.

In May 2015, the Company amended its exclusive licensing agreement with CCT, which granted the Company the right to develop and market CCT's connective tissue matrix known as Interfyl™ Human Connective Tissue Matrix.

Supply Agreements with CCT

In November 2013, the Company also entered into a Supply Agreement (the "Biovance Supply Agreement") with CCT, pursuant to which CCT shall supply the Company with the Company's entire requirements of Biovance for distribution and sale in the United States. The Biovance Supply Agreement will be terminated automatically upon the termination of the License Agreement and may otherwise be terminated (i) by CCT upon six months' prior written notice, (ii) by the Company upon six months' prior written notice if CCT fails to deliver at least a specified portion of a firm purchase order by the required delivery date specified in the order on at least a specified number of occasions in a specified period; (iii) by either party for breach of the Biovance Supply Agreement, if the breach is not cured within a specified period after receiving written notice of the breach; or (iv) by either party if the other party is the subject of insolvency proceedings, either voluntary or involuntary. On April 10, 2014, the Company and CCT entered into an amendment to the Biovance Supply Agreement in order to amend the pricing schedule.

Operating Lease

In January 2016, the Company entered into a lease for new office space to in Eden Prairie, Minnesota through 2023. The lease for the office currently utilized in Eden Prairie, Minnesota expires in April 2016. The remaining minimum lease payments for the newly leased space as of June 30, 2016 were approximately $585,000.

Litigation, Claims and Assessments

The Company is subject to periodic lawsuits, investigations and claims that arise in the ordinary course of business. The Company is not party to any material litigation as of June 30, 2016.

10. Stockholders' Equity

Common Stock

On May 6, 2016, the Company held its 2016 annual meeting of stockholders. The stockholders approved an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 45,714,286 to 95,000,000 shares.

Stock-Based Compensation

During the three and six months ended June 30, 2016, the Company recognized $1.4 million and $3.1 million of stock-based compensation expense, of which, approximately $47,000 and $129,000 is included in cost of revenues and $1.3 million and $3.0 million is included in selling, general and administrative expenses in the condensed consolidated statements of operations, respectively. During the three and six months ended June 30, 2015, the Company recognized $2.3 million and $4.3 million of stock-based compensation expense, of which, approximately $90,000 and $182,000 is included in cost of revenues and $2.2 million and $4.1 million is included in selling, general and administrative expenses in the condensed consolidated statements of operations, respectively. As of June 30, 2016, there was $5.7 million of unrecognized stock-based compensation expense which will be amortized over a weighted average period of 1.5 years.

Restricted Stock

On February 9, 2016, the Company granted 324,561 shares of restricted stock to employees with a grant date value of $474,000 which was accrued for during 2015 as part of the Company's 2015 bonus program. The shares vest on the earlier of (a) the first anniversary of the date of grant or (b) the participant's termination of service by the Company without cause.

On May 11, 2016, the Company granted 700,000 shares of restricted stock to employees with a grant date value of $602,000 which will be recognized proportionate to the vesting period. The shares vest pursuant to the satisfaction of certain performance conditions.

Stock Options

In applying the Black-Scholes option pricing model to stock options granted, the Company used the following weighted average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Risk free interest rate	1.14%-1.60%	1.49%-2.11%	1.14%-2.06%	1.14%-1.60%
Expected term (years)	5.04-6.50	5.04-6.50	5.04-6.50	5.00-6.50
Expected volatility	89.95%	98.25%	89.95%	98.25%
Expected dividends	0.00%	0.00%	0.00%	0.00%

The risk-free interest rate is based on rates of treasury securities with the same expected term as the options. The Company uses the "simplified method" to calculate the expected term of employee and director stock-based options. The expected term used for consultants is the contractual life. The Company is utilizing an expected volatility figure based on a review of the Company's historical volatility, over a period of time, equivalent to the expected life of the instrument being valued. The expected dividend yield is based upon the fact that the Company has not historically paid dividends, and does not expect to pay dividends in the near future.

A summary of the stock option activity during the six months ended June 30, 2016 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	Intrinsic Value
Outstanding, December 31, 2015	6,230,549	$ 6.26	-	$ -
Granted	1,594,000	1.05		
Exercised	-	-		
Forfeited	(397,270)	4.03		
Outstanding, June 30, 2016	7,427,279	$ 5.26	7.6	$ 151,625
Exerciseable, June 30, 2016	3,998,878	$ 6.24	6.5	$ 4,875

The weighted average estimated fair value per share of the options granted during the three and six months ended June 30, 2016 was $0.64 and $0.77, respectively. The weighted average estimated fair value per share of the options granted during the three and six months ended June 30, 2015 was $3.86 and $4.39, respectively.

11. Related Party

In November 2015, the Company entered into a manufacturing supply agreement with a company where a Company director is a member of the Board of Directors. During the three and six months ended June 30, 2016, the Company incurred costs of approximately $53,000 and $258,000, respectively, from this vendor. Approximately $28,000 and $5,000 in included in accounts payable related to this related party as of June 30, 2016 and December 31, 2015, respectively.

12. Concentration of Risk

Revenue for the three months ended June 30, 2016 and 2015, and accounts receivable as of June 30, 2016 from the Company's largest customers were as follows:

	% of Total Revenue		Accounts Receivable
Customer	2016	2015	June 30, 2016
A	12%	7%	14%
B	7%	10%	6%

Revenue for the six months ended June 30, 2016 and 2015 from our largest customers was as follows:

	% of Total Revenue	
Customer	2016	2015
A	10%	15%
B	7%	10%

13. Fair Value Measurement

Fair value is defined as the price that would be received upon selling an asset or the price paid to transfer a liability on the measurement date. It focuses on the exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair values are as follows:

Level 1: Observable prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than quoted prices in active markets for identical assets and liabilities.

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

On June 30, 2016, the Company recomputed the fair value of its warrant liability of outstanding warrants to purchase an aggregate of 816,287 shares of common stock as $199,000 using the Binomial option pricing model (Level 3 inputs) using the following assumptions: expected volatility of 59.26%-78.30%, risk-free rate of 0.45-0.86%, expected term of 1.36-3.92 years, and expected dividends of 0.00%. The Company recorded a loss on the change in fair value of these warrant liabilities of $75,000 during the three months ended June 30, 2016 and a gain on the change in fair value of $662,000 during the six months ended June 30, 2016. See Note 3 – Acquisitions for additional detail.

The following table sets forth a summary of the changes in the fair value of Level 3 warrant liabilities that are measured at fair value on a recurring basis (in thousands):

	Six Months Ended June 30,	
	2016	**2015**
Warrant Liabilities		
Beginning balance	$ 861	$ 304
Change in fair value of warrant liability	(662)	78
Value of warrants issued	-	2,683
Value of warrants exercised	-	(31)
Ending balance	$ 199	$ 3,034

	Six Months Ended June 30,	
	2016	**2015**
Contingent Consideration		
Beginning balance	$ 17,028	$ 2,932
Initial fair value of contingent consideration	-	15,570
Payments of contingent consideration	(5,147)	-
Change in fair value of contingent consideration	(8,730)	373
Ending balance	$ 3,151	$ 18,875

Assets and liabilities measured at fair value on a recurring or nonrecurring basis are as follows (in thousands):

	June 30, 2016		
	Level 1	Level 2	Level 3
Liabilities:			
Warrant liabilities	$ -	$ -	$ 199
Contingent consideration	-	-	3,151
Total liabilities	$ -	$ -	$ 3,350

	December 31, 2015		
	Level 1	Level 2	Level 3
Liabilities:			
Warrant liabilities	$ -	$ -	$ 861
Contingent consideration	-	-	17,028
Total liabilities	$ -	$ -	$ 17,889

Warrants that contain exercise reset provisions and contingent consideration liabilities are Level 3 derivative liabilities measured at fair value on a recurring basis using pricing models for which at least one significant assumption is unobservable as defined in ASC 820. The fair value of contingent consideration liabilities that are classified as Level 3 were estimated using a discounted cash flow technique with significant inputs that are not observable in the market and thus represents a Level 3 fair value measurement as defined in ASC 820. The significant inputs in the Level 3 measurement not supported by market activity include the probability assessments of expected future cash flows related to the acquisitions, appropriately discounted considering the uncertainties associated with the obligation, and as calculated in accordance with the terms of the acquisition agreements. The development and determination of the unobservable inputs for Level 3 fair value measurements and the fair value calculations are the responsibility of the Company's Chief Financial Officer and are approved by the Chief Executive Officer.

14. Income Taxes

The difference between the statutory income tax rate and the effective income tax rate is that the Company anticipates having a tax loss for the full fiscal 2016 year. During the three and six months ended June 30, 2015, the Company recorded an income tax benefit of approximately $1.4 million. The income tax benefit is related to the release of valuation allowances of approximately $1.4 million resulting from the acquisition of Celleration in May 2015.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes above.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements," which include information relating to future events, future financial performance, strategies, expectations, competitive environment and regulation. Words such as "may," "should," "could," "would," "predict," "potential," "continue," "expect," "anticipate," "future," "intend," "plan," "believe," "estimate," and similar expressions, as well as statements in future tense, identify forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and may not be accurate indications of when such performance or results will actually be achieved. Forward-looking statements are based on information we have when those statements are made or our management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- inadequate capital;
- the uncertainty regarding the adequacy of our liquidity to pursue our complete business objectives;
- our ability to obtain reimbursement from third party payers for our products;
- our ability to achieve and maintain minimum sales requirements under our license agreements;
- our ability to obtain and maintain regulatory approval of our existing products and any future products we may develop;
- market acceptance of our existing and future products;
- loss or retirement of key executives;
- our plans to make significant additional outlays of working capital before we expect to generate significant revenues and the uncertainty regarding when we will begin to generate significant revenues, if we are able to do so;
- an unfavorable decision on product reimbursement;
- adverse economic conditions and/or intense competition;
- loss of a key customer or supplier;
- entry of new competitors and products;
- adverse federal, state and local government regulation;
- technological obsolescence of our products;
- technical problems with our research and products;
- risks of mergers and acquisitions including the time and cost of implementing transactions and the potential failure to achieve expected gains, revenue growth or expense savings;
- price increases for supplies and components; and
- the inability to carry out research, development and commercialization plans.

For a discussion of these and other risks that relate to our business and investing in shares of our common stock, you should carefully review the risks and uncertainties described under the heading "Part I – Item 1A. Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on form 10-K for the year ended December 31, 2015. The forward-looking statements contained in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by this cautionary statement. We do not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any such statement is made or to reflect the occurrence of unanticipated events.

Overview

We are a provider of advanced wound care solutions. We have a suite of advanced wound care solutions that enable surgeons, clinicians, and wound care practitioners to address some of the challenges presented by chronic and advanced wounds. We have built this portfolio through our proprietary hydrogel technology platform, targeted acquisitions, and through licensing and distribution agreements with strategic partners. Our contract manufacturing business provides custom hydrogels to the OEM market.

Recent Events

In order to add capital and to focus on future investments on commercializing our highly differentiated advanced wound care and regenerative technologies, effective on June 30, 2016, we entered into a purchase agreement (the "Purchase Agreement") with BSN medical, Inc. ("BSN") whereby we agreed to sell to BSN (i) all of the our rights, including all distribution rights, exclusivity rights, intellectual property rights and marketing rights (collectively, the "Rights") to the sorbion product line pursuant to its distribution agreement (as amended, the "Sorbion Agreement") with Sorbion GmbH & Co KG and (ii) the unsold inventory of sorbion products that we previously purchased in existence as of the closing, which occurred upon execution and delivery of the Purchase Agreement. In consideration for the sale of the Rights and the unsold sorbion inventory to BSN, BSN agreed to pay (i) $3.5 million related to the purchase of the Rights and the termination of the Sorbion Agreement and certain other agreements between the parties and (ii) up to $900,000 related to the unsold sorbion inventory upon our completion of the obligations to deliver all remaining and qualifying unsold sorbion inventory, with such payment amount varying based upon the condition of the sorbion inventory, as specified in the Purchase Agreement. The results of operations for the three and six months ending June 30, 2016 and 2015 reflect our continuing operations.

Results of Operations

Three Months Ended June 30, 2016 Compared to the Three Months Ended June 30, 2015

Revenues, net. For the three months ended June 30, 2016 revenues increased by $2.0 million, or 80%, to $4.5 million from $2.5 million for the three months ended June 30, 2015. The increase in our overall revenue was primarily due to increase in product sales, as well as increase in our contract manufacturing revenues.

The components of revenue were as follows for the three months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,	
	2016	2015
Revenues		
Product	$ 3,658	$ 2,005
Contract manufacturing	809	483
Total revenues, net	$ 4,467	$ 2,488

Our growth rates for the three months ended June 30, 2016 and 2015 were as follows (in thousands):

	Three Months Ended June 30,	
	2016	2015
Revenue growth	$ 1,979	$ 1,622
% Growth over prior year	80%	187%
Comprised of:		
% of organic growth*	14%	63%
% of acquisition growth**	66%	124%
	80%	187%

*2016 organic revenue growth represents growth from contract manufacturing and sales of our hydrogel, TheraBond and Biovance products.

**2016 acquisition revenue growth represents growth from the sale of the MIST Therapy product line acquired in the purchase of Celleration from June 2015 through May 2016.

Gross profit. Our gross profit was $2.9 million for the three months ended June 30, 2016 compared to gross profit of $1.3 million for the three months ended June 30, 2015. The improved results for the three months ended June 30, 2016, as compared to 2015 was primarily due to the greater volume of product sales as product revenue typically commands higher gross profit margins. Gross margin on our product sales was approximately 77%, while our overall gross margin was approximately 64% for the three months ended June 30, 2016. Gross margin on our product sales was approximately 77%, while our overall gross margin was approximately 52% for the three months ended June 30, 2015. Gross margin for the three months ended June 30, 2016 was favorably impacted by our acquisition of MIST Therapy from Celleration. We expect our gross profit to continue to increase as a result of product sales becoming a higher proportion of our total sales.

The components of cost of revenues are as follows for the three months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,	
	2016	2015
Cost of revenues		
Materials and finished products	$ 944	$ 581
Stock-based compensation	47	90
Compensation and benefits	253	239
Depreciation and amortization	191	153
Equipment, production and other expenses	164	127
Total cost of revenues	$ 1,599	$ 1,190

Selling, general and administrative expenses. The following table highlights selling, general and administrative expenses by type for the three months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,	
	2016	2015
Selling, general and administrative expenses		
Compensation and benefits	$ 3,779	$ 2,746
Stock-based compensation	1,334	2,200
Professional fees	653	296
Marketing	699	632
Depreciation and amortization	838	280
Royalty fees	258	202
Other expenses	1,990	1,873
Total selling, general and administrative expenses	$ 9,551	$ 8,229

Selling, general and administrative expenses increased by $1.3 million, to $9.5 million for the three months ended June 30, 2016, as compared to $8.2 million for the three months ended June 30, 2015.

Compensation and benefits increased by $1.0 million, to $3.8 million for the three months ended June 30, 2016, as compared to $2.7 million for the three months ended June 30, 2015. The increase in compensation and benefits was primarily due to the increase in the number of full-time employees during the three months ended June 30, 2015 compared to June 30, 2016 as a result of the acquisition of Celleration in May 2015, as well as increase in commissions related to the increase in revenue. We do not intend to significantly increase our headcount in 2016. Stock-based compensation decreased by $866,000, to $1.3 million for the three months ended June 30, 2016, as compared to $2.2 million for the three months ended June 30, 2015. The decrease in stock-based compensation is primarily due to the decrease in awards granted and the lower weighted average estimated fair value of options granted during the three months ended June 30, 2016 as compared to the three months ended June 30, 2015.

The increase in other selling, general and administrative expense, including professional fees, is primarily in support of our revenue growth and as a result of our acquisition of Celleration. Other selling, general and administrative expenses consist of costs associated with our selling efforts and general management, including recruiting, information technology, travel, training and third party logistics.

Research and product development expenses. During the three months ended June 30, 2016 and 2015, we incurred research and product development expenses of $328,000 and $279,000, respectively, related to a randomized controlled trial for our Biovance product in chronic diabetic foot wounds. We expect our research and product development costs to increase over the next few quarters as the controlled trial progresses.

Acquisition-related expenses. During the three months ended June 30, 2016, we incurred no acquisition-related costs as compared to $915,000 in connection with due diligence, professional fees, and other expenses related to the acquisition of Celleration during the three months ended June 30, 2015.

Change in fair value of contingent consideration liability. During the three months ended June 30, 2016 we recorded a decrease in the fair value of the contingent consideration liability of approximately $9.1 million compared to an increase of $265,000 in the three months ended June 30, 2015. The decrease in the fair value of the contingent consideration liability is primarily due to a reduction in projected revenue of MIST Therapy for the year ending December 31, 2016.

Income tax expense (benefit). During the three months ended June 30, 2015, we recorded an income tax benefit of approximately $1.4 million. The income tax benefit is related to the release of valuation allowances of approximately $1.4 million resulting from the acquisition of Celleration in May 2015.

Six Months Ended June 30, 2016 Compared to the Six Months Ended June 30, 2015

Revenues, net. For the six months ended June 30, 2016 revenues increased by $4.4 million, or 108%, to $8.4 million from $4.0 million for the six months ended June 30, 2015. The increase in our overall revenue was primarily due to increase in product sales.

The components of revenue were as follows for the six months ended June 30, 2016 and 2015 (in thousands):

	Six Months Ended June 30,	
	2016	2015
Revenues		
Product	$ 7,062	$ 2,930
Contract manufacturing	1,362	1,119
Total revenues, net	$ 8,424	$ 4,049

Our growth rates for the six months ended June 30, 2016 and 2015 were as follows (in thousands):

	Six Months Ended June 30,	
	2016	2015
Revenue growth	$ 4,375	$ 2,702
% Growth over prior year	108%	201%
Comprised of:		
% of organic growth*	7%	82%
% of acquisition growth**	101%	119%
	108%	201%

*2016 organic revenue growth represents growth from contract manufacturing and sales of our hydrogel, TheraBond and Biovance products.

**2016 acquisition revenue growth represents growth from the sale of the MIST Therapy product line acquired in the purchase of Celleration from June 2015 through May 2016.

Gross profit. Our gross profit was $5.2 million for the six months ended June 30, 2016 compared to gross profit of $1.8 million for the six months ended June 30, 2015. The improved results for the six months ended June 30, 2016, as compared to 2015 was primarily due to the greater volume of product sales as product revenue typically commands higher gross profit margins. Gross margin on our product sales was approximately 76%, while our overall gross margin was approximately 62% for the six months ended June 30, 2016. Gross margin on our product sales was approximately 77%, while our overall gross margin was approximately 45% for the six months ended June 30, 2015. Gross margin for the six months ended June 30, 2016 was favorably impacted by our acquisition of MIST Therapy from Celleration. We expect our gross profit to continue to increase as a result of product sales becoming a higher proportion of our total sales.

The components of cost of revenues are as follows for the six months ended June 30, 2016 and 2015 (in thousands):

	Six Months Ended June 30,	
	2016	2015
Cost of revenues		
Materials and finished products	$ 1,790	$ 1,037
Stock-based compensation	129	182
Compensation and benefits	503	447
Depreciation and amortization	373	300
Equipment, production and other expenses	394	257
Total cost of revenues	$ 3,189	$ 2,223

Selling, general and administrative expenses. The following table highlights selling, general and administrative expenses by type for the six months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,	
	2016	2015
Selling, general and administrative expenses		
Compensation and benefits	$ 7,941	$ 4,869
Stock-based compensation	2,958	4,141
Professional fees	1,511	858
Marketing	1,013	878
Depreciation and amortization	1,674	499
Royalty fees	475	376
Other expenses	3,937	2,887
Total selling, general and administrative expenses	$ 19,509	$ 14,508

Selling, general and administrative expenses increased by $5.0 million, to $19.5 million for the six months ended June 30, 2016, as compared to $14.5 million for the three months ended June 30, 2015.

Compensation and benefits increased by $3.1 million, to $8.0 million for the six months ended June 30, 2016, as compared to $4.9 million for the six months ended June 30, 2015. The increase in compensation and benefits was primarily due to the increase in the number of full-time employees during the six months ended June 30, 2015 compared to June 30, 2016 as a result of the acquisition of Celleration in May 2015, as well as increase in commissions related to the increase in revenue. We do not intend to significantly increase our headcount in 2016. Stock-based compensation decreased by $1.1 million, to $3.0 million for the six months ended June 30, 2016, as compared to $4.1 million for the six months ended June 30, 2015. The decrease in stock-based compensation is primarily due to the lower weighted average estimated fair value of options granted during the six months ended June 30, 2016 as compared to the six months ended June 30, 2015.

The increase in other selling, general and administrative expense, including professional fees, is primarily in support of our revenue growth and as a result of our acquisition of Celleration. Other selling, general and administrative expenses consist of costs associated with our selling efforts and general management, including recruiting, information technology, travel, training and third party logistics.

Research and product development expenses. During the six months ended June 30, 2016 and 2015, we incurred research and product development expenses of $527,000 and $300,000, respectively, related to a randomized controlled trial for our Biovance product in chronic diabetic foot wounds. We expect our research and product development costs to increase over the next few quarters as the controlled trial progresses.

Acquisition-related expenses. During the six months ended June 30, 2016, we incurred no acquisition-related costs as compared to $2.9 million in connection with due diligence, professional fees, and other expenses related to the acquisition of Celleration during the six months ended June 30, 2015.

Change in fair value of contingent consideration liability. During the six months ended June 30, 2016 we recorded a decrease in the fair value of the contingent consideration liability of approximately $8.7 million compared to an increase of $373,000 in the six months ended June 30, 2015. The decrease in the fair value of the contingent consideration liability is primarily due to a reduction in projected revenue of MIST Therapy for the year ending December 31, 2016.

Income tax expense (benefit). During the six months ended June 30, 2015, we recorded an income tax benefit of approximately $1.4 million. The income tax benefit is related to the release of valuation allowances of approximately $1.4 million resulting from the acquisition of Celleration in May 2015.

Liquidity and Capital Resources

As of June 30, 2016, we had cash and cash equivalents totaling $12.6 million compared to $26.1 million at December 31, 2015. The decrease was largely attributable to cash used in operating activities of approximately $10.5 million and $2.6 million to pay a portion of the contingent consideration related to the Celleration acquisition during the six months ended June 30, 2016.

Net cash flow used in operating activities was $10.5 million and $12.4 million for the six months ended June 30, 2016 and 2015, respectively. Net cash used in operating activities was principally to fund our net cash loss. The net cash flow used in operating activities for the six months ended June 30, 2016 included $1.6 million of compensation and royalty payments accrued in 2015, that are not indicative of payments to be made in the remainder of 2016.

Net cash used in investing activities was $484,000 for the six months ended June 30, 2016, compared to $15.0 million in the six months ended June 30, 2015. Cash used in investing activities during the six months ended June 30, 2015 primarily relates to the acquisition of Celleration.

Net cash used in financing activities for the six months ended June 30, 2016 consisted of $2.6 million utilized to pay the cash portion of the contingent consideration related to the Celleration acquisition. During the six months ended June 30, 2015, net cash flow generated from financing activities was $46.4 million, of which we received net proceeds from the issuance of common stock of $32.2 million. Additionally, during the six months ended June 30, 2015, we received proceeds from long-term debt of $14.2 million.

At June 30, 2016, current assets totaled $23.5 million and current liabilities totaled $8.6 million, as compared to current assets totaling $32.7 million and current liabilities totaling $9.2 million at December 31, 2015. As a result, we had working capital of $14.9 million at June 30, 2016 compared to working capital of $23.5 million at December 31, 2015.

Our cash requirements have historically been for mergers and acquisitions, product development, clinical trials, marketing and sales activities, finance and administrative costs, capital expenditures and overall working capital. We have experienced negative operating cash flows since inception and have funded our operations primarily from sales of common stock and other securities.

Liquidity Outlook

Due to the time delay between outlays for working capital expenditures, such as costs to acquire rights to additional products, the hiring and training of sales agents and personnel, marketing costs, the purchasing of inventory, the billing and collection of revenue, the conducting of a post market clinical trial for Biovance, debt service costs and diligence costs related to merger and acquisition activities, we expect to continue have a net cash outflow from operating activities and revenues from sales brought in as a result of these expenditures, until or unless we have a significant increase in revenue.

On June 30, 2016, we sold our rights to the sorbion product for total consideration of approximately $4.1 million. We received $3.5 million of this amount on July 1, 2016 and expect to receive the balance of these proceeds in the third quarter of 2016. We used approximately $1.8 million of the proceeds to reduce our debt balance. The income for the sorbion product was $850,000 for the six months ended June 30, 2016, and therefore due to the sale of this asset we expect an increase in our cash used in operations in future quarters. We are evaluating various options to mitigate the impact on our cash flows from the sale of this asset.

We have agreed to pay contingent consideration of three and one half times revenue from acquired MIST Therapy products in excess of certain revenue targets for the years ending December 31, 2015 and 2016, payable in equal amounts of cash and our common stock. This contingent consideration is payable in two installments in March 2016 and March 2017. In March 2016, we paid the first installment of this consideration of $2.6 million in cash and $2.6 million in stock. As of June 30, 2016, the present value of the contingent consideration due in 2017 was approximately $2.7 million, payable in equal amounts of cash and our stock.

On May 29, 2015, simultaneously with and related to the closing of the Celleration acquisition, we entered into a Credit Agreement and Guaranty. The Credit Agreement provided a senior secured term loan in a single borrowing in the principal amount of $15.5 million. The Credit Agreement (i) has a four-year term, (ii) accrues interest at an annual rate equal to the greater of (a) one-month LIBOR or 1% plus (b) 9.75%, payable monthly (iii) monthly principal payments of $225,000 commencing in May 2017, with the remaining unpaid balance due on the maturity date and (iv) is secured by a first priority lien on substantially all of our assets. The Credit agreement requires us to meet certain financial covenants. Failure to observe or perform any covenant contained in the Credit Agreement would result in an event of default. If an event of default were to occur, payment of the entire principal amount would be accelerated and immediately due and payable. The cash that we have may be required to pay would most likely come from our working capital, which would leave us with insufficient cash to finance our operations.

A shelf registration statement on Form S-3 relating to the public offering of the shares of common stock was filed with the SEC and was declared effective on September 25, 2014. This registration statement will enable us to offer and sell to the public from time to time in one or more offerings, up to $100,000,000 of common and preferred stock, debt securities, warrants, units or any combination thereof. The terms of any securities offered under the registration statement, and the intended use of the net proceeds resulting therefrom, will be established at the times of the offerings and will be described in prospectus supplements filed with the SEC at the times of the offerings.

On May 4, 2015, we closed an underwritten public offering of 7,582,418 shares of our common stock at a price of $4.55 per share. Proceeds from this offering, net of underwriter fees were approximately $32.2 million. The shares of common stock were issued pursuant to our shelf registration statement on Form S-3. We intend to use the proceeds from this offering to fund the commercial expansion of our marketed products, to pursue additional product platforms, and for working capital and general corporate purposes.

Under SEC rules a registrant with a public float of less than $75 million may sell, under Form S-3, during any 12-month period, securities having an aggregate market value of not more than one-third of the public float of such registrant. Currently, our public float is less than $75 million, so we are subject to this limitation. There can be no assurance that we will be successful in securing additional capital in sufficient amounts and on terms favorable to us.

We believe that our cash on hand will be sufficient to fund our current business at a reduced level of expenditure for the next twelve months from the date of filing this Form 10Q. We will require additional capital in order to execute the longer term aspects of our business. Our future results of operations involve significant risks and uncertainties. Factors that could affect our future operating results and cause actual results to vary materially from expectations include, but are not limited to, potential demand for our products, unfavorable decisions on product reimbursement, risks from competition, regulatory approval of our new products, technological change, and dependence on key personnel.

Off Balance Sheet Arrangements

As of June 30, 2016, we had no off-balance sheet arrangements in the nature of guarantee contracts, retained or contingent interests in assets transferred to unconsolidated entities (or similar arrangements serving as credit, liquidity or market risk support to unconsolidated entities for any such assets), or obligations (including contingent obligations) arising out of variable interests in unconsolidated entities providing financing, liquidity, market risk or credit risk support to us, or that engage in leasing, hedging or research and development services with us.

Critical Accounting Policies

There have been no significant changes to the our critical accounting policies and estimates from the information provided in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in the Annual Report on Form 10-K for the year ended December 31, 2015.

Recent Accounting Pronouncements

Recently issued accounting pronouncements are addressed in Note 1 in the Notes to Condensed Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not believe our operations are subject to significant market risks for interest rates, equity investment, foreign currency exchange, commodity prices or other relevant market price risks of a material nature.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures.

As of June 30, 2016, we conducted an evaluation of the effectiveness of our "disclosure controls and procedures" ("Disclosure Controls"), as defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Disclosure Controls evaluation was done under the supervision and with the participation of management, including our chief executive officer and chief financial officer. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, our chief executive officer and chief financial officer have concluded that our Disclosure Controls were effective at the reasonable assurance level as of June 30, 2016.

Changes in Internal Control over Financial Reporting.

There have been no changes in our internal control over financial reporting during the fiscal quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in lawsuits, investigations and claims that arise in the ordinary course of business. Except as set forth below, as of the date of this filing, we are not party to any material litigation nor are we aware of any such threatened or pending legal proceedings that we believe could have a material adverse effect on our business, financial condition or operating results.

There are no material proceedings in which any of our directors, officers or affiliates or any registered or beneficial shareholder of more than 5% of our common stock is an adverse party or has a material interest adverse to our interest.

ITEM 1A. RISK FACTORS

During the three months ended June 30, 2016 there were no material changes to the risk factors previously discussed in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Unregistered Sales of Equity Securities

None.

(b) Issuer Purchases of Equity Securities

The following table sets forth information with respect to purchases by us of our equity securities during the three months ended June 30, 2016:

Issuer's Purchases of Equity Securities

Period	Total number of shares (or units) purchased	Average price paid per share (or unit) (1)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
4/1/2016 to 4/30/2016	280 (2)	$ 0.81	-	-
5/1/2016 to 5/31/2016	-	-	-	-
6/1/2016 to 6/30/2016	-	-	-	-
Total	280	$ 0.81	-	-

(1) For purposes of determining the number of shares to be surrendered to meet tax withholding obligations, the price per share deemed to be paid was the closing price of our common stock on the NASDAQ Capital Market on the applicable vesting date.

(2) Includes 280 shares of our common stock surrendered by an employee to pay tax withholding obligations incurred in connection with the vesting of restricted stock on April 1, 2016.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

See "Index to Exhibits" for a description of our exhibits.

SIGNATURES

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

ALLIQUA BIOMEDICAL, INC.

Date: August 9, 2016

By: /s/ David Johnson
Name: David Johnson
Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ Brian M. Posner
Name: Brian M. Posner
Title: Chief Financial Officer
(Principal Financial Officer)

Index to Exhibits

Exhibit No.	Description
3.1	Certificate of Incorporation of Alliqua BioMedical, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on June 11, 2014).
3.2	Bylaws of Alliqua BioMedical, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed on June 11, 2014).
3.3	Certificate of Amendment to Certificate of Incorporation of Alliqua BioMedical, Inc. (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K filed on June 11, 2014).
10.1^	Distributor Agreement, dated September 23, 2013, by and between Sorbion GmbH & Co KG and Alliqua BioMedical, Inc. (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q filed on November 12, 2013).
10.2	First Amendment to Distributor Agreement, dated July 31, 2015, by and between Alliqua BioMedical, Inc. and BSN Medical, Inc., an affiliate of Sorbion GmbK & Co KG (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 5, 2015).
10.3*	Purchase Agreement, dated June 30, 2016, by and between Alliqua BioMedical, Inc. and BSN medical, Inc.
10.4*	Transition Agreement, dated June 30, 2016, by and between Alliqua BioMedical, Inc. and BSN medical, Inc.
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2016, formatted in XBRL (eXtensible Business Reporting Language), (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements.

* Filed herewith.

^ Confidential treatment has been granted with respect to certain portions of this exhibit.

Exhibit 10.3

Execution Version

PURCHASE AGREEMENT

This PURCHASE AGREEMENT (this "**Agreement**"), dated as of June 30, 2016, is entered into by and between BSN medical, Inc., a Delaware corporation ("**BSN**") and Alliqua BioMedical, Inc., a Delaware corporation ("**Alliqua**"). Each of BSN and Alliqua is individually referenced herein as a "Party" and collectively as "Parties."

RECITALS

WHEREAS, BSN and Alliqua are parties to that certain Distributor Agreement between Sorbion GmbH & Co KG and Alliqua, dated on or around September 20, 2013 and attached hereto as **Annex A** (as amended pursuant to that certain First Amendment to Distributor Agreement as of July 31, 2015, attached hereto as **Annex B**, collectively, the "**Distributor Agreement**", and assigned to BSN pursuant to that certain Assignment of Distributor Agreement dated June 16, 2015, attached hereto as **Annex C**); and

WHEREAS, BSN and Alliqua have determined that it is in the best interests of each of the Parties to enter into this Agreement.

NOW, THEREFORE, in consideration of the Recitals and the mutual representations, warranties, covenants, agreements and conditions contained herein, and for other good and valid consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. DEFINITIONS

1.1 **Certain Definitions.** Unless separately defined herein, capitalized terms used in this Agreement have the meanings specified to such terms in this Section 1.1. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Distributor Agreement.

(a) **"Affiliate"** of any specified Person means any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

(b) **"Ancillary Document"** means any agreement, certificate, instrument or other document to be delivered pursuant to or in connection with this Agreement.

(c) **"Business"** means business of Alliqua solely as it relates to the Products.

(d) "**Change of Control Transaction**" means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Securities Exchange Act of 1934, as amended) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 50% of the voting securities of Alliqua, (b) Alliqua merges into or consolidates with any other Person, or any Person merges into or consolidates with Alliqua and, after giving effect to such transaction, the stockholders of Alliqua immediately prior to such transaction own less than 50% of the aggregate voting power of Alliqua or the successor entity of such transaction, (c) Alliqua sells or transfers all or substantially all of its assets to another Person and the stockholders of Alliqua immediately prior to such transaction own less than 50% of the aggregate voting power of the acquiring entity immediately after the transaction, or (d) Alliqua, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of common stock of Alliqua (not including any shares of common stock of Alliqua held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination).

(e) "**Confidentiality Agreements**" means, collectively, that certain Confidentiality Agreement between the Parties dated as of January 3, 2016 and that certain Confidentiality Agreement between the Parties dated as of January 18, 2016.

(f) **"Expenses"** means all fees, costs and expenses (including all other fees, costs and expenses of any legal counsel, investment bankers, accountants, brokers or other representatives, consultants, advisors, appraisal fees, costs and expenses) in connection with the preparation, negotiation, execution and delivery of this Agreement and any other document, the performance of the Parties' respective obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby.

(g) **"FDA Law and Regulation"** means the federal Food, Drug and Cosmetic Act (the FD&C Act), 21 U.S.C. §§ 301 et seq., as amended, and all applicable regulations promulgated by the United States Food and Drug Administration ("**FDA**"), including but not limited to the recordkeeping provisions of the FDA's Medical Device Reporting requirements as set forth in 21 C.F.R. Part 803, as applicable.

(h) **"Governmental Authority"** means any government, agency, governmental department, commission, board, bureau, court, arbitration panel or instrumentality of the United States of America or any state or other political subdivision thereof (whether now or hereafter constituted and/or existing) and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

(i) **"Intellectual Property"** means all patents, patent applications, trademarks, trademark applications, service marks, service mark applications, certification marks, trade dress, trade names, identifying symbols, designs, product names, company names, slogans, logos or insignia, whether registered or unregistered, and all common law rights, applications and registrations therefor, and all goodwill associated therewith, copyright registrations and applications, trade secrets, domain names and domain name registrations, licenses (software or otherwise), information, processes and proprietary or intellectual property rights, the subject matter of any of the foregoing, tangible embodiments of any of the foregoing, licenses in, to and under any of the foregoing.

(j) **"Law"** means any federal, state, local, municipal, foreign, international, multinational law or any constitution, statute, treaty, code, ordinance, principle of common law or other law (including any rule, regulation, plan, injunction, judgment, order, decree, ruling or charge thereunder or related thereto). All references to Law shall be deemed to include any amendments thereto, and any successor law, unless the context requires otherwise.

(k) **"Legal Requirement(s)"** means all federal, state, foreign and local laws, statutes, codes, rules, regulations, ordinances, Orders and the like of any Governmental Authority, including common law.

(l) **"Liability"** means any liability or indebtedness of any kind, character or description (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether disputed or undisputed, whether secured or unsecured, whether joint or several, whether vested or unvested, whether liquidated or unliquidated, whether due or to become due, or whether executory, determined, determinable, or otherwise).

(m) **"Lien"** means any charge, claim, equitable interest, community or other material property interest, security interest, conditional sale agreement, mortgage, indenture, deed of trust, security agreement, pledge, hypothecation, option, restriction, encroachment, easement, servitude, right of first refusal, condition or other lien, encumbrance or defect of title of any kind or nature.

(n) **"Order"** means any decision, injunction, judgment, order, decree, ruling, or verdict of any nature of, entered or issued by any Governmental Authority.

(o) **"Other Agreements"** means each contract or agreement (including, but not limited to the Distributor Agreement, but specifically excluding this Agreement, Transition Services Agreement, and the Confidentiality Agreements), written or oral, including without limitation any implied contract or any other agreement based on a course of conduct or dealing between the Parties (or in each case, their predecessors or, in the case of BSN, between Alliqua and Sorbion), as well as any other contract between the Parties that would purport to limit, in any way, the ability of BSN to freely solicit, engage, or employ any individual affiliated with Alliqua, whether as an employee, agent, contractor, or representative.

(p) **"Permits"** means all permits, licenses, franchises, orders, registrations, certificates, variances, contractual rights, consents, and other authorizations or approvals, and any applications for the same, related to the Business.

(q) **"Person"** means an individual, a corporation, a partnership, a limited liability company, an association, a joint venture, a governmental or other authority, a trust or any other entity or organization including a corporate or unincorporated body (whether or not having a separate legal personality).

(r) **"Relevant Records"** means, in respect of the parties to whom Products have historically been sold by Alliqua, collectively,

(i) (a) Customer data, including a listing of all direct and indirect customers, including distributors, hospitals, wound-care clinics, and practitioner office lists, together with (b) historical sales information starting on January 1, 2015 and ending on May 31, 2016, together with a certificate from the chief financial officer of Alliqua in the form attached hereto as **Exhibit B**;

(ii) Targeted customer data, including a listing of all targeted customers with current product evaluations;

(iii) Price lists, including (a) "list price" to direct customers (include price tiers and basis for such tiers (e.g., volume discounts)); (b) any "special pricing" to any direct customers and basis thereof; (c) contracted pricing with group purchasing organizations, independent dealer networks and other similar organizations;

(iv) Name of Key Opinion Leader historically used by or on behalf of Alliqua in respect of the Products; and

(v) All marketing literature, case-studies, and/or any clinical data that Alliqua has produced or caused to be produced;

in each case, in such detail as is reasonably requested by BSN.

(s) **"Restricted Period"** means the period commencing on the date hereof and ending on the earlier of (i) December 31, 2018, (ii) one hundred fifty (150) days following the date hereof if a Change of Control Transaction is consummated no later than sixty (60) days following the date hereof, or (iii) ninety (90) days following the effective date of any Change of Control Transaction if such Change of Control Transaction is consummated later than sixty (60) days following the date hereof.

(t) **"Rights"** means any and all rights Alliqua may have to, under or pursuant to the Distributor Agreement, including but not limited to distribution rights, exclusivity rights, Intellectual Property rights, and/or marketing rights.

(u) **"Tax"** or **"Taxes"** means means all federal, state, local or foreign income, gross receipts, license, employment, payroll, withholding, Social Security (or similar), unemployment, severance, premium, disability, excise, value added, accumulated earnings, windfall profit, net worth, alternative or add-on minimum, estimated, sales, use, transfer, registration, real property, stamp, environmental (including taxes under Code §59A), personal property, use and occupancy, business and occupation, maritime, mercantile, tariff, custom, duty, capital stock, franchise, gift or estate and all other taxes, fees, assessments, levies, tariffs, charges or duties of any kind, character, nature or description, including any interest, penalties or additions thereto.

(v) **"Unsold Products"** means the unsold inventory of Products sold by BSN to Alliqua in existence as of the Closing; provided, however, that the minimum outstanding shelf life of all such Products shall be at least 12 (twelve) months.

1.2 **Other Definitional Provisions and Construction**. The terms "hereof," "herein" and "hereunder" and terms of similar import shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Article, Section, clause, subsection, Exhibit and Schedule references contained in this Agreement are references to Articles, Sections, clauses, subsections, Exhibits and Schedules in or attached to this Agreement, unless otherwise specified. Each defined term used in this Agreement has a comparable meaning when used in its plural or singular form. Each gender-specific term used in this Agreement has a comparable meaning whether used in a masculine, feminine or gender-neutral form. The word "or" is used in the inclusive sense of "and/or". Whenever the terms "include" or "including" are used in this Agreement (whether or not such terms are followed by the phrase "but not limited to" or "without limitation" or words of similar effect) in connection with a listing of items within a particular classification, that listing shall be interpreted to be illustrative only and shall not be interpreted as a limitation on, or an exclusive listing of, the items within that classification. The recitals set forth in the beginning of this Agreement (including, the defined terms set forth therein) are hereby incorporated by reference into this Agreement and made a part hereof as if set forth in their entirety. Whenever any amount is stated in this Agreement in "Dollars" or by reference to the "$" symbol, such amount shall be United States dollars.

2. THE TRANSACTION

2.1 **Sale and Purchase of Rights and Unsold Products**. At the Closing Date, and upon all of the terms and subject to all of the conditions set forth in this Agreement, Alliqua shall sell, transfer, assign, convey, and deliver to BSN, and BSN shall purchase and accept from Alliqua, free and clear of all Liens, the Rights and Unsold Products.

2.2 **Excluded Assets**. Other than the Rights, the remaining assets of Alliqua shall be retained by Alliqua.

2.3 **Retained Liabilities**. For avoidance of doubt, BSN shall not assume, and Alliqua will pay, defend, discharge, and perform, as and when due, and otherwise retain and remain solely responsible for:

(a) any and all Liabilities of Alliqua, including any Taxes in respect of the amounts received by Alliqua pursuant to the terms hereof;
(b) any Liability of any Person, directly or indirectly related to, accruing or arising out of, caused by or resulting from the operation or conduct of the Business on or prior to the Closing Date, whether or not recorded on the books and records of any Person (including but not limited to any trade or other accounts payable of Alliqua payable to third parties that remain outstanding as of the Closing Date);
(c) any and all Liabilities in respect of the Rights and Unsold Products, arising out of or as a result of the Distributor Agreement, as of the Closing Date; and
(d) any Liability that is the result of a violation of any Legal Requirement by Alliqua.

2.4 **Purchase Price and Closing Payments**.

(a) In consideration for the sale of the Rights and Unsold Products to BSN by Alliqua, BSN shall pay the following amounts in the manner set forth below:

(i) $3,500,000 (Three Million Five Hundred Thousand United States Dollars) at the Closing Date for purchase of all Rights and termination of all Other Agreements (the "**Rights Payment**"); and
(ii) Up to an additional $900,000 (Nine Hundred Thousand United States Dollars) (the "**Product Payment**") in accordance with Section 2.9 hereof.

(b) The Rights Payment, and if applicable, the Product Payment, shall be paid by wire transfer of immediately available funds into the following bank account:

PNC BankBank Account Holder - Alliqua BioMedical, Inc.
Routing Number - *********
Account Number - **********

2.5 **Closing**. The closing of the sale and purchase of the Rights and the Unsold Products (the "**Closing**") shall take place concurrently with the execution and delivery of this Agreement, scheduled for 9:00 a.m. Eastern U.S. time, or at such other date as mutually agreed upon by the Parties (such date, the "**Closing Date**"). All transactions that are to take place on the Closing Date at Closing shall be considered to have taken place simultaneously, and no delivery or payment shall be considered to have been made until all the transactions have been completed. Title to, ownership of, control over and risk of loss of the Rights shall pass to BSN effective as of 9:01 a.m. Eastern U.S. time on the Closing Date unless provided otherwise herein. All monetary amounts payable pursuant to this Agreement shall be paid by wire transfer or delivery of other immediately available United States funds, as directed by the Party receiving payment.

2.6 **Deliveries By Alliqua at Closing**. On the Closing Date, Alliqua shall deliver the following to BSN, executed by Alliqua or other parties as applicable:

(a) A bill of sale and assignment in the form of **Exhibit A**; and
(b) Relevant Records.

2.7 **Deliveries By BSN at Closing**. On the Closing Date, upon occurrence of the Closing, BSN shall execute, pay or deliver to Alliqua (or to other parties as specified by Alliqua) the Rights Payment.

2.8 **Unsold Products**. Provided that the Closing shall have occurred,

(a) Alliqua shall deliver all remaining Unsold Products to BSN no later than fifteen (15) days following the Closing Date; provided, however, that, (i) all such Unsold Products shall be in substantially similar condition as such Unsold Products were delivered to Alliqua by BSN; (ii) all such Unsold Products were stored according to manufacturers' written specifications and continue to maintain sterility and human medical use; (iii) none of such Unsold Product inventory shall be obsolete, damaged or defective; and (iv) none of the inventory shall be held on consignment for others.
(b) BSN shall inspect such remaining Unsold Products being returned within five (5) business days of receipt thereof and, if any condition exists that BSN believes, in good faith, may be a breach of Section 2.8(a) above, BSN shall notify Alliqua as soon as practicable and the parties shall work, in good faith, to resolve such matter.
(c) Upon receipt of a notice from BSN in accordance with the preceding paragraph, Alliqua will invoice BSN for remaining Unsold Product shipments, the price for such Unsold Products being the cost at which such Unsold Products were sold to Alliqua, and BSN shall, out of the Product Payment, remit payment to Alliqua in respect of such invoice within forty-five (45) days following the receipt of such invoice.
(d) Alliqua shall pay fifty percent (50%) of Shipment Costs for any delivery of qualifying Unsold Products that are less than $50,000; for delivery of qualifying Unsold Products greater than or equal to $50,000, Alliqua shall pay one hundred (100%) of the Shipment Costs. Alliqua shall be required to pay Shipment Costs only for the delivery of Unsold Products to facilities within the United States, and Alliqua shall be entitled to choose the method of shipment for the Unsold Products; provided that, such method of shipment shall ensure delivery of any such Unsold Products shipped to BSN by no later than seven (7) days following shipment thereof.

2.9 **Product Payment**. Subject to the terms of this Section 2.9, BSN shall remit the Product Payment to Alliqua upon Alliqua's completion of the obligations as set forth in Section 2.8 above; provided, that to the extent that BSN and Alliqua are negotiating in good faith to resolve any matter in accordance with Section 2.8(b) above, then BSN shall not be required to remit payment in respect of any Unsold Products returned by Alliqua related to such matter until BSN and Alliqua have reached a mutually satisfactory resolution of such matter. Subject to the terms of this Section 2.9, BSN shall deliver the Product Payment to Alliqua within two (2) business days following the satisfaction of the requirements set forth in the immediately preceding sentence. For the avoidance of doubt, under no circumstance would the Product Payment exceed $900,000 (Nine Hundred Thousand United States Dollars).

2.10 **Other Agreements and Obligations**. Subject to the occurrence of the Closing, the Parties hereby cancel, terminate and release, with immediate effect, any and all Other Agreements between the Parties, and further agree that such Other Agreements shall be of no further force or effect. All of the obligations, including without limitation any obligation which expressly survives termination of the Other Agreements in accordance with the terms of such Other Agreements, of BSN, together with its successors, assigns or Affiliates, to Alliqua, its successors, assigns or Affiliates are hereby cancelled, terminated and released; provided, that this Section 2.10 is not intended to, and shall not, have any effect on the Parties' obligations to each other arising out of or related to that certain Transition Services Agreement being entered into by the Parties which is being entered into as a separate contract for which separate consideration is being paid or upon the Confidentiality Agreements, which contain rights and obligations that are separate from this Agreement.

2.11 **Complete, General, and Mutual Release of Claims**.

(a) Subject to the occurrence of the Closing, each Party hereto, on behalf of itself, and its respective parents, subsidiaries, predecessors, successors, assigns, and transferees, as well as its respective former and present directors, officers, managers, shareholders, members, partners, and insurers, hereby fully and forever releases and discharges the other Party hereto, its respective parents, subsidiaries, predecessors, successors, assigns, and transferees, as well as its respective former and present directors, officers, managers, shareholders, members, employees, investors, partners, insurers, administrators, Affiliates (past and present), divisions, subsidiaries, attorneys, advisors, representatives, predecessor and successor entities, and assigns and transferees, from any and all claims, demands, liabilities, obligations, responsibilities, suits, actions, and causes of actions in law or in equity, statutory relief, statutory claims, administrative remedies, injunctions, debts, torts, reports, applications, including but not limited to the Distributor Agreement or any Other Agreement, but specifically excluding this Agreement and the Transition Services Agreement and the Confidentiality Agreements ("**Claims**"). Each Party hereby represents and warrants that it has not transferred, encumbered, or assigned any of the Claims to any other Person and it is not presently aware of any Claims against the other Party that arises out of or is related to fraud or intentional misconduct. Notwithstanding the foregoing, this Agreement shall not serve to release any Party from any Claims related to its respective obligations set forth in Sections 8 or 11 of the Distributor Agreement, each of which shall survive the Closing.

(b) Except with respect to the obligations arising out of this Agreement and the Transition Services Agreement, each Party covenants that it shall not institute, promote, participate in, assist with, submit, file or permit to be filed on their behalf any lawsuit, charge, Claim, complaint, grievance or other proceeding, whether judicial, administrative, arbitration or otherwise arising out of or in any way relating to its business relationship with the other Party, the Distributor Agreement (or cancellation and termination thereof), or any Other Agreement, unless compelled to do so by a court of competent jurisdiction.

(c) Each Party covenants that it has carefully read the terms of this Agreement and all attachments, and it understands their terms and effects, including the fact that such Party has agreed to RELEASE AND FOREVER DISCHARGE certain releasees from any legal action or other liability of any type related in any way to the matters released herein. Each Party has signed this Agreement voluntarily and knowingly in exchange for the consideration described herein, which such Party acknowledges is adequate and satisfactory to such Party and which it acknowledges is in lieu of any other benefits to which it may otherwise be entitled. Each Party fully understands that if any fact with respect to any matter covered by the releases herein is found hereafter to be other than or different from the facts now believed to be true, it accepts and assumes that the releases shall be and remain effective, notwithstanding such difference in the facts.

3. REPRESENTATIONS AND WARRANTIES OF ALLIQUA

Alliqua hereby represents and warrants to BSN as follows:

3.1 **Organization and Good Standing**. Alliqua is duly organized, validly existing and in good standing under the Laws of the state of Delaware. There is no subsidiary or separate entity that owns any interest in the Distributor Agreement, Rights, or the Unsold Products.

3.2 **Authority and Enforceability**. Alliqua has full power and authority to execute, deliver and perform this Agreement and each Ancillary Document to which Alliqua is a party, and the execution, delivery and performance of this Agreement by Alliqua has been duly authorized by all necessary corporate action on the part of Alliqua. This Agreement has been duly executed and delivered by Alliqua and constitutes the valid and legally binding obligation of Alliqua, enforceable in accordance with its terms. To Alliqua's knowledge, Alliqua is not required to give any notice to, make any filing with or obtain any authorization, consent or approval of any Person or Governmental Authority in order for Alliqua to consummate the transactions contemplated hereby.

3.3 **Noncontravention**. The transactions contemplated hereunder will not: (a) violate any Law to which Alliqua is subject; or (b) conflict with, result in a breach of, constitute a default under, result in the acceleration of, give any Person the right to accelerate, terminate, modify or cancel, or require any notice under, any agreement, Permit, instrument or other arrangement to which Alliqua is a party or by which Alliqua is bound or to which any of the assets or properties of Alliqua are subject.

3.4 **Claims; Legal Compliance**.

(a) Alliqua has, in all material respects, complied with each applicable Legal Requirement, has obtained all Permits required to conduct the Business or to maintain the Products, and has complied with each such Permit.

(b) There are no actions, suits, proceedings, hearings, investigations, charges, complaints, claims or demands of any kind pending or, to Alliqua's knowledge, threatened against or affecting any of the Rights or Unsold Products or any aspect of the Business that would reasonably be expected to materially and adversely affect the Rights, Unsold Products or any aspect of the Business ; and there are no injunctions, judgments, orders or decrees of any kind which are outstanding against or unsatisfied by Alliqua or relating to any of the Rights or Unsold Products or any aspect of the Business. To Alliqua's knowledge, Alliqua has, in all material respects, complied with each applicable Law, has obtained all Permits required to conduct the Business or to maintain the Rights, and has complied with each such Permit. Each such Permit is current and has not been revoked, suspended, cancelled or terminated, nor has notice been given of any threatened revocation, suspension, cancellation or termination.

(c) Each of the Products sold by Alliqua, while in the care, custody and control of Alliqua is and always has been, as applicable, stored and distributed and distribution records maintained in a manner intended to prevent any product from becoming adulterated (as defined in FDA Law and Regulation) or misbranded (as defined in FDA Law and Regulation). Alliqua has not undertaken a recall, field correction or removal of any U.S. marketed finished medical device that was the result of mishandling, or any type of adulteration or misbranding that was caused by Alliqua. With respect to the Products distributed by Alliqua, Alliqua is in compliance in all material respects with FDA Law and Regulation.

(d) With respect to the Products or the Business, Alliqua has not received any written notice or communication from the FDA alleging material non-compliance with applicable provisions of the FDA Law and Regulation. With respect to the Products or the Business, Alliqua has not entered into any consent decree or other Order pursuant to any FDA Law and Regulation. To Alliqua's knowledge, there has not been any material violation of any FDA Law and Regulation by Alliqua in its distribution, recordkeeping and reports to the FDA that could reasonably be expected to require or lead to any investigation, corrective action or enforcement, or regulatory or administrative action.

(e) With respect to the Products or the Business, no officer, director, employee or, to Alliqua's knowledge, representative of Alliqua has: (i) made any untrue statement of material fact or fraudulent statement to the FDA or any other Governmental Authority; (ii) failed to disclose a material fact required to be disclosed to the FDA or any other Governmental Authority; (iii) committed an act, made a statement, or failed to make a statement that would reasonably be expected to provide the basis for the FDA or any other Governmental Authority to invoke its policy respecting "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities," as set forth in 56 Fed. Reg. 46191 (September 10, 1991); (iv) solicited or received prohibited compensation under the Medicare and Medicaid Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b), or any similar state anti-kickback Law; (v) been convicted of any crime or engaged in any conduct for which debarment is mandated or permitted by 21 U.S.C. § 335a; or (vi) been convicted of any crime or engaged in any conduct for which such Person could be excluded from participating in the federal health care programs under Section 1128 of the Social Security Act or any similar applicable Laws.

3.5 **Intellectual Property**. Other than the Intellectual Property included within the Rights (all rights in respect of which arise solely from the Distributor Agreement), there is no other Intellectual Property owned or used by Alliqua in the Business.

3.6 **Subsequent Transactions**. Alliqua disclaims any interest in the subsequent sale of any Products, and/or Rights; Alliqua acknowledges it has forgone proceeds of these future sales in return for accepting payment as defined in this Agreement.

3.7 **Tax Consequences**. Alliqua acknowledges and warrants that it has reviewed the Tax consequences of this Agreement with its own tax advisors and is relying solely on that advice and not on any representation or statement of BSN. Alliqua acknowledges and agrees that it is responsible for its own Tax liability as a result of the Agreement.

3.8 **Liens**. Alliqua represents, warrants, and covenants that all Rights and Unsold Products, upon transfer to BSN, will be free and clear of any and all Liens.

3.9 **Insolvency**. As of the Closing Date, after giving effect to the transactions contemplated by this Agreement, Alliqua will not: (a) be insolvent (either because its financial condition is such that the sum of its debts is greater than the fair market value of its assets or because the fair saleable value of its assets is less than the amount required to pay its probable liabilities on its existing debts as they mature); (b) have unreasonably small capital with which to engage in its business; or (c) have incurred debts beyond its ability to pay as they become due. The properties of Alliqua (whether real, personal, common, mixed and whether tangible or intangible) are sufficient for the continued conduct of Alliqua's businesses after the Closing Date in substantially the same manner as conducted immediately prior to the Closing Date.

3.10 **Brokers**. There are no brokers or finders known to Alliqua to be involved with the transactions contemplated hereunder and Alliqua has not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of the transactions contemplated hereby.

3.11 **Anticorruption; International Transactions**. Without limiting the generality of Section 3.4, and with respect to the Rights, the Products, the Business or the purchased assets:

(a) None of Alliqua, its controlling shareholders, directors, officers or employees have, directly or indirectly, in violation of any applicable Law (including without limitation the Foreign Corrupt Practices Act of 1977, as amended): (i) made, offered to make, or authorized any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services, (1) to obtain favorable treatment in securing business or to pay for favorable treatment for business already secured or (2) to obtain special concessions or to pay for special concessions already obtained; or (ii) established or maintained any fund or other asset that has not been properly recorded in the books and records of Alliqua.

(b) Alliqua is and at all times has been in compliance with all applicable Law relating to economic sanctions and trade embargoes. Without limiting the foregoing, Alliqua has not had, directly or indirectly, a business or financial relationship with or delivered any products or services to any geographic regions or governments targeted by the sanctions programs administered by the U.S. Office of Foreign Asset Controls (OFAC) or to any Person, private or public, appearing on OFAC's list of Specially Designated Nationals and Blocked Persons.

(c) Alliqua is, and at all times has been, in compliance with all applicable Law relating to export controls. All Products shipped by Alliqua have been marked, labeled, and transported in accordance with all applicable Law.

3.12 **Channel Sales.** Since the effective date of the Distributor Agreement, Alliqua (a) has sold and will sell Products to wholesalers, distributors and other customers only in the ordinary course of business and in amounts generally consistent with industry practices past sales by Alliqua to its wholesalers, distributors and other customers during comparable periods (which, for the avoidance of doubt, takes into account seasonality, cyclicality and other market conditions), except for one-time discounts that did not have a material impact on sales revenue for the Products (b) has donated and will donate Product to non-profit or charitable organizations only in amounts (if any) that are generally consistent with past Product donations by Alliqua to non-profit and charitable organizations during comparable periods, and (c) has not engaged, and will not engage, in any practice with the intent of increasing the levels of inventory of the Products in the distributor or wholesaler channels, or with other customers outside of the ordinary course of business and in anticipation of entering into this Agreement or any similar transaction with respect to the Products.

3.13 **Full Disclosure**. No representation, warranty, covenant or agreement made by Alliqua in this Agreement contains or will contain any false or misleading statement of a material fact, or omits any material fact required to be stated therein or necessary in order to make the statements therein not false or misleading.

4. REPRESENTATIONS AND WARRANTIES OF BSN

BSN hereby represents to Alliqua as follows:

4.1 **Organization and Good Standing**. BSN is duly organized, validly existing and in good standing under the Laws of the state of Delaware.

4.2 **Authority and Enforceability**. BSN has full power and authority to execute, deliver and perform this Agreement and each Ancillary Document to which BSN is a party, and the execution, delivery and performance of this Agreement by BSN has been duly authorized by all necessary corporate action on the part of BSN. This Agreement has been duly executed and delivered by BSN and constitutes the valid and legally binding obligation of BSN, enforceable in accordance with its terms. BSN is not required to give any notice to, make any filing with or obtain any authorization, consent or approval of any Person or Governmental Authority in order for BSN to consummate the transactions contemplated hereby.

4.3 **Noncontravention**. The transactions contemplated hereunder will not: (a) violate any Law to which BSN is subject; or (b) conflict with, result in a breach of, constitute a default under, result in the acceleration of, give any Person the right to accelerate, terminate, modify or cancel, or require any notice under, any agreement, Permit, instrument or other arrangement to which BSN is a party or by which BSN is bound or to which any of the assets or properties of BSN are subject.

4.4 **Insolvency**. As of the Closing Date, after giving effect to the transactions contemplated by this Agreement, BSN will not: (a) be insolvent (either because its financial condition is such that the sum of its debts is greater than the fair market value of its assets or because the fair saleable value of its assets is less than the amount required to pay its probable liabilities on its existing debts as they mature); (b) have unreasonably small capital with which to engage in its business; or (c) have incurred debts beyond its ability to pay as they become due. The properties of BSN (whether real, personal, common, mixed and whether tangible or intangible) are sufficient for the continued conduct of BSN's businesses after the Closing Date in substantially the same manner as conducted immediately prior to the Closing Date.

4.5 **Brokers**. There are no brokers or finders known to BSN to be involved with the transactions contemplated hereunder and BSN has not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of the transactions contemplated hereby.

5. INDEMNIFICATION

5.1 **Indemnification by Alliqua**. Alliqua shall indemnify and defend BSN and BSN's Affiliates, officers, directors, employees, agents and representatives (collectively, "**BSN Indemnitees**") and hold them harmless from the following and against any and all losses arising out of, resulting from, relating to, in the nature of or caused by:

(a) any misrepresentation or breach of any representation or warranty made by Alliqua in this Agreement or in any Ancillary Document, or any claim by a third party that, if found to have merit, would constitute or give rise to such a misrepresentation or breach;
(b) any breach of any covenant, agreement or obligation of Alliqua in this Agreement or in any Ancillary Document, or any claim by a third party that, if found to have merit, would constitute or give rise to such a breach;
(c) the ownership or operation of the Rights or the distribution, marketing, promotion and/or sale of Products prior to the Closing;
(d) any breach by Alliqua of its obligations pursuant to Sections 8 and 11 of the Distributor Agreement; and
(e) retained Liabilities set forth in Section 2.3 hereof.

5.2 **Indemnification by BSN**. BSN shall indemnify and defend Alliqua, and Alliqua's Affiliates, officers, directors, employees, agents and representatives (collectively, "**Alliqua Indemnitees**") and hold them harmless from and against any and all losses arising out of, resulting from, relating to, in the nature of or caused by:

(a) any misrepresentation or breach of any representation or warranty made by BSN in this Agreement or in any Ancillary Document, or any claim by a third party that, if found to have merit, would constitute or give rise to such a misrepresentation or breach;
(b) any breach of any covenant, agreement or obligation of BSN in this Agreement or in any Ancillary Document, or any claim by a third party that, if found to have merit, would constitute or give rise to such a breach;
(c) the ownership or operation of the Rights or the distribution, marketing, promotion and/or sale of Products from and after the Closing;
(d) any breach by BSN of its obligations pursuant to Sections 8 and 11 of the Distributor Agreement.

5.3 **Survival**. All representations, warranties, covenants and agreements contained in this Agreement shall survive Closing (even if the Party seeking indemnity knew or had reason to know a misrepresentation or breach of warranty at the time of Closing). The indemnification rights and obligations set forth in this Article 5 shall also apply to direct claims by the Parties.

6. CONFIDENTIALITY

6.1 **Covenant**. Effective as of the Closing Date, Alliqua agrees that it shall not use or disclose to anyone, except at the request of BSN, as applicable, any confidential information, knowledge or data directly relating to the Business, including information relating to accounts, financial dealings, transactions, trade secrets, intangibles, customer lists, pricing lists, processes, plans and proposals, whether or not marked or otherwise identified as confidential or secret, that Alliqua has received from BSN or its predecessor during the term of the Distributor Agreement (the "**Confidential Information**"). In the event that Alliqua is requested or required (by oral question or request for information or documents in any regulatory or legal proceeding or inspection, interrogatories, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, Alliqua shall, if permitted and if practicable, notify BSN promptly of the request or requirement so that BSN may, at its sole expense, seek an appropriate protective order or waive compliance with the provisions of this Section 6.1. If, in the absence of a protective order or the receipt of a waiver under this Section 6.1, Alliqua is in its reasonable belief, required to disclose any Confidential Information to any Governmental Authority, Alliqua may disclose the Confidential Information to the Governmental Authority; provided, however, that Alliqua shall use commercially reasonable efforts to obtain, at the reasonable request and sole expense of BSN, an Order or assurance that confidential treatment shall be accorded to such portion of the Confidential Information required to be disclosed as BSN shall designate. The foregoing covenant shall not apply to (a) any information that has been made public (other than through breach of the provisions of this Agreement); (b) any information that, prior to disclosure by BSN to Alliqua or its Affiliates, was already in possession of a receiving party (who is not or was not known to Alliqua to be under an obligation to maintain its confidentiality) from a source other than Alliqua or its Affiliates; (c) any disclosure to the extent that it is required by applicable Law (provided that, if the disclosure is as the result of a legal proceeding or other similar process described above, the required protective procedures as contemplated above are followed); (d) any information independently developed by Alliqua or its Affiliates without any use of Confidential Information.

7. MISCELLANEOUS

7.1 **Amendment and Waiver**. This Agreement may only be amended if such amendment is set forth in a writing executed by both Parties. No waiver of any provision of this Agreement shall be binding unless such waiver is in writing and signed by the Party against whom such waiver is to be enforced. No failure by any Party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement or condition.

7.2 **Notices**. All notices, demands and other communications given or delivered under this Agreement shall be in writing and shall be deemed to have been given when personally delivered, or sent by electronic means of transmitting written documents (including without limitation e-mail), or sent to the Parties at the respective addresses indicated herein by certified U.S. mail, return receipt requested and postage prepaid, or sent by private overnight mail courier service. Notices, demands and communications sent by electronic means must also be sent by regular U.S. mail or by private overnight mail courier service in order for such notice to be effective. Notices, demands and communications to Alliqua or BSN must, unless another address is specified in writing, be sent to the address indicated below:

If to BSN:

BSN medical, Inc..
Attention: Joseph P. Carpinelli, Sr. Vice President of Finance – North America
5825 Carnegie Blvd.
Charlotte, NC 28209
Phone: 704.731.1056
Facsimile: 704.910.8994
Email: Joseph.Carpinelli@bsnmedical.com

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

Koley Jessen P.C., L.L.O.
Attention: Anshu S. K. Pasricha
1125 S. 103rd St., Suite 800
Omaha, NE 68124
Phone: 402.390.9500
Facsimile: 402.390.9005
Email: Anshu.Pasricha@koleyjessen.com

If to Alliqua:

Alliqua Biomedical, Inc.
Attention: David Johnson
1010 Stony Hill Road, Suite 200
Yardley, PA 19067
Phone: 908.240.3521
Facsimile: 215.702.8535
E-mail: djohnson@alliqua.com

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

Haynes and Boone, LLP
Attention: Rick A. Werner
30 Rockefeller Plaza
New York, NY 10112
Phone: 212.659.7300
Facsimile: 212.884.8234
E-mail: Rick.Werner@haynesboone.com

7.3 **Assignment**. This Agreement shall be binding upon, and inure to the benefit of, the Parties and their respective representatives, successors and permitted assigns. None of the Parties may assign either this Agreement or any of the rights, interests or obligations hereunder without the prior written approval of the other Parties, except that either Party shall have the right to assign this Agreement to an Affiliate or successor-in-interest without the consent of the other Party.

7.4 **Severability**. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. In lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid and unenforceable provision as may be legal, valid and enforceable.

7.5 **No Strict Construction**. The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Person by virtue of the authorship of any of the provisions of this Agreement.

7.6 **Captions**. The captions used in this Agreement are for convenience of reference only and do not constitute a part of this Agreement and shall not be deemed to limit, characterize or in any way affect the meaning or interpretation of any provision of this Agreement, and all provisions of this Agreement shall be enforced and construed as if no caption had been used in this Agreement.

7.7 **Entire Agreement**. This Agreement (including the Exhibits and the Schedules) and the documents referred to herein contain the entire agreement between the Parties relating to the subject matter hereof and supersede any and all prior understandings, agreements or representations by or between the Parties, written or oral, which may have related to the subject matter hereof in any way.

7.8 **Governing Law; Venue; Waiver of Jury Trial**. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, ENFORCEMENT AND INTERPRETATION OF THIS AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAW OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF NEW YORK OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK. EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE PERSONAL JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN THE STATE OF NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS SECTION 7.8 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 7.8 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

7.9 **Parties in Interest**. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the Parties and their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by virtue of this Agreement, and no Person who is not a party to this Agreement, other than BSN Indemnitees and Alliqua Indemnitees who shall be third party beneficiaries of, and entitled to enforce, the indemnification provisions of Article 5, may rely on the terms hereof. No provision of this Agreement shall give any third parties any right of subrogation or action over or against any Party.

7.10 **Specific Performance**. Each of the Parties acknowledges and agrees that the other Party may be damaged irreparably in the event that any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Party shall be entitled to seek an injunction or injunctions to prevent breaches of any of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any other state thereof having jurisdiction over the Parties in the matter, in addition to any other remedy (including monetary damages) to which it may be entitled, at law or in equity.

7.11 **Other Contracts**. It is the intent of the Parties that this Agreement and the Transition Services Agreement being entered into by the Parties should not be treated as interrelated documents but treated as separate contracts for which separate consideration was paid.

7.12 **Waiver of Cal. Civ. Code § 1542**. It is a further condition of the consideration hereof and is the intention of the Parties in executing this Agreement that the same shall be effective as a bar as to each and every claim, demand and cause of action hereinabove specified or referred to and, in furtherance of this intention, the Parties hereby expressly waive any and all rights or benefits conferred by the provisions of Section 1542 of the California Civil Code. It is the intention of the Parties that this Agreement shall be given full force and effect according to each and all of its express terms and conditions, including those unknown and unsuspected claims, demands and causes of actions hereinabove specified. Each Party hereto expressly understands and acknowledges that Section 1542 of the California Civil Code provides as follows: A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR. Each Party hereby waives the foregoing provisions of California Civil Code §1542. The Parties acknowledge that they may hereafter discover claims or facts in addition to or different from those which they now know or believe to exist with respect to the subject matter of this Agreement and which, if known or suspected at the time of executing this Agreement, may have materially affected this settlement. Nevertheless, the Parties hereby waive, after final resolution by the court, any right, claim or cause of action that might arise as a result of different or additional claims or facts. The Parties acknowledge that they understand the significance and consequence of such release and such specific waiver of California Civil Code §1542.

7.13 **Noncompete; Enforceability; Remedies.** Alliqua agrees that during the Restricted Period Alliqua shall not, directly or indirectly through any entity, as a principal, employee, partner, owner, member, officer, director, agent, consultant or otherwise, compete with BSN (whether by manufacturing, designing, distributing or otherwise selling), or assist in or provide financial resources to any Person or activity which manufactures, designs, distributes or sells super absorbent wound dressings competitive with the Products in the Territory. Alliqua shall provide BSN with at least 30 calendar days prior written notice of any Change of Control Transaction. For the avoidance of doubt, Alliqua and BSN hereby acknowledge and agree that the restrictions set forth in this Section 7.13 are not intended to, and shall not, restrict the business activities of any acquirer of Alliqua pertaining to products other than the Products, provided that (x) such business activities existed prior to the date of the consummation of the Change of Control Transaction, (y) that Alliqua is not and was not directly or indirectly involved or engaged in such business activities in violation of the first sentence of this Section 7.13, and (z) Alliqua does not provide any information related to the Business to such acquirer that is used to the detriment of BSN. Alliqua acknowledges and agrees that the covenants and agreements set forth in this Section 7.13 were a material inducement to BSN to enter into this Agreement and to perform its obligations hereunder, and that BSN would be irreparably damaged and would not obtain the benefit of the bargain set forth in this Agreement as specifically negotiated by the Parties if Alliqua breached the provisions of this Section 7.13. Alliqua has consulted with legal counsel regarding the covenants set forth in this Section 7.13 and, based on such consultation, has determined and hereby acknowledges that such covenants are reasonable in terms of duration, scope and area of restrictions and are necessary to protect the goodwill of Rights and the substantial investment in the Rights made by BSN hereunder. Alliqua further acknowledges and agrees that: (i) the benefits to Alliqua of the transactions contemplated by this Agreement are sufficient consideration to support Alliqua's agreements set forth in this Section 7.13; and (ii) the agreements set forth in this Section 7.13 are being entered into in connection with the purchase of Rights pursuant to this Agreement and not in connection with any other arrangement between Alliqua and BSN. In the event of any breach of the covenants set forth in this Section 7.13, Alliqua agrees that the harm to BSN or the Rights will be irreparable and without adequate remedy at law and therefore that specific performance by way of permanent and/or temporary injunctive relief with respect thereto will be appropriate in addition to any other legal rights or remedies available under the applicable Legal Requirements or under this Agreement, without the necessity of proving the inadequacy of legal damages or of posting a bond. Furthermore, upon the final determination of any breach of the covenants set forth in this Section 7.13, the relevant restriction period identified above shall be extended for a length of time equivalent to the period of breach. In the event that a court of competent jurisdiction determines in a final, non-appealable judgment, in an action brought by or on behalf of BSN, that any of the foregoing provisions are unenforceable as stated, the Parties intend that such restrictions be modified to permit the maximum enforceable restriction, including on Alliqua's competition with BSN.

7.14 **Expenses.** Except as otherwise expressly provided herein, Alliqua and BSN shall each pay all of their own Expenses.

7.15 **Public Regulatory Filings**. Alliqua will consult with BSN, and provide BSN a reasonable prior opportunity to review and comment upon any public statements made or caused to be made by or on behalf of Alliqua or its Affiliates, whether or not required by applicable Law, that the transactions contemplated hereby have been consummated. Notwithstanding the foregoing, Alliqua will not be required to consult with BSN with respect to any public statements as to the completion of the transaction that are consistent (and not inconsistent) with any statements that have previously been reviewed by BSN.

7.16 **Mutual Non-Disparagement**.

(a) Subject to applicable law, the Parties shall each refrain from making, and shall cause their respective agents, subsidiaries, Affiliates, successors, assigns, officers, key employees or directors not to, directly or indirectly, in any capacity or manner, make, express, transmit, speak, write, verbalize or otherwise communicate in any way (or cause, further, assist, solicit, encourage, support or participate in any of the foregoing), any remark, comment, message, information, declaration, communication or other statement of any kind, whether verbal, in writing, electronically transferred or otherwise, that might reasonably be construed to be derogatory of (a) in the case of statements or announcements by Alliqua, BSN or any of its Affiliates or subsidiaries or any of its or their respective officers or directors or any person who has served as an officer or director of BSN or any of its Affiliates or subsidiaries, or (b) in the case of communications by BSN, Alliqua or any of its Affiliates or subsidiaries or any of its or their respective officers or directors or any person who has served as an officer or director of Alliqua or any of its Affiliates or subsidiaries. The foregoing shall not restrict the ability of any Person to (ii) comply with any subpoena or other legal process or respond to a request for information from any governmental authority with jurisdiction over the party from whom information is sought or (ii) to comply with any applicable Law.

(b) The limitations set forth in Section 7.16(a) shall not prevent any Party from responding to any public statement made by the other Party of the nature described in Sections 7.16(a) and 7.16(b) if such statement by the other Party was made in breach of this Agreement.

7.17 **Further Assurances.** In case at any time after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement and any Ancillary Document, each of the Parties shall take further action (including the execution and delivery of further instruments and documents) as any other Party reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Article 5, in which case the provisions of Article 5 shall apply).

7.18 **Counterparts; Exchange by Electronic Transmission.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument. The Parties may execute this Agreement, any Ancillary Documents and all other agreements, and other documents contemplated hereby and thereby and exchange on the Closing Date counterparts of such documents by means of facsimile transmission or electronic mail and the Parties agree that the receipt of such executed counterparts shall be binding on such Parties and shall be construed as originals. After the Closing the Parties shall promptly exchange original versions of this Agreement, any Ancillary Documents and all other agreements, and other documents contemplated hereby and thereby that were executed and exchanged by facsimile transmission or electronic mail pursuant to this section, but failure to do so shall not affect the binding nature of the same.

[***Remainder of This Page Left Blank Intentionally; Signature Page Follows***]

IN WITNESS WHEREOF, the Parties have executed this Purchase Agreement as of the date first written above.

BSN MEDICAL, INC.

By: /s/ Joseph Carpinelli
Name: Joseph Carpinelli
Its: SVP Finance, North America

ALLIQUA BIOMEDICAL, INC.

By: /s/ Brian M. Posner
Name: Brian M. Posner
Its: CFO

[Signature Page to Purchase Agreement]

Annex A
Distributor Agreement

Distributor Agreement

EXECUTION COPY

between

Sorbion GmbH & Co KG,
a company based in Senden, Germany, incorporated under the laws of the Federal Republic of Germany, registered with the commercial register of the local court of Coesfeld, Germany, under HRA 6688, represented by its general partner SORBION Verwaltungs GmbH which is represented by its managing director Michael Stonner and proxy Olaf Ohm, business address: Im Südfeld 11, 48308 Senden, Germany,

(hereinafter referred to as **"SORBION")**

and

Alliqua Biomedical, Inc.,
a company based in New York, New York, incorporated under the laws of Florida, business address: 850 Third Avenue, Suite 1801, New York, NY 10022, USA

(hereinafter referred to as **„ALLIQUA")**

(SORBION and ALLIQUA collectively hereinafter referred to as "**PARTIES"** and each as "PARTY")

WHEREAS, SORBION is designing, manufacturing and selling wound care-products for hydro active wound management;

WHEREAS, ALLIQUA is a wound management and drug delivery company and is willing to sell the PRODUCTS of SORBION to third parties within the countries listed in **Exhibit A** (hereinafter the **"TERRITORY"**);

WHEREAS, SORBION is willing to appoint ALLIQUA with this distributor agreement (the **"AGREEMENT")** as its distributor for the sale of some of its products to third parties residing in the TERRITORY;

Now, THEREFORE, IN CONSIDERATION OF THE TERMS AND CONDITIONS SET FORTH HEREUNDER, THE PARTIES CONVENE AND AGREE AS FOLLOWS:

section 1
Appointment as distributor, legal position of the distributor

(1) SORBION hereby appoints ALLIQUA as its distributor for the sale of the products listed in **Exhibit B** (including Annex 1, Annex 2 and Annex 3 to **Exhibit 8)** and - subject to para (2) below - all product line extensions of any of the foregoing (hereinafter referred to as **"PRODUCTS")** within the TERRITORY. ALLIQUA accepts such appointments. The specifications of the PRODUCTS are described in **Exhibit B (Annex 1, Annex 2** and **Annex** 3). SORBION represents and warrants that the grant of rights to ALLIQUA under this AGREEMENT does not conflict with any agreement that SORBION has with any third party.

(a) ALLIQUA's rights to distribute the PRODUCTS listed in **Exhibit B, Annex 1** and - subject to para (2) below - all product line extensions of any of the foregoing (collectively, the **"ANNEX 1 PRODUCTS")** shall be exclusive (even as to SORBION) in the TERRITORY; provided, however, that notwithstanding such exclusivity, a certain third party distributor of SORBION, Systagenix Wound Management **("SYSTAGENIX"),** shall have the right to distribute the ANNEX 1 PRODUCTS in the TERRITORY on a private-label basis under SYSTAGENIX's brand pursuant to an agreement between SYSTAGENIX and SORBION that exists as of the date of this AGREEMENT. If SYSTAGENIX's right to distribute the ANNEX 1 PRODUCTS in the TERRITORY expires or is terminated, then ALLIQUA's rights to distribute the ANNEX 1 PRODUCTS shall automatically become exclusive in all respects.

(b) As of the date of this AGREEMENT, ALLIQUA's rights to distribute the PRODUCTS listed in **Exhibit B. Annex 2** and - subject to para (2) below - all product line extensions of any of the foregoing (collectively, the **"ANNEX 2 PRODUCTS")** shall be exclusive (even as to SORBION) in the TERRITORY; provided, however, that notwithstanding such exclusivity, a certain third party distributor of SORBION, Carolon Company **("CAROLON"),** shall have the right to distribute the ANNEX 2 PRODUCTS in the TERRITORY (in addition to ALLIQUA's right to distribute the ANNEX 2 PRODUCTS in the TERRITORY) pursuant to an agreement between CAROLON and SORBION that exists as of the date of this AGREEMENT. If CAROLON's right to distribute the ANNEX 2 PRODUCTS in the TERRITORY expires or is terminated (or is assigned to ALLIQUA), then ALLIQUA's rights to distribute the ANNEX 2 PRODUCTS shall automatically become exclusive in all respects.

(c) ALLIQUA's rights to distribute the PRODUCTS listed in **Exhibit B, Annex 3** and – subject to para (2) below - all product line extensions of any of the foregoing (collectively, the **"ANNEX 3 PRODUCTS")** shall be exclusive (even as to SORBION) in the TERRITORY at all times during the term of this AGREEMENT.

(2) The Parties upon mutual agreement may modify **Exhibit B** (**Annex 1**, **Annex 2** and **Annex 3**). For the avoidance of doubt, SORBION has the sole discretion which product line extension may be distributed in the TERRITORY. Therefore, if a product line extension is distributed outside the TERRITORY but Sorbion decides not to distribute this product line extension in the TERRITORY, ALLIQUA may not sell the respective product line extension in the TERRITORY.

(3) The basis of the legal relationship between the PARTIES, in relation to all processes connected with this AGREEMENT, is exclusively this AGREEMENT as well as the General Terms and Conditions of Sale and Transfer of SORBION that are attached as **Exhibit C,** which shall be applicable to the individual purchase contracts still to be concluded (see below section 2). Conflicting, deviating or additional agreements do not exist, except as attached as exhibits to this AGREEMENT or except with respect to the design, packaging and labeling agreement referenced below in section 1(4). SORBION does not acknowledge any general terms and conditions of ALLIQUA. Even if a purchase contract is performed without reservation in the knowledge of conflicting or deviating terms and conditions of ALLIQUA, this shall not constitute a consent of SORBION to their application.

(4) ALLIQUA shall buy the PRODUCTS directly from SORBION in its own name and on its own account, and then shall sell them under the respective trademark (e. g. "SORBION", "SORBION sachet", "SORBION sachet S" or "SORBION sana") with the design, packaging and labeling as agreed by the PARTIES (such agreement not to be unreasonably withheld or delayed), to third parties domiciling within the TERRITORY in its own name and on its own account. ALLIQUA is free in determining its selling prices.

(5) Nothing in this AGREEMENT shall constitute the right of ALLIQUA to act as an agent of SORBION to represent SORBION in any way whatsoever. ALLIQUA is not entitled to conclude legal transaction on behalf of SORBION. For the avoidance of doubt, ALLIQUA is an independent enterprise and not an employee of SORBION.

(6) ALLIQUA is in a position to assess the financial chances and risks of the activity hereby contractually assumed. SORBION is therefore not responsible for the profitability of the business of ALLIQUA.

(7) ALLIQUA shall not be entitled to engage subcontractors or any third party as its subagent or the alike with respect to marketing of the PRODUCTS without having obtained SORBION's prior written approval to do so, such approval not to be unreasonably withheld; provided, however, that for the avoidance of doubt, SORBION's approval will not be required for ALLIQUA to: (i) sell PRODUCTS through wholesalers, Group Purchasing Organizations **("GPOs")** and other third parties as are customarily involved in the distribution and sale of medical device products in the TERRITORY or (ii) use contract sales organizations or other independent sales representatives in connection with the marketing of the PRODUCTS.

(8) ALLIQUA acknowledges SORBION's policy of working with local partners and granting them exclusivity for certain countries and regions outside the TERRITORY: ALLIQUA agrees not to interfere with this policy. ALLIQUA is not allowed to actively initiate, support and accomplish soliciting any sales of the PRODUCTS outside the TERRITORY. ALLIQUA shall limit its efforts to advertise and solicit sales of the PRODUCTS to activities executed within the TERRITORY, unless customers from outside the TERRITORY have solicited for quotations and/or deliveries without prior inducement by ALLIQUA (passive distribution). ALLIQUA will not ship or sell any customer outside the TERRITORY without the expressed written approval of SORBION. Sale and distribution in the European Union, Switzerland, Turkey and Australia explicitly is reserved to SORBION and its other distributors. ALLIQUA will inform its customers that the PRODUCTS are for sale in the TERRITORY only. Should ALLIQUA determine that PRODUCTS are being sold outside the TERRITORY by a customer from within the TERRITORY, ALLIQUA will notify SORBION so that appropriate action may be taken.

section 2
Purchase, sale and delivery of PRODUCTS, prices

(1) ALLIQUA will undertake commercially reasonable efforts to enhance the sale of the PRODUCTS. ALLIQUA will undertake commercially reasonable efforts to achieve a regular flow of orders and take-offs of the PRODUCTS during each calendar year. ALLIQUA is obliged to protect the interests and reputation of SORBION and not to do anything which would endanger the reputation, market position or creditworthiness of SORBION or otherwise damage SORBION. ALLIQUA undertakes to discuss with SORBION at regular intervals the objectives and strategies for the sale of PRODUCTS in the TERRITORY.

(2) SORBION sells the PRODUCTS on the basis of its General Terms and Conditions of Sale and Transfer attached as **Exhibit C** and which can be amended from time to time upon the mutual, written agreement of the PARTIES. The provisions of this AGREEMENT shall have in case of contradiction priority over the General Terms and Conditions of Sale and Transfer. For the avoidance of doubt, and without limiting the foregoing, the PARTIES agree that the following provisions set forth in the General Terms and Conditions of Sale and Transfer shall have no effect, as such provisions address matters that are covered in the main body of this AGREEMENT: Section 11(1), Section Ill, Section IV(1). For the avoidance of doubt, the sale of PRODUCTS are on basis of Section XIII of the General Terms and Conditions of Sale and Transfer.

(3) Except as provided below as well as in Section 2(3) and Section 2(5) below, SORBION will accept all Product orders that are issued by ALLIQUA and that are consistent with the valid price list (see para. (6) below). However, the individual purchase contract shall come into effect only on acceptance of the order of ALLIQUA by SORBION. SORBION shall send an order confirmation. SORBION is entitled to stop accepting orders for the PRODUCTS, only to the extent SORBION decides to do so generally for all markets worldwide, after informing ALLIQUA in writing with a notice period of six months. Orders of ALLIQUA accepted by SORBION before the end of such notice period shall remain unaffected. Further, SORBION may decide to not to accept orders if the respective Products are - pursuant SORBION's sole discretion - not marketable or defective or if there is the risk or suspicion that the respective Products do not comply with the requirements set out in Section 4(1) below.

(4) SORBION will deliver PRODUCTS to ALLIQUA by the delivery date set forth on ALLIQUA's order, provided that such delivery date is no sooner than 30 days after the date of such order.

(5) Events of force majeure hindering the Parties in fulfilling their contractual obligations in part or in total, shall exempt and free the relevant Party from its obligation to fulfill this contract until the events of force majeure do not exist anymore. The following shall be regarded as events of force majeure: fire, natural disaster, war, revolution, riots, acts of terrorism, shortage of raw materials, strike, lockouts, disturbances in seller's business or business of suppliers, acts of government or authority. The other Party may terminate the contract if the event of force majeure lasts for more than six months or if the party terminating the contract can reasonably demonstrate that it would be unreasonable for the party to continuously be bound by the contract.

(6) SORBION is free to determine its prices and conditions. At least 30 days before the beginning of each calendar year starting with 2015, SORBION shall send ALLIQUA the valid price list which shall remain in effect for the duration of such calendar year. The currently valid price list which shall remain in effect for calendar years 2013 and 2014 is attached to this AGREEMENT as **Exhibit D.** The prices according to **Exhibit D** are ex works and have to be paid within 30 days after date of invoice with 3% deduction or 45 days after date of invoice without deduction. SORBION will invoice ALLIQUA for each PRODUCT order upon shipment of the PRODUCTS covered by the order to ALLIQUA. For the avoidance of doubt, prices do not include any import taxes, sales taxes, duty or other governmental fees which have to be paid by ALLIQUA. Notwithstanding anything to the contrary: (i) Sorbion will pay for fifty percent (50%) of Shipment Costs (as defined below) with respect to PRODUCT orders that are for less than 50.000,00 € and (ii) Sorbion will pay for one hundred percent (100%) of Shipment Costs with respect to PRODUCT orders that are equal or above 50.000,00 €. **"Shipment Costs"** means the following costs associated with an order of PRODUCTS: (i) shipping costs (via a mutually agreed upon means of shipping), (ii) other logistics costs, including customs clearance costs and (iii) import taxes, sales taxes, duties and other governmental fees.

(7) In cases of late payment for PRODUCTS that conform to the requirements of this AGREEMENT, SORBION is entitled to claim interest in the amount of 8 % p. a. Further claims for damages remain unaffected.

section 3 Exclusivity

(1) ALLIQUA shall act as SORBION's exclusive distributor for the PRODUCTS within the TERRITORY for the term of this AGREEMENT (subject to the limited exceptions provided for in Sections 1(1)(a) and {b) and also subject to ppara. (3) and (4) below). As long as exclusivity is granted to ALLIQUA, SORBION will not itself sell any PRODUCTS into the TERRITORY or appoint any third party to sell PRODUCTS into the TERRITORY (other than the existing appointments of SYSTAGENIX and CAROLON as distributors of ANNEX 1 PRODUCTS and ANNEX 2 PRODUCTS, respectively, as provided in Sections 1(1)(a) and (b)) without ALLIQUA's approval. In addition, SORBION agrees that it will use its best efforts to insure that the PRODUCTS are not sold from another territory into the TERRITORY.

(2) The exclusivity granted to ALLIQUA under this AGREEMENT is conditioned on ALLIQUA purchasing from SORBION, during calendar year 2014 and each calendar year thereafter during the term of this AGREEMENT, PRODUCTS for an aggregate purchase price that equals or exceeds the minimum purchase amount that is set forth for such calendar year on **Exhibit E** (the **"MINIMUM ANNUAL PURCHASE AMOUNT").** If ALLIQUA fails to make PRODUCT purchases for payments that, in the aggregate, equal or exceed the MINIMUM ANNUAL PURCHASE AMOUNT for a given calendar year, then ALLIQUA may, at its sole discretion, cure such failure by paying SORBION, within 45 days after the end of such calendar year, an amount equal to such MINIMUM ANNUAL PURCHASE AMOUNT minus the aggregate payments made by ALLIQUA for PRODUCT purchases for such year. SORBION's sole and exclusive remedy for any failure by ALLIQUA to pay the MINIMUM ANNUAL PURCHASE AMOUNT for a given calendar year shall be as set forth below in Section 3(3), Section 3(4) and Section 3(5).

(3) If ALLIQUA fails to pay the applicable MINIMUM ANNUAL PURCHASE AMOUNT for a given calendar year in accordance with para. (2) above, SORBION is entitled to terminate the exclusivity right of ALLIQUA immediately and convert ALLIQUA's rights under this AGREEMENT to non-exclusive rights. In addition, if ALLIQUA fails to pay the MINIMUM ANNUAL PURCHASE AMOUNT in accordance with para. (2) above for two subsequent calendar years, SORBION shall have the right to terminate this AGREEMENT in its entirety upon ninety (90) days prior, written notice to ALLIQUA.

(4) Notwithstanding anything to the contrary, ALLIQUA shall not be required to purchase the MINIMUM ANNUAL PURCHASE AMOUNT in order to retain the exclusivity granted to ALLIQUA under this AGREEMENT, and SORBION shall have no termination right under Section 3(3) above, if SORBION fails to supply PRODUCTS to ALLIQUA that meet the requirements of this AGREEMENT, whether on account of an Event of Force Majeure, on account of SORBION no longer accepting orders pursuant to Section 2(3) with regard to any PRODUCT or a cessation of sales pursuant to Section 4(6) with regard to any PRODUCT, or otherwise. Further, ALLIQUA shall not be required to purchase the MINIMUM ANNUAL PURCHASE AMOUNT regarding the calendar year 2014 in order to retain the exclusivity granted to ALLIQUA under this AGREEMENT, and SORBION shall have no termination right under Section 3(3) above, if ALLIQUA acquires CAROLON's rights to distribute the ANNEX 2 PRODUCTS in the TERRITORY.

(5) Further, any material breach of this AGREEMENT by ALLIQUA will entitle SORBION to terminate the exclusivity by providing ALLIQUA with thirty (30) days prior, written notice of such termination; provided, however, that such exclusivity will not terminate if ALLIQUA cures such breach by the end of such thirty (30) day period. This shall not affect any other rights or remedies of SORBION arising from such failure, especially the right to terminate the whole AGREEMENT in accordance with section 10.

section 4
Agreement of Quality Assurance

(1) SORBION declares conformity with the essential requirements as stated in Annex I of the European medical device directive 93/42/EEC and confirms to maintain a complete quality management system as required by Annex II of 93/42/EEC. SORBION represents, warrants and covenants that the PRODUCTS at all times shall be: (i) labeled internationally, including English language and English language instructions for use, and in compliance with all applicable laws and regulations in the TERRITORY and (ii) the PRODUCTS at all times shall meet all applicable laws and regulations pertaining to the sale of the PRODUCTS in the TERRITORY. If legal provisions or authority directives in the TERRITORY require a change in the PRODUCTS ALLIQUA is obliged to inform SORBION.

(2) ALLIQUA is obliged to ensure that its marketing practices with respect to the PRODUCTS complies with local or other laws. ALLIQUA is liable for any damages, financial or of any other kind, which are caused by failure to meet the foregoing requirement.

(3) ALLIQUA will comply with all statutory and/or official regulations, laws, instructions, decisions and/or statutes which affect ALLIQUA and its enterprise as well as the possibility of the sale of the PRODUCTS in the TERRITORY. ALLIQUA will pay all taxes, license fees, permit fees or registration fees and other costs and charges incurred by ALLIQUA connected with the establishment and/or the operation of ALLIQUA's business as well as the sale of the PRODUCTS, insofar as such exist.

(4) SORBION will be responsible, at its expense, for (i) obtaining and maintaining any required regulatory approvals and clearances with respect to the PRODUCTS in the TERRITORY, (ii) responding to requests from regulatory authorities in the TERRITORY with respect to the PRODUCTS, (iii) reporting any adverse events with respect to the PRODUCTS to applicable regulatory authorities in accordance with applicable laws and regulations, (iv) conducting any clinical studies with respect to the PRODUCTS and (v) obtaining reimbursement approvals for the PRODUCTS in the TERRITORY.

(5) ALLIQUA will promptly report to SORBION any adverse events of which ALLIQUA becomes aware with regard to the PRODUCTS. ALLIQUA will conduct its distribution activities (including but not restricted to the keeping of distribution records, complaint handling, and problem reporting to SORBION and recall procedures) in accordance with applicable laws and regulations in the TERRITORY. ALLIQUA will provide for adequate insurance with regard to its distribution activities. ALLIQUA undertakes reasonable efforts to market the SORBION brand in the TERRITORY.

(6) SORBION has the right to instruct ALLIQUA to immediately cease sales of the PRODUCTS in the event such sales would violate any applicable law, or would expose SORBION to product defect liability in the event of non-conformity. Such right of SORBION is in addition to its rights under section 2(3) of this AGREEMENT.

(7) All marketing materials such as brochures, internet marketing and any kind of advertising must be in conformity of the PRODUCT's respective instructions for use and have to be agreed upon with SORBION before launch. SORBION will not unreasonably withhold its approval of any such marketing materials. Changes in the PRODUCTS, the packaging and design are only allowed with prior written consent of SORBION. SORBION may provide for marketing, branding, corporate identity- and compliance-schemes and materials, which ALLIQUA must use commercially reasonable efforts to comply with and use. ALLIQUA must inform SORBION if ALLIQUA becomes aware of that such schemes and materials violate or interfere with applicable law in the TERRITORY, in which event the PARTIES will adjust such schemes and/or materials to accomplish the directive of SORBION at the best.

(8) ALLIQUA will provide user support for local customers and be responsible for post-market surveillance in the TERRITORY (provided that SORBION shall be responsible for any reporting obligations to applicable regulatory authorities). ALLIQUA will establish procedures for complaint handling and will inform SORBION without undue delay of any problems relating to the PRODUCTS.

(9) ALLIQUA will introduce and maintain a system for keeping distribution records, which enables ALLIQUA to perform a product recall, if such recall should become necessary. ALLIQUA will establish procedures to perform such a recall procedure. The distribution records will be kept for five years after the PRODUCTS "use-by"-date, even if the exclusivity and/ or the AGREEMENT have expired. In the event that a recall of the PRODUCTS becomes necessary, SORBION will provide to ALLIQUA instructions on recall procedures which shall be followed by ALLIQUA to the extent commercially reasonable. Costs of any recalls shall be borne by SORBION, unless recall necessity is solely as a result of ALLIQUA's negligence.

(10) ALLIQUA will follow the applicable regulations for marketing medical devices and the applicable regulations on fair competition and fair dealing. Even if there are no local restrictions in the TERRITORY, ALLIQUA will not use fraudulent or misleading advertising or marketing.

section 5
Use of trademarks and intellectual property

(1) SORBION grants to ALLIQUA the right to use the trademarks SORBION, SORBION Sachet S, SORBION Sana for the sale and distribution of the PRODUCTS delivered by SORBION to customers in the TERRITORY and for marketing activities in the TERRITORY under the terms and for the duration of this AGREEMENT as long as it is clearly indicated that the Product is manufactured by SORBION and imported and distributed by ALLIQUA.

(2) ALLIQUA will market, sell and deliver the PRODUCTS as provided by SORBION only under the SORBION SORBION Sachet S, SORBION Sana trademark and Logo with the original package and directions for use. SORBION will add a reference identifying ALLIQUA as responsible importer /vendor and/or local contact. The design requires the prior written consent of both PARTIES.

(3) ALLIQUA agrees not to use any name or trademark similar to, confusingly or deceptively similar with the trademarks of SORBION and to assist SORBION, at SORBION's request and expense, in taking all reasonable steps to defend or to protect its trademarks relating to the PRODUCTS in the TERRITORY.

(4) From the marketing, sale, distribution, or other use of the PRODUCTS, ALLIQUA generally does not derive any right regarding the trademark, Logo, symbols or part thereof of SORBION. If local law grants any such rights to ALLIQUA, ALLIQUA is obliged and guarantees to return the right to SORBION immediately after the end of exclusivity and/or the AGREEMENT without costs to SORBION.

(5) ALLIQUA undertakes to use intellectual property (i.e. trademarks, patents, know-how, copyright) belonging to SORBION only in the manner and to the extent expressly permitted by this AGREEMENT or in writing by SORBION. ALLIQUA will provide all possible co-operation and assistance, at SORBION's request and expense, in SORBION's efforts to protect its intellectual property in the TERRITORY.

section 6
Sales Forecast / Market Analysis

(1) ALLI QUA shall provide SORBION with a first market analysis for 2014 on or before 30.11.2013.

(2) In each quarter ALLIQUA shall provide SORBION with a marketing- and activity-report, relating to its own activities and the general market development with respect to the PRODUCTS.

(3) Not later than thirty (30) days prior to first day of each calendar quarter during the term of this AGREEMENT, ALLIQUA shall also provide to SORBION: (i) its non-binding written forecast of ALLIQUA's good faith written estimate of expected requirements for PRODUCTS during the following 12 months, and (ii) its binding written forecast of ALLIQUA's requirements for PRODUCTS, during such calendar quarter {for example, the forecast for the first calendar quarter of each year shall be provided not later than 30 days prior to the first day of the first calendar quarter of such year). Each such binding forecast shall be broken down on a month-by-month basis for the applicable calendar quarter.

(4) SORBION shall provide ALLIQUA with any information regarding SORBION's sales activity outside the TERRITORY, including for new products and special marketing activities, except regarding confidential information as determined by SORBION.

section 7
Warranty and liability

(1) ALLIQUA shall examine the PRODUCTS promptly after collection/delivery of the PRODUCTS for any damage that is obvious from a visual inspection **("Obvious Defects").** Obvious defects shall be notified to SORBION in writing immediately, in any event not later than seven days after receipt. Defects that are not Obvious Defects have to be notified promptly after discovery. If SORBION is not notified in time, all claims are excluded.

(2) If the delivered PRODUCTS are not conforming to the specifications agreed between the PARTIES or the other requirements of this AGREEMENT (hereinafter referred to as "**DEFECTIVE PRODUCTS**" or "**DEFECT**") SORBION at its choice will either render substitutive delivery or repair, promptly and at no additional cost to ALLIQUADEFECTIVE PRODUCTS shall, on demand of SORBION and at its costs, be returned or be demolished. If SORBION fails to fill the order at issue with PRODUCTS that are not DEFECTIVE PRODUCTS within 30 days after ALLIQUA's original requested delivery date, then ALLIQUA has the right to rescind the relevant portion of the order upon notice to SORBION, in which event SORBION will refund to ALLIQUA any amounts previously paid by ALLIQUA with respect to such order.

(3) THE WARRANTY AND LIABILITY OF SORBION IS EXCLUDED, IF THE DEFECT IS BASED ON A USE OUTSIDE THE TERRITORY, IMPROPER TRANSPORT OR STORAGE BY ALLIQUA, OR BECAUSE ALLIQUA HAS DISREGARDED WRITTEN INSTRUCTIONS OF SORBION WITH RESPECT TO THE STORAGE OR HANDLING OF PRODUCTS.

(4) To the best knowledge of SORBION the use of the trademarks and use or sale of the PRODUCTS does not infringe any rights of third parties. HOWEVER NO WARRANTY ABOUT THE ABSENCE OF AN INFRINGEMENT OF THIRD PARTIES' INTELLECTUAL PROPERTY RIGHTS IN THE TERRITORY IS GIVEN AND ABOUT THE FACT OF THE CONTINUANCE OF THE TRADEMARKS AND THE UNDERLYING INTELLECTUAL PROPERTY CONCERNI NG THE PRODUCTS.

(5) SUBJECT TO SECTION 7 (6) BELOW, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES ARISING FROM OR IN CONNECTION WITH THIS AGREEMENT OR THE PRODUCTS (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS OR REVENUES OR BUSINESS) WHETHER ARISING OUT OF WARRANTY, INDEMNITY, CONTRACT, NEGLIGENCE OR OTHER TORT, OR OTHERWISE.

(6) Notwithstanding anything to the contrary, the liability exclusions set forth in section 7 (5) will not apply to: (i) any damages arising from a PARTY's gross negligence, fraud or willful misconduct or (ii) the PARTIES' respective indemnity obligations under section 8.

section 8
Product liability

(1) SORBION shall indemnify, defend and hold ALLI QUA and its affiliates and its and their respective officers, directors, employees and agents harmless against any claims, actions, lawsuits and investigations brought by a third party **("THIRD PARTY CLAIMS")** and will pay any settlements, awards, fines and reasonable attorney's fees and expenses and court costs associated with such THIRD PARTY CLAIMS (collectively, **"LOSSES"),** in each case to the extent arising from or relating to any assertion that any Product contains a defect, such as faulty design, materials or workmanship, unless caused by ALLIQUA's negligence, fraud or willful misconduct; provided, however, that ALLIQUA provide proper notice of the potential THIRD PARTY CLAIM in accordance with section 8(2) below, and provided that SORBION shall have the exclusive right, subject to its own indemnity insurance agreements, to select counsel and to accept or reject any offers of settlement with adverse parties. SORBION'S right to select counsel and to have exclusive right to accept or reject any offers of settlement shall be a precondition for any indemnification. This clause shall not apply to any THIRD PARTY CLAIM related solely to unauthorized sales made in contravention of a cessation instruction under section 4(6) of this AGREEMENT.

(2) ALLIQUA shall immediately notify SORBION in writing of any notice or claim for which ALLIQUA seeks indemnity pursuant to section 8(1) and of the commencement of any suit or action with respect to any such claim, but in no event more than five (5) business days following the first day ALLIQUA becomes aware of the suit or action; provided, however, that the failure to give timely notice hereunder will not affect rights to indemnification hereunder if Alliqua has committed this failure neither deliberately nor carelessly. ALLIQUA shall permit SORBION to become informed of and to follow any such proceedings.

(3) ALLIQUA shall indemnify, defend and hold SORBION and its affiliates and its and their respective officers, directors, employees and agents harmless against any THIRD PARTY CLAIMS, and will pay any associated LOSSES, in each case to the extent arising from or relating to ALLIQUA's negligence, fraud or willful misconduct.

(4) In the event one PARTY is liable to indemnify the other hereunder, the indemnity shall include any and all liability as against third parties, as well as reasonable legal and any other costs incurred in defending or settling such claims.

(5) The provisions of this section 8 shall not be affected by the completion, termination or cancellation of this AGREEMENT or any part thereof, and shall apply notwithstanding any other provisions of this AGREEMENT.

section 9
Purchase of PRODUCTS; Competition

(1) ALLIQUA shall purchase the PRODUCTS only from SORBION.

(2) ALLIQUA shall not during the term of the AGREEMENT without the prior written consent of SORBION, whether directly or indirectly, itself or through third parties, distribute, sell, advertise or otherwise market any wound dressing containing alginate nor any superabsorbent products that compete with any of the PRODUCTS.

section 10
Duration / Termination of the AGREEMENT

(1) The initial term of this AGREEMENT begins on the date appearing on the signature page below and ends on December 31, 2018.

(2) In September 2014, the PARTIES will agree on Minimum Annual Purchase Amount to be met in 2018. If these Minimum Annual Purchase Amount is met, the Distributor AGREEMENT shall be renewed automatically for another year after the initial term. If the PARTIES cannot agree on the Minimum Annual Purchase Amount for 2018 until 31 September 2014 or until a mutually agreed extension date, the AGREEMENT will end automatically on December 31, 2018. Likewise, the PARTIES will agree within September 2015, September 2016, September 2017 and - as the case may be - September 2018 on Minimum Annual Purchase Amounts to be met in 2019, 2020, 2021 and 2022, and if the Minimum Annual Purchase Amount for any such year is met, then the AGREEMENT will be renewed automatically, each time for another year. Therefore, if the agreed Minimum Annual Purchase Amounts are met by ALLIQUA each year, the total duration of AGREEMENT will be extended until December 31, 2023. The PARTIES will negotiate on any further extension mutually.

(3) ALLIQUA may terminate this AGREEMENT at any time upon six (6) months prior, written notice to SORBION.

(4) Each PARTY's right to terminate this AGREEMENT for good cause remains unaffected. Good cause for termination by Sorbion shall be limited to the following:

- a change in the ownership of ALLIQUA unless interference with the legitimate interests of SORBION is not thereby to be anticipated;
- a material breach of obligations out of sales contracts concluded in the framework of this AGREEMENT (above all, the failure to settle outstanding purchase-price receivables), which breach is not cured within sixty (60) days after receiving written notice of such breach from SORBION;
- ALLIQUA's material breach of any of its obligations under this AGREEMENT, which breach is not cured within sixty (60) days after receiving written notice of such breach from SORBION;
- in case ALLIQUA at any time challenges any intellectual property of SORBION;

- ALLIQUA's application for opening of insolvency proceedings as well as the refusal to open insolvency proceedings for lack of assets, or any similar proceeding; or
- full closure of business (other than on account of any PRODUCT or market issues or for other reasons outside of ALLIQUA's reasonable control), with an actual or anticipated duration of more than ninety (90) days.

(5) The termination requires written form. It may be sent by fax, first-class mail or email using the notice address in Section 12 below.

(6) The termination and ending of this AGREEMENT shall not affect the purchase contracts concluded in the course of its performance. In the event of any termination, SORBION will continue to supply ALLIQUA so that the latter can perform the transactions entered into with third parties in the normal course of business prior to expiry of the AGREEMENT.

(7) Documents provided to ALLIQUA may no longer be used from the ending of the AGREEMENT and are to be returned, unless consumed as intended.

(8) The use of intellectual property rights and designations in the sense of this AGREEMENT shall be ceased at the ending of the AGREEMENT; provided, however, that ALLIQUA shall be entitled to market and sell any PRODUCTS that are in inventory or on order as of the effective date of any expiration or termination of this AGREEMENT for a period of six (6) months after the effective date of such expiration or termination.

(9) ALLIQUA will, at the ending of the AGREEMENT, cooperate in smoothly transferring the customer relations.

(10) Termination of this AGREEMENT shall not give rise to a right of either PARTY hereto for compensation of any losses or damages incurred by the termination of this AGREEMENT only, which shall not affect either PARTY's rights or remedies for any other reason, including any reason to terminate this AGREEMENT. ALLIQUA especially shall have no claim against SORBION for compensation for loss of distribution rights, loss of goodwill or any similar loss.

(11) The following provisions will survive any expiration or termination of this AGREEMENT: section 4 ("Agreement of Quality Assurance"), section 7 ('Warranty and liability"), section 8 ("Product liability"), section 10 ("Duration and Termination of the AGREEMENT"}, section 11 ("Confidentiality") and section 12 ("Miscellaneous").

section 11 Confidentiality

Each PARTY hereby undertakes:

(a) at all times during the continuance of this AGREEMENT and for five (5) years after its termination not to disclose or divulge the contents of this AGREEMENT to any third party, whether in whole or in part, without the prior written consent of the other PARTY, unless (i) the same is required in terms of any statutory or regulatory obligation or requirement or exchange rules or (ii) on a confidential basis to any prospective financing source or acquirer and their advisors;

(b) at all times during the continuance of this AGREEMENT and for five (5) years after its termination to maintain confidentiality of information which is marked "confidential" or "secret" or which might fairly be considered to be of a confidential nature, supplied by the other PARTY and including, but not limited to, trade secrets, know-how, procedures, formulas, statistics, marketing and sales plans, costs and pricing concepts not publicly released by the other PARTY;

(c) on the expiry or termination of this AGREEMENT, or upon the request of the other PARTY made at any time, to deliver immediately to such other PARTY all documents and other materials in the possession, care, custody and/or control of the first PARTY that bear or incorporate the confidential information of the other PARTY whether in whole or in part; provided, however, such first PARTY will not be required to deliver any copies of documents or other materials necessary for its performance under this AGREEMENT or that are maintained in such PARTY's backup or archival systems.

section 12 Miscellaneous

(1) Neither PARTY is entitled to transfer any rights or obligations under this AGREEMENT to third parties without the other PARTY's prior, written consent. However, notwithstanding the foregoing (but subject to SORBION's termination right under clause 10(4) to the extent applicable), either PARTY may, without any requirement to obtain the other PARTY's consent, transfer and assign its rights and obligations under this AGREEMENT to (i) an affiliated company of such PARTY or (ii) in connection with any merger, sale of equity interests, sale of all or substantially all assets or other change of control transaction relating to such PARTY or such PARTY's line of business to which this AGREEMENT relates.

(2) This AGREEMENT shall not be altered or modified, unless in writing and signed by both PARTIES hereto. The same applies for any modification of this requirement of the written form. The Exhibits are an integral part of this AGREEMENT.

(3) NOTICES: All notices, requests, demands and other communications provided for in this AGREEMENT shall: (a) be in writing; (b) be sent by hand delivery, first class mail, overnight courier, email or facsimile transmission and {c) be addressed to the PARTIES hereto as indicated below unless otherwise specified in writing by any such PARTY.

If to Sorbion: Olaf Ohm
Im Südfeld 11,
48308 Senden,
Germany *o.ohm@sorbion.com*

If to Alliqua:

Brian Posner, Chief Financial Officer
2150 Cabot Blvd West
Langhorne, PA 19047 United States
bposner@alliqua.com

(4) This AGREEMENT shall to the greatest extent possible be interpreted in such a manner as to comply with the applicable laws. However, if any provision hereof is, notwithstanding such interpretation, determined to be or become invalid or unenforceable, or if there is an omission, the remaining provisions of this AGREEMENT shall remain to be binding upon the PARTIES. The PARTIES agree to replace any such invalid or unenforceable provision by a valid and enforceable one which comes as close as possible to the original purpose and intention of the invalid or unenforceable provision. In the event of an omission, a provision which corresponds with the intention and purpose of what would have been agreed between the PARTIES if the matter had been considered at the outset shall be deemed to have been agreed.

(5) In the event of any controversy or claim arising out of or relating to any provision of this AGREEMENT or the breach thereof, the PARTIES shall try to settle the problem amicably between themselves. Should they fail to agree, any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be determined by confidential arbitration administered by the American Arbitration Association in accordance with its International Arbitration Rules. The number of arbitrators shall be one. The place of arbitration shall be New York, New York. The language of the arbitration shall be English. The Parties agree to keep the substance of the arbitration confidential except to the extent commercially necessary. The Parties agree not to make any public statements, written or verbal, or cause or encourage others to make any public statements, written or verbal, that defame, disparage or in any way criticize the personal or business reputation, practices, or conduct of each other, its employees, directors, and officers. The Parties acknowledge and agree that this prohibition extends to statements, written or verbal, made to anyone, including but not limited to, the news media, investors, potential investors, any board of directors or advisory board or directors, industry analysts, competitors, strategic partners, vendors, employees (past and present), and clients. The Parties understand and agree that this Paragraph is a material provision of this Agreement and that any breach of this Paragraph shall be a material breach of this Agreement, and that each Party would be irreparably harmed by violation of this provision. For the avoidance of doubt, any sale of PRODUCTS are on basis of Section XIII of the General Terms and Conditions of Sale and Transfer and not subject to the sentences stated before.

(5) This AGREEMENT, and any disputes directly or indirectly arising from or relating to this AGREEMENT, will be construed and controlled by the laws of the State of New York, U.S.A. (without reference to the choice of law rules thereof).

(6) This AGREEMENT (including the Exhibits attached hereto) constitutes the final, complete and exclusive agreement of the PARTIES concerning the subject matter hereof, and supersedes any other communication related hereto.

(7) This AGREEMENT may be executed in multiple counterparts (which may be exchanged by facsimile or via email by .pdf copies), each of which will be deemed an original and all of which together will constitute one instrument.

(signature page follows)

1. **Exhibit - A Territory**

- United States of America
- Canada
- Latin America

Exhibit B, Annex 1 Annex 1 Products

Product Name	VE	SAP-Nr.	Artikei-Nr.
sorbion sachet S 10 x 10 cm US	10	10012	22143004-10
sorbion sachet S 20 x 10 cm US	10	10022	22143009-10
sorbion sachet S 20 x 20 cm US	10	20033	22143006-10
sorbion sachet S 30 x 20 cm US	10	20039	22143007-10

Exhibit B, Annex 2 Annex 2 Products

Product Name	VE	SAP-Nr.	Artikei-Nr.
sorbion sachet S 7,5 x 7,5 cm US	10	10002	22143002-10
sorbion sachet S 12,5x10 cm US	10	10046	22143018-10
sorbion sachet S Drainaqe 10 x 10 em US	10	10048	22143008-10
sorbion sachet multi star ø 8 cm US	10	10222	22143019-10
sorbion sachet multi star ø 14 cm US	10	10223	22143020-10
sorbion sachet border 10 x 10 cm	10	10107	22663011-10
sorbion sachet border 15 x 15 cm US	10	10189	22663004-10
sorbion sachet border 25 x 15 cm US	10	10188	22663009-10
sorbion sachet border 25 x 25 cm US	10	10190	22663006-10

Exhibit B, Annex 3 Annex 3 Products

Product Name	VE	SAP-Nr.	Artikei-Nr.
sorbion sana gentle 8,5 x 8,5cm US	10	10224	25523002-10
sorbion sana gentle 12 x 12cm US	10	20225	25523004-10
sorbion sana gentle 22 x 12cm US	10	10226	25523009-10
sorbion sana gentle 22 x 22cm US	10	10227	25523006-1 0
sorbion sana gentle 32 x 22cm US	10	10228	25523007-10
sorbion sana multi star iii 11em	10	10214	25143019-10
sorbion sana multi star iii 17 em	10	10217	25143020-10

Exhibit C

General Terms and Conditions

I. General

1. These General Terms and Conditions for the Sale of Goods shall only apply to natural persons or entities, or the partnerships with legal personality acting in their commercial or self- employed capacity (entrepreneurs) at the time the contract is concluded and shall exclusively apply.
2. Conflicting, deviating or supplementary terms and conditions laid down by the buyer shall not be recognized unless previously and expressly approved by the seller in writing. These General Terms and Conditions for the Sale of Goods shall also apply when the seller supplies the buyer without reservation after having been informed of conflicting or divergent terms and conditions on the part of the buyer.
3. These conditions shall govern any and all future contract of sale between the seller and the buyer.

II. Orders and Specifications

1. The seller's quotations are subject to change and are non-binding, unless the seller has explicitly designated them as binding. Any apparent mistakes due to error In any sales literature, quotation, price list, acceptance of offer, invoice or other document of information issued by the seller shall be subject to correction without any liability on our part.
2. Upon placing an order for the required goods, the buyer shall make a binding offer to enter into a contract.
3. The seller shall be entitled to accept the offer within five working days either by dispatching an order confirmation or by dispatching the ordered goods within the same period.
4. If the goods are to be manufactured or any changes have to be made to the goods, the packaging or instructions of use by the seller in accordance with a specification submitted by the buyer, the buyer shall indemnify the seller against any loss, damages, costs and expenses which results from the seller's use of the buyer's specification.
5. The seller hereby reserves all proprietary and intellectual property rights as well as copyrights to any and all illustrations, calculations, drawing and other documentation. The buyer may only disclose such items to third parties with the seller's written consent, regardless of whether or not the seller has designated such items as confidential. The same shall apply to the transmission of information relating to seller's products which may have been made available to the buyer.

Ill. Price of the Goods

1. The price of the goods shall be the seller's quoted price or, where no price has been quoted; the price listed in the seller's published price list current at the date of acceptance of the order. Where the goods are supplied for the export from Germany, the seller's published export price list shall apply.
2. The seller reserves the right, by giving notice to the buyer at any time before delivery, to adequately Increase or decrease the price of goods to reflect an increase or decrease in the costs of the products which is due to any factor beyond seller's control (such as foreign exchange fluctuation, currency regulation, alteration of duties, significant increase in the costs of materials or other costs of the manufacture).
3. Except as otherwise stated in any of the seller's quotations or in any price list and agreed in writing, all prices are given on an ex works basis. If seller agrees to deliver the goods otherwise, the buyer shall be liable to pay the seller's charges for transportation, packing, duties and insurance.
4. The price is exclusive of any applicable value added tax, which the buyer shall be additionally obliged to pay to the seller.

IV. Terms of Payment

1. The buyer shall pay the price of the goods within 30 days of receipt of the seller's invoice. Agreed discounts shall only be accepted if payment reaches seller within the agreed period and no overdue invoices remain. The amount of discount is not deductible from freight costs but only from the value of the goods.
2. Payment shall be effected by interbank payment transaction only; no cheque or bill of exchange will be considered as fulfillment of the payment obligation.
3. It may be agreed between the parties that the buyer has to deliver a letter of credit issued by any bank accepted by the seller. In this individual case it is assumed that any letter of credit will be issued in accordance with the Uniform Customs and Practice for Documentary Credits, 1993 Revision, ICC Publication No. 500.
4. If the buyer fails on make any payment on the due date then, without prejudice to any other right or remedy available to seller, seller shall be entitled to suspend further deliveries and/or to charge the buyer interest on the amount unpaid, at the rate of 8 percentage points per annum above European Central Bank reference rate from then being valid, until payment in full is made. The buyer shall be entitled to prove that the delay of payment caused no or little damage only.
5. A complaint lodged by the buyer shall not release him from any duty to effect payment. With the exception of uncontested or legally enforced claims, the buyer shall not be entitled to withhold payment or offset such payments against any counterclaims he/she may be enforcing. Incoming payments shall amortize outstanding debts in the order in which they have occurred. Place of fulfillment of payment is the main place of business of seller.

V. Delivery

1. Delivery of the goods shall be made by the buyer collecting the goods at the seller's premises at any time after seller has notified the buyer that the goods are ready for collection or, If some other place for delivery is agreed by seller, by delivering the goods to that place.
2. Where delivery of the goods is to be made by seller in bulk, seller reserves the right to deliver up to 3% more or 3% less than the quantity ordered without any adjustment in the price, and the quantity so delivered shall be deemed to be in the quantity ordered.
3. If a binding time for delivery is explicitly provided for in the contract, and seller fails to deliver and it responsible for failing to deliver within such time or any extension thereof granted, the buyer shall be entitled, on giving to seller within a reasonable time notice in writing, to claim a reduction of 0,5% per week (up to a maximum of 5%) of the price payable under the contract, unless it can be reasonable concluded from the circumstances of the particular case that the buyer has suffered no loss. Further damages are excluded. This exclusion shall not apply if the business had to be settled on a fixed date or if the delay was caused grossly negligently or intentionally by seller, seller's agents or representatives or if there is any further breach of any essential contractual obligation. In this case the provisions of Section XI shall apply.
4. If, except in cases of force majeure, seller fails within such time.of effecting delivery, the buyer shall be entitled by notice in writing to seller to fix a deadline after the expiry of which the buyer shall be entitled to terminate the contract. He may also recover from seller any loss suffered by the buyer by reason or seller's failure and according to the provisions of§§ 280, 281 German Civil Code.
5. If the buyer fails to accept the delivery on due date, he shall nevertheless make any payment conditional on delivery as if the goods had been delivered. Seller shall be entitled to compensation of any loss and/or additional costs occurred and to arrange for the storage of the goods at the risk and cost of the buyer. If required by the buyer seller shall insure the goods at the cost of the buyer.

VI. Transfer of Risks

Risk of damage to or loss of the goods shall pass to the buyer as follows:
in the case of goods to be delivered otherwise than the seller's premises,

- at the time of delivery or, if the buyer wrongfully fails to take delivery of the goods, the time when the seller has tendered delivery of the goods;
- in the case of goods to be delivered at the seller's premises ("ex works, lncoterms 2000) at the time when the seller notifies the buyer that the goods are available for collection

VII. **Retention of Title**

1. Notwithstanding delivery and the passing of risk in the goods, or any other provision of these conditions, the property in the goods shall not pass to the buyer until the seller has received payment in full of the price of the goods and all other goods agreed to be sold by the seller to the buyer for which payment is then due.
2. After termination of the contract the seller shall have absolute authority to retake, sell or otherwise deal with or dispose of all or any part of the goods in which title remains vested in the seller.
3. Until such time as the property in the goods passes to the buyer, the buyer shall hold the goods as the seller's fiduciary agent, and shall keep the goods properly stored, protected and insured.
4. Until that time the buyer shall be entitled to resell or use the goods In the ordinary course of its business, but shall account to the seller for the proceeds of sale or otherwise of the goods including insurance proceeds, and shall keep all such proceeds separate from any moneys or properties of the buyer and third parties.
5. If the goods are processed or reshaped by the buyer and if processing is done with the goods that seller has no property in, seller shall become co-owner of the goods. The same shall apply if the seller's goods are completely reshaped and mixed with other goods.
6. If third parties take up steps to pledge to otherwise dispose of the goods, the buyer shall immediately notify the seller in order to enable the seller to seek a court injunction in accordance with § 771 of the German Code of Civil Procedure. If the buyer fails to do so in due time he will be held liable for any damages caused.
7. The seller shall on demand of the buyer release any part of the collateral if the value of the collateral held in favour of the seller exceeds the value of the claims being secured. It is to the seller's decision to release those parts of the collateral suitable for him.

IV. Storage, Resale

After acquisition of the goods the buyer is responsible for the adherence to the respective legal regulations for the storage and use of the goods. The goods shall be resold only in the unchanged original packaging.

IX. **Force Majeure**

1. Events of force majeure hindering the Parties in fulfilling their contractual obligations in part or in total, shall exempt and free the relevant Party from its obligation to fulfill this contract until the events of force majeure do not exist anymore.

The following shall be regarded as events of force majeure: fire, natural disaster, war, revolution, riots, acts of terrorism, shortage of raw materials, strike, lockouts, disturbances in seller's business or business of suppliers, acts of government or authority.

2. The other Party may terminate the contract if the event of force majeure lasts for more than six months or if the party terminating the contract can reasonably demonstrate that it would be unreasonable for the party to continuously be bound by the contract.

X. Warranties

1. The buyer shall examine the goods immediately after delivery and in doing so check every delivery in any respect. Any claim by the buyer which is based on any defect in the quality or condition of the goods or their failure to correspond with the specifications shall be notified to the seller within reasonable time, but not later than 7 working days from the date of delivery.
2. The seller warrants that all items delivered under this agreement will be free from defects in material and workmanship, conform to applicable specifications, and, to the extent that detailed designs have not been furnished by the buyer, will be free from design defects and suitable for the normal use.

3. The seller shall not be liable for the goods being fit for a particular purpose unless otherwise agreed upon, to which the buyer intends to put them. The seller if not liable for the goods being suitable for the export to and the use in other countries than agreed by the parties.
4. The above warranty is limited as follows:

• the seller shall not be liable in respect of any defect in the goods arising from any design or specification supplied by the buyer;
• the above warranty does not extend to parts, materials or equipment manufactured by or on behalf of the buyer unless such warranty is given by the manufacturer to the seller.

5. This warranty does not cover defects in the goods or damages which are due to improper instruction or use (e.g. repeated use of goods; use of the goods in other countries than the agreed territory), combination with other products or maintenance misuse, disregard of instruction, neglect or any cause other than ordinary commercial application.
6. Where any valid claim in respect of any goods which is based on any defect in the quality or condition of the goods or their failure to meet specifications is notified to the seller in accordance with this Conditions, the seller shall be entitled at the seller's sole decision to either replace the goods free of charge or repair the goods. Expenses incurred in remedying the defects, most notably transportation, labour costs and costs of materials shall be born by seller provided that such costs do not increase as a result of the goods being transported to a destination other than the place of fulfillment. It the seller is neither ready nor able to either repair or replace the goods after two attempts the buyer shall be entitled at the buyer's sole decision to claim for a reduction of price or the cancellation of the contract.
7. Claims relating to defects shall become statute-barred within one year of the goods being delivered. The statutory limitation periods shall apply in cases where seller can be charged with malice or intent or damages to life, limb or health. The limitation period in the cases of delivery regress according to §§ 478, 479 German Civil Code remains unaffected.

XI. Liability

1. In accordance with the statutory provisions, the seller shall bear unlimited liability for damage to life, limb and health based on a negligent or intentional breach of duty on part of the seller, on the part of seller's legal representatives or seller's vicarious agents, and for damage subject to liability pursuant to the German Product liability Act ("Produkthaftungsgesetz") and/ or mandatory foreign product liability laws in countries the goods were agreed to be used in.
2. Seller shall be liable to the extent provided for by law for damage which is not covered by Clause 1 and which is based on an Intentional or grossly negligent breach of duty or malice on seller's part as well as that of our legal representatives or our vicarious agents. In that event, however, seller's liability shall be limited to the foreseeable typically arising damage unless seller, seller's legal representatives or vicarious agents have acted intentionally.
3. To the extent that seller has issued a guarantee on quality and/or durability with respect to the goods or parts thereof, seller shall also be liable in the context of that guarantee. However, seller shall only be liable for damage based on the absence of the guaranteed quality or durability, but which does not directly injure the goods themselves, if the risk of such damage is clearly covered by the quality and durability warranty.
4. Seller shall also be liable for damage caused by ordinary negligence, if such negligence relates to the breach of contractual obligations the observance of which is of particular significance to the achievement of the contract purpose (essential obligations). However, seller shall only be liable if the damage is typically associated with the contract, and is predictable.
5. All other forms of liability shall be excluded, regardless of the legal nature of the claim asserted.

2. **XII. Miscellaneous**

3. The seller reserves the tight to improve or modify any of the products without prior notice, provided that such improvement or modification shall not affect the function of the product.

4. This agreement shall not be assigned or transferred by buyer except with the written consent of the seller.

XIII. Choice of law; Place of Jurisdiction

1. This Agreement shall be governed by German Law, including the UN-Convention on the International Sale of Goods (CISG) but excluding the provisions of German International Private Law that might come to the application of foreign law.
2. Place of jurisdiction shall be seller's principle place of business, Germany. The seller has the right to bring a claim before a court at the buyer's principal place of business.

Exhibit D Price list

Product Name	VE	SAP-Nr.	Article-Nr.	price in €
sorbion sachet S 7,5 x 7,5 cm US	10	10002	22143002-10€	13,10
sorbion sachet S 10 x 10 cm US	10	10012	22143004-10€	15,38
sorbion sachet S 12,5x10cm US	10	10046	22143018-10€	20,50
sorbion sachet S 20 x 10 cm US	10	10022	22143009-10€	33,20
sorbion sachet S 20 x 20 cm US	10	10033	22143006-10€	48,60
sorbion sachet S 30 x 20 cm US	10	10039	22143007-10€	71,00
sorbion sachet S Drainage 10 x 10 cm US	10	10048	22143008-10€	15,38
sorbion sachet multi star 0 8 cm US	10	10222	22143019-10€	14,50
sorbion sachet multi star 0 14 cm US	10	10223	22143020-10€	20,50
sorbion sachet border 10 x 1o cm	10	10107	22663011-10€	16,95
sorbion sachet border 15 x 15 cm US	10	10189	22663004-10€	17,38
sorbion sachet border 25 x 15 cm US	10	10188	22663009-10€	36,20
sorbion sachet border 25 x 25 cm US	10	10190	22663006-10€	49,60
sorbion sana gentle 8,5 x 8,5cm US	10	10224	25523002-10€	14,50
sorbion sana gentle 12 x 12cm US	10	20225	25523004-10€	23,50
sorbion sana gentle 22 x 12cm US	10	10226	25523009-10€	36,20
sorbion sana gentle 22 x 22cm US	10	10227	25523006-10€	49,60
sorbion sana gentle 32 x 22cm US	10	10228	25523007-10€	79,00
sorbion sana multi star 0 11 cm	10	10214	25143019-10€	24,50
sorbion sana multi star 0 17 cm	10	10217	25143020-10€	30,50

Order rebate = 10% off, if order = 30.000,00 €, order rebate = 15% off, if order 50,000€
Shipment Costs to be handled in accordance with Clause2(6) of the Agreement.

Exhibit E

Minimum Annual Purchase Amount

2014	2015	2016	2017
500.000,00	1.000.000,00	2.500.000,00	4.000.000,00

Senden, 23 September 2013
Sorbion

/s/ Michael Stonner
Michael Stonner
managing director

/s/ Olaf Ohm
Olaf Ohm
proxy

New York, *20th* September 2013
Alliqua

/s/ David I. Johnson
David I. Johnson
C.E.O.

Annex B
Amendment to Distributor Agreement

6. FIRST AMENDMENT TO DISTRIBUTOR AGREEMENT

THIS FIRST AMENDMENT TO DISTRIBUTOR AGREEMENT (the "First Amendment") is made effective as of the Effective Date as defined herein between ALLIQUA BIOMEDICAL, INC., a Delaware corporation "Alliqua"), and BSN MEDICAL, INC., a Delaware corporation ("BSN").

BACKGROUND:

A. Alliqua and Sorbion GmbH & Co KG ("Sorbion") have entered into that certain Distributor Agreement in September, 2013 (the "Original Agreement") pursuant to which Alliqua will sell certain products in the Territory (as defined therein).

B. Sorbion assigned its rights and obligations under the Original Agreement to its affiliate BSN pursuant to an Assignment of Distributor Agreement dated June 16, 2015.

C. The parties wish to amend the Original Agreement to provide for pricing, invoicing and payment in U.S. Dollars ("USD") instead of Euros and to make related conforming changes in the Original Agreement.

D. All capitalized terms which are not defined herein have the meanings given to such terms in the Original Agreement.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties agree as follows:

1. **Pricing.** The prices set forth on Exhibit D of the Original Agreement, as such prices may have been amended or replaced pursuant to the terms of the Original Agreement, shall be converted from Euros to USD in accordance with the closing Exchange Rate (as defined below) on the Effective Date. BSN will deliver a revised price schedule to Alliqua promptly after the Effective Date. All subsequent price lists, invoicing, and payments shall be determined and communicated pursuant to Section 2(6) of the Original Agreement, and the price list provided for therein shall be in USD.

2. **Minimum Annual Purchase Amount.** The Minimum Annual Purchase Amount for calendar year 2015 as set fo1th on Exhibit E of the Original Agreement shall be conve1ted from Euros to USO in accordance with the Exchange Rate on the Effective Date, rounded to the nearest $1,000 (one thousand dollars). For calendar years 2016 and 2017, the Minimum annual Purchase Amount for such year set forth on Exhibit E of the Original Agreement shall be converted from Euros to USD in accordance with the Exchange Rate in effect on the last day of the preceding year (i.e., December 31, 2015 and December 31, 2016, respectively) , rounded to the nearest $1,000 (one thousand dollars); provided, however, that the Exchange Rate on such day shall not be more than five percent (5%) greater or five percent (5%) less than the Exchange Rate used for the most recent previous determination date for the Minimum Annual Purchase Amount pursuant to this First Amendment. If such Exchange Rate is more than five percent (5%) greater or five percent (5%) less than the Exchange Rate used for the most recent previous determination date for the Minimum Annual Purchase Amount pursuant to this First Amendment, it shall be rounded up or rounded down (as appropriate) so that it is no more than five percent (5%) greater or five percent (5%) less. All future Minimum Annual Purchase Amounts set in accordance with Section 10(2) of the Original Agreement shall be in USD. For the avoidance of doubt, the parties acknowledge and agree that parties are in discussions to amend and restate the Original Agreement, and accordingly, among other terms, the Minimum Annual Purchase Amount for the calendar years 2016 and 2017 may also be revised in connection with such amendment and restatement.

3. **Shipping Costs**. Section 2(6) of the Original Agreement is amended by replacing the term "50,000 €" (fifty thousand euros) wherever it appears with the amount dete1mined by converting 50,000 (fifty thousand) Euros to USD at the Exchange Rate on the Effective Date, rounded to the nearest $1,000 (one thousand dollars).

4. **Order Rebate**. Exhibit D of the Original Agreement is amended by replacing the term "50,000 €" (fifty thousand euros)where it appears as to the order rebate with the amount determined by converting 50,000 (fifty thousand) Euros to USD at the Exchange Rate on the Effective Date, rounded to the nearest $1,000 (one thousand dollars), and the term "30,000€" (thirty thousand euros) where it appears as to the order rebate with the amount determined by converting 30,000 Euros (thirty thousand euros) to USD at the Exchange Rate on the Effective Date, rounded to the nearest $1 ,000 (one thousand dollars) .

5. **Definitions**: For purposes of this First Amendment:

   (a) The "Exchange Rate" for any day is the closing spot rate quoted by Reuters for such day (or the next succeeding business day if no rate is quoted for such day). If Euro-USD spot rates are no longer quoted by Reuters or become unavailable for any reason , the patties shall choose a recognized comparable quoted Euro-USD spot exchange rate.

   (b) The "Effective Date" is Jul y 31, 2015.

6. **Original Agreement; Further Assurances**. Except as specifically amended by this Amendment, the Original Agreement remains in full force and effect.

Section 11 (Confidentiality) and Section 12 (Miscellaneous) of the Original Agreement, as may have been amended in accordance with the Original Agreement, shall apply *mutatis mutandis* to this First Amendment. The patties shall execute such further documents and do any such further things as may be necessary to implement and carry out the intent of this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment to Distributor Agreement as of the Effective Date set forth above.

ALLIQUA BIOMEDICAL, INC.

By: /s/ Brian M. Posner
Name: Brian M. Posner
Title: CFO

7. BSN MEDICAL, INC.

By: /s/ Joseph Carpinelli
Name: Joseph Carpinelli
Title: VP Finance - NA

8. **Annex C**
Assignment of Distributor Agreement

ASSIGNMENT OF DISTRIBUTOR AGREEMENT

THIS ASSIGNMENT OF DISTRIBUTOR AGREEMENT (this "Assignment") is effective as of June 18th, 2015 (the "Assignment Effective· Date") by and between Sorbion GmbH (legal successor to Sorbion GmbH & Co. KG) ("Assignor") and BSN medical, Inc. ("Assignee") (each, a "Party" and collectively, the "Parties").

WITNESSETH :

WHEREAS, Assignor and Alliqua Biomedical, Inc. ("Alliqua") entered into that certain Distributor Agreement (the "Agreement") dated as of September 23, 2013, pursuant to which Assignor granted Alliqua the exclusive right to sell ce1tain products within the United States of America, Canada and Latin America;

WHEREAS, Assignor, pursuant to an internal reorganization, conve1ted from a limited partnership ,to a limited liability company under the laws of the Federal Republic of Germany in March 2015, and as such all of the rights, privileges, powers, debts, liabilities and duties, including those incurred contractually by the converting entity, remain vested in the limited liability company to which such limited partnership has conve1ted;

WHEREAS, pursuant to Section 12(1)(i) of the Agreement, Assignor desires to ·assign to Assignee, an affiliated company of Assignor, all of its rights, duties and obligations under the Agreement; and

WHEREAS, Assignee desires to accept such assignment of rights, duties and obligations under the Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements of the Parties as set forth below, and intending to be legally bound, the Parties agree as follows:

1. Assignment and Assumption .

l.l. Assignor irrevocably (a) assigns to Assignee all of its rights under the Agreement and (b) delegates to Assignee all of its duties and obligations under the Agreement as of and following the Assignment Effective Date.

1.2. Assignee unconditionally accepts all of Assignor's rights, duties and obligations in, to and under the Agreement, and assumes and agrees to be bound by, fulfill, perform and discharge all of the liabilities, obligations, duties and covenants under or arising out of the Agreement as of and following the Assignment Effective Date.

2. Miscellaneous.

2. 1. This Assignment will be construed and interpreted in accordance with the laws of the State of New York without regard to conflict of law principles.

2.2. This Assignment may be executed in any number of counterparts (by fax, pdf or other electronic signatures), each of which shall be deemed to be an original but all of which shall constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, the Patties have caused their duly authorized representatives to execute this Assignment as of the Assignment Effective Date.

Sorbion GmbH

By: /s/ Erik Korte
Name: Erik Korte
Title: Authorized Representative

By: /s/ Emil Billbaeck
Name: Emil Billbaeck
Title: Authorized Representative

BSN medical, Inc.

By: /s/ Joseph Carpinelli
Name: Joseph Carpinelli
Title: Vice President, Finance -North America

Exhibit A
GENERAL BILL OF SALE AND ASSIGNMENT

This General Bill of Sale and Assignment (this "**Bill of Sale**"), dated as of [***June 21, 2016***], is executed and delivered by Alliqua Biomedical, Inc., a Delaware corporation ("**Seller**") to BSN medical, Inc., a Delaware corporation ("**Purchaser**").

NOW, THEREFORE, Seller, for the consideration described and provided for in that certain Purchase Agreement, dated as of the date hereof, by and between Purchaser and Seller (the "**Purchase Agreement**"), the receipt and sufficiency of which is hereby acknowledged, does hereby sell, assign, transfer, convey and deliver unto Purchaser, free and clear of all Liens, subject in all respects to the terms and provisions of the Purchase Agreement, all of the purchased assets.

This Bill of Sale and the covenants and agreements herein contained shall be binding upon and inure to the benefit of the parties to the Purchase Agreement and their respective successors and permitted assigns. All representations, warranties, covenants, agreements and indemnities contained in the Purchase Agreement shall survive the execution and delivery of this Bill of Sale and shall continue in full force and effect as provided in the Purchase Agreement.

All capitalized terms not otherwise defined in this Bill of Sale, shall have the meanings ascribed to them in the Purchase Agreement, and the terms of construction set forth in Section 1.2 of the Purchase Agreement, shall apply to this Bill of Sale.

Seller may execute and deliver this Bill of Sale by means of facsimile transmission or electronic mail and the parties agree that the receipt of such executed Bill of Sale shall be binding on Seller and shall be construed as an original. After the Closing, Seller shall promptly deliver to Purchaser an original version of this Bill of Sale that was executed and exchanged by facsimile transmission or electronic mail, but failure to do so shall not affect the binding nature of the same.

ALLIQUA BIOMEDICAL, INC.

By: /s/ Brian M. Posner
Name: Brian M. Posner
Its: CFO

Exhibit 10.4

Execution Version

TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT (this "Agreement") is made and entered into as of June 30, 2016 (the "Effective Date"), between Alliqua BioMedical, Inc., a Delaware corporation ("Alliqua"), and BSN medical, Inc., a Delaware corporation ("BSN"). Capitalized terms referenced but not otherwise defined herein shall have the respective meanings ascribed thereto in that certain Distributor Agreement between Sorbion GmbH & Co KG and Alliqua, dated on or around September 20, 2013 (as amended pursuant to that certain First Amendment to Distributor Agreement as of July 31, 2015, collectively, the " Distributor Agreement", and assigned to BSN pursuant to that certain Assignment of Distributor Agreement dated June 16, 2015).

RECITALS

A. Pursuant to that certain Purchase Agreement between BSN and Alliqua, dated as of the date hereof (the "Purchase Agreement"), and subject to the terms and conditions contained therein, BSN has agreed to purchase from Alliqua, and Alliqua has agreed to sell to BSN, any and all rights Alliqua may have to, under or pursuant to the Distributor Agreement.

B. The parties desire to enter into this Agreement to define certain transition-related services to be provided by Alliqua to assist BSN with certain services including handover of Alliqua's distribution operations relating to Products (the "Business") during a transition period beginning on the Effective Date, in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, BSN and Alliqua hereby agree as follows:

ARTICLE I
SERVICES

Section 1.1 Alliqua's Transition Service Obligations.

(a) Services. Alliqua shall use commercially reasonable efforts to perform the services described on Exhibit A (the "Services") during the Term (as defined hereinafter). Alliqua shall commence delivery of the Services immediately following the closing.

(b) Terms of Service. For each of the Services, the parties hereto have set forth on Exhibit A a description of the Service and certain related obligations.

(c) Discontinuation or Reduction of Services. During the Term, BSN may instruct Alliqua to discontinue providing any of the Services or otherwise reduce its level of effort with respect to any of the Services.

Section 1.2 Standard of Performance; Resources.

(a) Standard of Performance. Alliqua shall provide the Services in good faith, using the same degree of skill and care and in substantially the same manner as is customary in the industry and the same degree of skill and care and in substantially the same manner as Alliqua use in performing the Services for themselves.

(b) Personnel and Resources. Alliqua shall devote such personnel as are reasonably necessary to perform the Services in accordance with the terms of this Agreement. Alliqua shall retain the right to hire and fire any of its personnel and to establish all duties and work assignments, business procedures and protocols governing their conduct.

(c) Cooperation. Parties agree to cooperate in good faith in connection with performance of the Services. Such cooperation includes (i) responding promptly to requests for consents or other communications, (ii) not acting or failing to act in any way that could materially adversely affect the provision of the Services, and (iii) providing reasonable access to documentation, information and other materials that are necessary to provide the Services.

Section 1.3 Services Not Provided. No Services provided under this Agreement shall be construed as accounting, legal, or tax advice or create any fiduciary obligations.

Section 1.4 Alliqua's Further Assurances. During the Term, Alliqua covenants to act in good faith so as to facilitate the handover of the Business from Alliqua to BSN and not otherwise harm the Business, including but not limited to taking such actions as follows:

(a) continue to promote the distribution and sale of Products in accordance with its customary business practices until advised by BSN, in writing, with at least five (5) business days' notice, that such promotion will no longer be necessary, and BSN will take over such activities with effect from the end of the notice period;

(b) keep full and proper accounts and records showing all inquiries, quotations, transactions, and proceedings relating to the Products and if BSN proves that it has a legitimate concern which reasonably requires access to such accounts and records (including, without limitation, in relation to a product recall or a regulatory authority investigation or any other bona fide regulatory or legal issue), allow BSN, on commercially reasonable notice during business hours, to inspect such accounts and records during the Term;

(c) not engage in any unfair, misleading or deceptive practices in performing its responsibilities hereunder;

(d) not make any warranties or other representations regarding the quality or manufacture of the Products that are in addition to, or different than, the warranties and representations provided by BSN.

Section 1.5 BSN's Covenants. During the Term, BSN shall provide Alliqua with information on the advertising and promotion carried out by BSN and supply Alliqua with any promotional and advertising material reasonably requested by Alliqua in order to make marketing of the Products uniform.

Section 1.6 Intellectual Property Rights.

(a) License and Revocation. During the Term, BSN grants to Alliqua a non-exclusive, non-sub-licensable, non-transferable license to use the trademarks provided in the Distributor Agreement for the promotion, advertisement and sale of the Products subject to this Agreement. Upon completion of the Term, this license and any other intellectual property rights hereby granted to Alliqua shall be immediately revoked and terminated without any further action on either BSN or Alliqua or any other party.

(b) Reputation. Alliqua shall not do, or omit to do, anything in its use of the trademarks that could adversely affect their validity, value, or reputation.

(c) Control of Actions. In respect of any matter that falls within this Section 1.6, BSN shall, in its absolute discretion, decide what action to take (if any) with respect to such matter and shall have sole control over any action that it deems necessary, and shall be entitled to all damages and other sums that may be paid or awarded as a result of that action.

(d) Registration Restriction. Alliqua represents and warrants that it has not not obtained or registered, and covenants that it shall not obtain or try to obtain or register, for itself or any third party anywhere in the world, any trademarks, domain names, Twitter handles, Facebook pages, Instagram accounts, or other social media accounts, trade names, or intellectual property which could be confused with or interfere with the Rights purchased by BSN pursuant to the Purchase Agreement.

Section 1.7 Compensation. As compensation for the satisfactory completion to the Services in accordance with the terms hereof, BSN agrees to pay to Alliqua a fixed fee of $100,000 (One Hundred Thousand United States Dollars) upon completion of the Term.

Section 1.8 Taxes. Parties acknowledge and warrant that they have reviewed the tax consequences of this Agreement with their own tax advisors and are relying solely on that advice and not on any representation or statement of the other party. Each party acknowledges and agrees that it is responsible for its own tax liability as a result of the Agreement.

Section 1.9 Service Coordinator. Each party will nominate in writing a representative to act as the primary contact with respect to the provision of the Services (each such person, a "Service Coordinator"). The initial Service Coordinators are set forth in Exhibit B attached hereto. The parties shall notify each other promptly in writing of any change to their respective Service Coordinator, setting forth the name of the replacement and stating that the replacement Service Coordinator is authorized to act for such party in accordance with this Section 1.9. The Service Coordinators shall have the authority to manage the services contemplated under this Agreement.

Section 1.10 No Agency; Independent Contractor Status. Nothing in this Agreement shall constitute or be deemed to constitute a joint venture between the parties hereto or constitute or be deemed to constitute any party the agent or employee of the other party for any purpose whatsoever and neither party shall have authority or power to bind the other or contract in the name of, or create a liability against, the other in any way for any purpose. Each party hereto acknowledges and agrees that the other party is an independent contractor in the performance of each and every part of this Agreement and nothing herein shall be construed to be inconsistent with this status.

Section 1.11 Dispute Resolution. In the event of any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or validity thereof, including any claim by a party hereto that the other party has breached the terms hereof (each, a "Dispute"), the Service Coordinators shall meet (by telephone or in person) no later than three (3) business days after receipt of notice by either party of a request for resolution of a Dispute. The Service Coordinators will meet (by telephone or in person) during the next ten (10) business days and attempt to resolve the Dispute. In the event that the Service Coordinators are unable to resolve the Dispute pursuant to this Section 1.11, the parties may pursue their rights as set forth in Section 4.2.

ARTICLE II
TERM; TERMINATION

Section 2.1 Term. The term of this Agreement shall commence on the Effective Date and terminate on the earlier of (i) ninety days from the Effective Date and (ii) the first date as of which BSN, pursuant to Section 1.1(c), has instructed Alliqua to discontinue all Services, unless sooner terminated as provided herein (the "Term").

Section 2.2 Termination. This Agreement may be terminated:

(a) by the mutual written consent of BSN and Alliqua;

(b) by Alliqua if BSN commits a material breach of this Agreement and fails to cure such breach within ten (10) business days of receiving written notice of such breach from Alliqua;

(c) by BSN, upon written notice to Alliqua;

(d) by either BSN or Alliqua in the event of the institution by the other party of voluntary proceedings in bankruptcy or under insolvency laws; or

(e) by either BSN or Alliqua in the event of the involuntary initiation of bankruptcy or insolvency proceedings against the other party or for the dissolution or reorganization or for a receivership of such other party, which is not dismissed within thirty (30) days after the filing thereof.

Section 2.3 Effect of Termination. Upon the termination of this Agreement or any Service, no party shall have any rights or obligations thereunder; *provided*, *however*, that Section 1.11, this Section 2.3 and Articles III and Article IV shall survive such termination.

ARTICLE III
LIMITATION OF LIABILITY

Section 3.1 Limitation of Liability. EXCEPT FOR FRAUD OR WILLFUL MISCONDUCT, NEITHER PARTY SHALL HAVE ANY OBLIGATION OR LIABILITY TO THE OTHER WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT FOR ANY PUNITIVE, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, WHETHER FORESEEABLE OR NOT.

ARTICLE IV
GENERAL

Section 4.1 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to agreements made within such State, without regard to the conflicts of law principles that would require the application of any other law.

Section 4.2 Jurisdiction; Service of Process. Any action or proceeding arising out of or relating to this Agreement or any transaction contemplated hereby may be brought in any state or federal court sitting in the State of New York, and each of the parties irrevocably submits to the exclusive jurisdiction of each such court in any such action or proceeding, waives any objection it may now or hereafter have to venue or to convenience of forum, agrees that all claims in respect of the action or proceeding shall be heard and determined only in any such court and agrees not to bring any action or proceeding arising out of or relating to this Agreement or any transaction contemplated hereby in any other court. The parties agree that any party may file a copy of this paragraph with any court as written evidence of the knowing, voluntary and bargained-for agreement among the parties irrevocably to waive any objections to venue or to convenience of forum. Process in any action or proceeding referred to in the first sentence of this Section 4.2 may be served on any party anywhere in the world. To the extent that service of process by mail is permitted by law, each party irrevocably consents to the service of process in any such litigation in such courts by the mailing of such process by registered or certified mail, postage prepaid, to such party at its address for notices provided herein.

Section 4.3 Waiver of Jury Trial. THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY AND THAT ANY ACTION OR PROCEEDING WHATSOEVER BETWEEN OR AMONG THEM RELATING TO THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

Section 4.4 Notices. All notices, demands or other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been given when personally delivered, or sent by electronic means of transmitting written documents (including without limitation e-mail), or sent to the parties at the respective addresses indicated herein by certified U.S. mail, return receipt requested and postage prepaid, or sent by private overnight mail courier service. Notices, demands and communications sent by electronic means must also be sent by regular U.S. mail or by private overnight mail courier service in order for such notice to be effective. Notices, demands and communications to Alliqua or BSN must, unless another address is specified in writing be sent to the address indicated below:

If to BSN:

BSN medical, Inc.
Attention: Joseph P. Carpinelli,
Sr. Vice President of Finance – North America
5825 Carnegie Blvd.
Charlotte, NC 28209
Phone: 704.731.1056
Facsimile: 704.910.8994
Email: Joseph.Carpinelli@bsnmedical.com

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

Koley Jessen P.C., L.L.O.
Attention: Anshu S. K. Pasricha
1125 S. 103rd St., Suite 800
Omaha, NE 68124
Phone: 402.390.9500
Facsimile: 402.390.9005
Email: Anshu.Pasricha@koleyjessen.com

If to Alliqua:

Alliqua Biomedical, Inc.
Attention: David Johnson
1010 Stony Hill Road, Suite 200
Yardley, PA 19067
Phone: 908.240.3521
Facsimile: 215.702.8535
E-mail: djohnson@alliqua.com

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

Haynes and Boone, LLP
Attention: Rick A. Werner
30 Rockefeller Plaza
New York, NY 10112
Phone: 212.659.7300
Facsimile: 212.884.8234
E-mail: Rick.Werner@haynesboone.com

Section 4.5 Assignment. This Agreement and the rights and obligations hereunder shall not be assignable or transferable by either party without the prior written consent of the other party. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the permitted assigns of the parties.

Section 4.6 No Third-Party Beneficiaries. Except as expressly provided herein, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein expressed or implied shall give or be construed to give to any Person, other than the parties hereto and such permitted assigns, any legal or equitable rights, remedy or claim hereunder.

Section 4.7 Amendments. No amendment to this Agreement shall be effective unless it shall be in writing and signed by the parties hereto.

Section 4.8 Severability. If any provision of this Agreement or the application of any such provision to any Person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof and all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the essential economic or legal substance of the transactions contemplated hereby is not affected. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, Alliqua and BSN shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 4.9 Mutual Drafting. The parties hereto are sophisticated and have been represented by lawyers who have carefully negotiated the provisions hereof. As a consequence, the parties do not intend that the presumptions of any laws or rules relating to the interpretation of contracts against the drafter of any particular clause should be applied to this Agreement and therefore waive their effects.

Section 4.10 Counterparts. This Agreement may be executed in one or more counterparts and by facsimile or other electronic signature, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other party.

Section 4.11 Force Majeure. Neither party hereto shall be liable to the other party hereto for any interruption of the Services or any delays or failure to perform under this Agreement caused by matters or events that are beyond the reasonable control of such party, including governmental laws, rules or regulations; fires, floods, acts of God, extremes of weather, earthquakes, tornadoes or similar occurrences and acts of terrorism or other hostilities. Each party shall promptly notify the other upon learning of the occurrence of any such event of force majeure. Upon the occurrence of any such event of force majeure, a party's obligations hereunder shall be postponed for such time as its performance is suspended or delayed on account thereof. Upon the cessation of the force majeure event, the parties will use their reasonable efforts to resume performance of their obligations under this Agreement with all reasonable speed.

Section 4.12 Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof. Any and all provisions of the Purchase Agreement are in no way superseded by any terms of this Agreement.

[Signature Page Follows on Next Page]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Agreement on the date first above written.

BSN MEDICAL, INC.

By: /s/ Joseph Carpinelli
Name: Joseph Carpinelli
Its: SVP Finance – North America

ALLIQUA BIOMEDICAL, INC.

By: /s/ Brian M. Posner
Name: Brian M. Posner
Its: CFO

EXHIBIT A
SERVICES

Service Description

1. Alliqua shall cause its sales representatives and any other relevant personnel to attend with BSN the handover/transition meetings with applicable customers, including account level hand-off.

2. Alliqua shall assign to BSN, on a continuing basis during the Term, any and all contracts with third parties for supplying Products.

3. Alliqua shall assign to BSN all clinical and promotional material, including but not limited to papers, case studies, and literature, whether used previously, currently in use, or in development.

4. Alliqua shall reasonably cooperate in communicating with the existing distributors, wholesalers and customers in respect of transition of Business to BSN and shall facilitate, to the reasonable satisfaction of BSN, the handover of Business.

5. Alliqua shall respond in good faith to any reasonable request by BSN for access to any additional services that are necessary for the handover of Business from Alliqua to BSN.

EXHIBIT B
SERVICE COORDINATORS

Alliqua Biomedical, Inc.

Name: Marisa Belmar
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EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(A) AND 15d-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, David Johnson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alliqua BioMedical, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

By: /s/ David Johnson
David Johnson
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(A) AND 15d-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Brian M. Posner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alliqua BioMedical, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2016

By: /s/ Brian M. Posner
Brian M. Posner
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the Quarterly Report on Form 10-Q (the "Form 10-Q") for the quarter ended June 30, 2016, of Alliqua BioMedical, Inc. (the "Company"). I, David Johnson, the Chief Executive Officer and Principal Executive Officer of the Company, certify that, based on my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in this report.

Date: August 9, 2016

By: /s/ David Johnson
Name: David Johnson
Title: Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the Quarterly Report on Form 10-Q (the "Form 10-Q") for the quarter ended June 30, of Alliqua BioMedical, Inc. (the "Company"). I, Brian M. Posner, the Chief Financial Officer and Principal Financial Officer of the Company, certify that, based on my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in this report.

Date: August 9, 2016

By: /s/ Brian M. Posner
Name: Brian M. Posner
Title: Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.