# UNITED STATES
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

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**FORM 10-K**

**(Mark One)**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended April 30, 2015**
**OR**

o **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: 001-32839**

**PEREGRINE PHARMACEUTICALS, INC.**
*(Exact name of Registrant as specified in its charter)*

| **Delaware** | **95-3698422** |
|---|---|
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
| **14282 Franklin Avenue, Tustin, California** | **92780** |
| *(Address of principal executive offices)* | *(Zip Code)* |

**(714) 508-6000**
*(Registrant's telephone number, including area code)*

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

| **Title of Each Class** | **Name of Each Exchange on Which Registered** |
|---|---|
| Common Stock ($0.001 par value per share) | The NASDAQ Stock Market LLC |
| Preferred Stock Purchase Rights | |
| 10.50% Series E Convertible Preferred Stock ($0.001 par value per share) | The NASDAQ Stock Market LLC |

**Securities registered pursuant to Section 12(g) of the Act:**
**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes o No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No o

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

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

Large accelerated filer o  Accelerated filer ☒  Non-accelerated filer o  Smaller reporting company o

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

The aggregate market value of voting and non-voting common stock held by non-affiliates as of October 31, 2014 was $271,018,730.

Number of shares of common stock outstanding as of July 10, 2015: 199,934,918

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III of this report incorporates certain information by reference from the registrant's proxy statement for the annual meeting of stockholders, which proxy statement will be filed no later than 120 days after the close of the registrant's fiscal year ended April 30, 2015.

**PEREGRINE PHARMACEUTICALS, INC.**

**Fiscal Year 2015**
**Annual Report on Form 10-K**

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## PART I

In this Annual Report on Form 10-K (the "Annual Report"), unless the context otherwise indicates, the terms "we," "us," "our," "Company" and "Peregrine" refer to Peregrine Pharmaceuticals, Inc., and our wholly-owned subsidiary, Avid Bioservices, Inc. ("Avid"). This Annual Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve risks and uncertainties. The inclusion of forward-looking statements should not be regarded as a representation by us or any other person that the objectives or plans will be achieved because our actual results may differ materially from any forward-looking statement. The words "may," "should," "plans," "believe," "anticipate," "estimate," "expect," their opposites and similar expressions are intended to identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. We caution readers that such statements are not guarantees of future performance or events and are subject to a number of factors that may tend to influence the accuracy of the statements, including but not limited to, those risk factors outlined in the section titled "Risk Factors" as well as those discussed elsewhere in this Annual Report. You should not duly rely on these forward-looking statements, which speak only as of the date of this Annual Report. We undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this Annual Report or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports that we file from time to time with the Securities and Exchange Commission ("SEC") after the date of this Annual Report.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed with or furnished to the SEC are available, free of charge, through our website at www.peregrineinc.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The information on, or that can be accessed through, our website is not part of this Annual Report.



### ITEM 1. BUSINESS

#### Overview

We are a biopharmaceutical company focused on developing novel investigational products that help utilize the body's own immune system to fight cancer, also known as immunotherapy. Our lead immunotherapy candidate, bavituximab, is in Phase III development for the treatment of previously- treated non-small cell lung cancer (the "Phase III SUNRISE trial") along with several additional clinical trials sponsored by clinical investigators (referred to as "investigator-sponsored trials" or "ISTs") that are evaluating other treatment combinations and additional oncology indications.

Bavituximab is the lead immunotherapy candidate from our phosphatidylserine ("PS")-targeting technology platform. The PS-targeting platform includes monoclonal antibodies that target and bind to PS, a highly immunosuppressive molecule usually located inside the membrane of healthy cells, but "flips" and becomes exposed on the outside of cells in the tumor microenvironment, causing the tumor to evade immune detection. PS-targeting antibodies target and bind to PS and block this immunosuppressive pathway and simultaneously activate adaptive immunity, thereby enabling the immune system to recognize and fight the tumor.

Our primary focus for the PS-targeting platform is to continue to advance our ongoing bavituximab Phase III SUNRISE trial (**S**timulating Imm**U**ne Respo**N**se th**R**ough Bav**I**tuximab in a Pha**SE** III Lung Cancer Study) for the treatment of previously-treated non-small cell lung cancer ("NSCLC"), continue to explore the broader immunotherapeutic applications of bavituximab in the treatment of cancer in combination with chemotherapy and other immunotherapy agents by initiating additional Company-sponsored trials and advancing existing ISTs, and to explore the broader potential uses of the PS-targeting technology platform.

Our primary focus for the coming fiscal year includes:

- Completing enrollment in the ongoing Phase III SUNRISE trial of bavituximab combined with docetaxel in previously-treated NSCLC. This trial is supported by data presented at the 2013 American Society of Clinical Oncology ("ASCO") Annual Meeting from our Phase IIb randomized, double-blind, placebo-controlled trial in the same patient population and the agreed upon Phase III trial design with the U.S. Food and Drug Administration ("FDA"). In January 2014, we announced bavituximab received FDA Fast Track designation for combination with docetaxel in patients with previously-treated non-squamous NSCLC;
- Expanding the potential market opportunity of bavituximab in NSCLC by initiating a clinical trial of bavituximab in combination with Opdivo® (nivolumab) in previously- treated NSCLC. The trial is expected to be an open-label multi-center, randomized Phase II trial comparing the anti-PD-1 monoclonal antibody nivolumab (marketed as Opdivo®) versus nivolumab plus bavituximab in patients with previously-treated locally advanced or metastatic NSCLC.
- Expanding our focus in chemotherapy combinations that show synergies with bavituximab by initiating a Phase II/III open-label trial of either paclitaxel or docetaxel (physician's choice) with or without bavituximab in patients with metastatic HER2 negative breast cancer. The new trial is based upon the consistently positive clinical experience in three prior clinical studies of bavituximab in combination with docetaxel or paclitaxel in advanced breast cancer.
- Continuing to evaluate the bavituximab ISTs in rectal adenocarcinoma (in combination with capecitabine and radiation therapy) and advanced melanoma (in combination with ipilimumab). These ISTs have the potential to further refine our future development plans and to provide further validation of bavituximab's immunotherapeutic mechanism of action in the clinic; and
- Continuing to generate additional preclinical, translational, and clinical data to further demonstrate the immunotherapeutic mechanism of action of bavituximab as we continue to identify new potential clinical indications and therapeutic combinations.

In addition to our research and development efforts, we operate a wholly-owned biomanufacturing subsidiary, Avid Bioservices, Inc. ("Avid"), a Contract Manufacturing Organization ("CMO") that provides fully integrated current Good Manufacturing Practices ("cGMP") services from cell line development to commercial biomanufacturing for its third-party customers, while also supporting our clinical and potential commercial manufacturing of bavituximab. Avid was established in 2002 and began commercial production in 2005. Avid's total revenue generated from third-party customers for fiscal years 2015, 2014, and 2013 amounted to $26,744,000, $22,294,000, and $21,333,000, respectively. In December 2014, we announced expansion plans that could more than double Avid's current manufacturing capacity to support the potential commercial manufacturing of bavituximab while also providing sufficient additional capacity to meet the anticipated growth of Avid's business. The new facility is located within an existing 40,000 square foot warehouse located adjacent to our current headquarters in Tustin, California and was designed to accommodate multiple single-use bioreactors up to 2,000 liter scale. The new manufacturing facility is expected to be operational in the near term.

We were originally incorporated in the State of California in June 1981 and reincorporated in the State of Delaware on September 25, 1996. Our principal executive offices are located at 14282 Franklin Avenue, Tustin, California, 92780 and our telephone number is (714) 508-6000. Our internet website addresses are www.peregrineinc.com, www.avidbio.com, www.sunrisetrial.com and www.peregrinetrials.com. Information contained on, or accessed through, our websites does not constitute any part of this Annual Report.

**Bavituximab for the Treatment of Solid Tumors**

We believe our lead immunotherapy candidate, bavituximab, may have broad potential for the treatment of multiple types of cancer. In December 2013, we initiated the Phase III SUNRISE trial of bavituximab plus docetaxel in previously-treated non-small cell lung cancer, our lead indication for bavituximab. In addition, we have investigator-sponsored trials evaluating different treatment combinations and additional oncology indications for bavituximab.

The following represents an overview of our company and investigator-sponsored bavituximab clinical trials that are currently enrolling patients or clinical trials where data was recently presented during fiscal year 2015:

| Product Candidate | Indication; Trial Design | Phase | Status |
|---|---|---|---|
| **Bavituximab**<br>PS-Targeting Monoclonal Antibody (oncology) | Previously-treated non-small cell lung cancer ("NSCLC"); randomized, double blind, placebo-controlled, combined with docetaxel ("Phase III SUNRISE trial") | III | Trial initiated in December 2013; Patient enrollment is expected to be completed by the end of calendar year 2015. No clinical data reported to date. |
| | Front-line NSCLC; randomized, open-label, combined with carboplatin and pemetrexed | Ib | Patient enrollment complete; Interim data described below. |
| | HER2-negative metastatic breast cancer ("MBC"); single arm, open-label, combined with paclitaxel | I | Patient enrollment complete; Final data described below. |
| | Advanced liver cancer ("hepatocellular carcinoma" or "HCC"); single arm, open-label, combined with sorafenib | I/II | Patient enrollment complete; Top-line data described below. |
| | Stage II/III rectal adenocarcinoma; single arm, open-label, combined with capecitabine and radiation therapy | I | Patient enrollment ongoing. No clinical data reported to date. |
| | Advanced melanoma; randomized, open label, combined with ipilimumab | Ib | Patient enrollment ongoing. No clinical data reported to date. |

The following represents additional information, including any supporting trial data, of our company and investigator-sponsored bavituximab clinical trials by indication:

***Bavituximab in Previously-Treated NSCLC***

We have identified bavituximab plus docetaxel in previously-treated NSCLC as our lead indication for bavituximab based on:

- Promising survival data from our Phase IIb randomized, double-blind, placebo-controlled trial of Stage IIIb/IV patients treated with bavituximab plus docetaxel versus docetaxel alone as second-line treatment, which was presented at the 2013 ASCO Annual Meeting;
- Data presented at multiple scientific conferences throughout 2013 and 2014 beginning with the 2013 AACR Annual Meeting, which data has yielded definitive insight into bavituximab's immunotherapy mechanism of action;
- Our increased understanding of docetaxel's immune-enhancing potential and apoptotic inducing properties that increases the exposure of the PS target;
- Promising survival data from a single-arm Phase IIa trial evaluating bavituximab plus docetaxel in advanced or metastatic breast cancer; and
- Compelling preclinical data demonstrating synergistic anti-tumor effects when bavituximab is combined with docetaxel.

***Phase III SUNRISE Trial***

The Phase III SUNRISE trial is a randomized, double-blind, placebo-controlled trial evaluating bavituximab plus docetaxel versus docetaxel plus placebo in approximately 600 patients at clinical sites worldwide. The trial is enrolling stage IIIb/IV non-squamous NSCLC patients who have progressed after standard front-line platinum-containing chemotherapy doublet. Patients are randomized into one of two treatment arms. One treatment arm receives docetaxel (75 mg/m$^2$), up to six 21-day cycles, in combination with bavituximab (3 mg/kg) weekly until progression or toxicity. The other treatment arm receives docetaxel (75 mg/m$^2$), up to six 21-day cycles, in combination with placebo weekly until progression or toxicity. The primary endpoint of the trial is overall survival. This trial is currently enrolling patients and we expect to complete enrollment by December 31, 2015.

***Phase IIb Trial – Bavituximab Plus Docetaxel in Second-Line NSCLC***

The design of the Phase III SUNRISE trial was supported by promising data from our prior Phase IIb second-line NSCLC trial. The Phase IIb trial was a randomized, double-blind, placebo-controlled trial evaluating two dose levels of bavituximab plus docetaxel ("bavituximab-containing arms") versus placebo plus docetaxel ("control arm") as second-line treatment in 121 patients with Stage IIIb/IV NSCLC. Patients were randomized to one of three treatment arms at clinical sites worldwide and enrollment was completed in October 2011. All patients were randomized to receive up to six 21-day cycles of docetaxel (75 mg/m$^2$). In addition, one arm was randomized to receive bavituximab (3 mg/kg) weekly, a second arm was randomized to receive bavituximab (1 mg/kg) weekly, and a third arm was randomized to receive placebo weekly until progression or toxicity. The trial was designed to evaluate overall response rate, the primary endpoint, measured in accordance with Response Evaluation Criteria In Solid Tumors ("RECIST") criteria, and progression-free survival, duration of response, overall survival, and safety, were secondary endpoints.

On September 24, 2012, we announced that during the course of preparing for an end-of-Phase II meeting with regulatory authorities and following the data announcement on September 7, 2012 from this Phase IIb trial, we discovered major discrepancies between some patient sample test results and patient treatment code assignments. As a result of these discrepancies, the data that we disclosed on or before September 7, 2012 should not be relied upon.

Upon discovery of the discrepancies, we initiated an internal review of this Phase IIb trial, which included the testing of investigational product, patient samples and reviewing the operations of multiple vendors, among other activities. The initial results of this internal review were announced on January 7, 2013, and indicated that discrepancies were isolated to the control and 1 mg/kg bavituximab-containing treatment arms of the trial and that there was no evidence of discrepancies in the 3 mg/kg bavituximab-containing treatment arm of the trial. Based on the results of our internal review, we took a conservative approach toward analyzing the results from the trial, which included combining the control arm and 1 mg/kg bavituximab-containing arm into one treatment arm ("combined control arm"), and comparing those results to the 3 mg/kg bavituximab-containing treatment arm.

On February 19, 2013, we reported updated top-line survival data from this trial based upon the completion of the aforementioned internal review of discrepancies in the trial and updated patient survival data from the trial. Updated top-line data from this Phase IIb trial indicate a meaningful improvement in median OS of 11.7 months in the 3 mg/kg bavituximab-containing arm compared to 7.3 months in the combined control arm.

On June 3, 2013, we presented the following final data from this Phase IIb trial at the 2013 ASCO Annual Meeting:

| | **3 mg/kg Bavituximab Containing Arm** | **Combined Control Arm** |
|---|---|---|
| Median Overall Survival | 11.7 months | 7.3 months |
| Overall Response Rate | 17.1% | 11.3% |
| Median Progression-Free Survival | 4.2 months | 3.9 months |

In addition, subgroup analyses of overall survival by key patient characteristics favored the bavituximab 3 mg/kg containing arm, including age, gender, Eastern Cooperative Oncology Group ("ECOG") status, ethnicity and prior treatment. The results also indicated that the 3 mg/kg bavituximab plus docetaxel combination was well-tolerated with no significant differences in adverse events between the two trial arms.

***Additional Planned Clinical Trial in NSCLC***

In fiscal year 2016, we plan to expand the potential market opportunity of bavituximab in NSCLC by initiating a clinical trial of bavituximab and Opdivo® (nivolumab) in previously-treated NSCLC. The trial is expected to be an open-label multi-center, randomized Phase II trial comparing the anti-PD-1 monoclonal antibody nivolumab (marketed as Opdivo®) versus nivolumab plus bavituximab in patients with previously-treated locally advanced or metastatic NSCLC.

***Second-Line NSCLC Market Opportunity***

NSCLC represents a high unmet medical need where new therapies are desperately needed. According to independent market research, there are approximately 200,000 drug treatable patients with NSCLC receiving second-line treatment annually in the U.S., Europe and Japan. These markets for second-line NSCLC therapeutics is expected to exceed $2.0 billion annually by 2023 according to independent market research estimates. Key agents used in the U.S. to treat second-line NSCLC include Opdivo®, pemetrexed, docetaxel, and erlotinib.

***Bavituximab in Front-Line NSCLC***

This Phase Ib IST was designed to assess bavituximab with pemetrexed and carboplatin in up to 25 patients with locally advanced or metastatic NSCLC. Patient enrollment is complete and interim data was presented at the Chicago Multidisciplinary Symposium in Thoracic Oncology in October 2014. This single-arm trial showed an overall tumor response rate of 35% (as measured in accordance with RECIST criteria), a median progression-free-survival of 4.8 months, and a median overall survival of 12.2 months. We believe these favorable trends in overall tumor response rates and median overall survival further support bavituximab's potential to treat NSCLC.

***Bavituximab in HER2-negative Metastatic Breast Cancer ("MBC")***

This Phase I IST was designed to assess bavituximab combined with paclitaxel in up to 14 patients with HER2-negative MBC. Patient enrollment is complete. In March 2015, we announced the publication of final data from this trial in the March 2015 issue of the peer-reviewed journal, *Cancer Medicine*, which reported that 85% of patients (11 of 13 evaluable patients) achieved an objective tumor response, including 15% of such patients achieving a complete response measured in accordance with RECIST criteria and median progression free survival for the combination of bavituximab with weekly paclitaxel was 7.3 months. We believe these promising data further support bavituximab's potential to treat HER2-negative MBC.

***Additional Planned Clinical Trial in HER2-negative MBC***

We plan to expand our focus in chemotherapy combinations that show synergies with bavituximab by initiating a Phase II/III open-label trial of either docetaxel or paclitaxel (physician's choice) with or without bavituximab in patients with locally advanced or metastatic HER2-negative MBC. The new trial is based upon the consistently positive clinical experience in three prior clinical studies of bavituximab and docetaxel or paclitaxel in advanced breast cancer, including the aforementioned HER2-negative MBC Phase I clinical data.

***Bavituximab in Advanced Liver Cancer***

This Phase I/II trial IST was designed to assess bavituximab combined with sorafenib in up to 48 patients with advanced liver cancer ("hepatocellular carcinoma" or "HCC"). Patient enrollment was completed in September 2014. In November 2014, interim data from a translational sub-study consisting of six patients who consented to a biopsy in the Phase II portion of the study was presented at the Society for Immunotherapy of Cancer's 29th Annual Meeting and Associated Programs (SITC). Half of the patients evaluated showed that bavituximab can increase tumor-fighting immune cells in patients following one cycle of treatment, consistent with what we have reported from multiple preclinical models. In January 2015, top-line clinical data presented at the ASCO Gastrointestinal Cancers Symposium showed that the combination of bavituximab and sorafenib was associated with an improved time to progression of 6.7 months, a disease-specific survival of 8.7 months, a disease control rate of 58% (22 out of 38 patients) and a 4-month progression-free survival of 62%. Two patients (5%) achieved a partial response according to RECIST and the trial's secondary endpoint of median overall survival was 6.2 months. In addition, the combination of bavituximab and sorafenib was well-tolerated in patients with advanced HCC. We believe these favorable trends continue to highlight the potential immunotherapeutic synergies of bavituximab and sorafenib and warrant further clinical evaluation.

***Bavituximab in Front-Line Rectal Adenocarcinoma***

This ongoing Phase I IST is designed to assess bavituximab in combination with capecitabine and radiation therapy in up to 18 patients with Stage II or III rectal adenocarcinoma. The primary endpoint is to determine the safety, feasibility and tolerability with a standard platform of capecitabine and radiation therapy. Secondary endpoints include overall response rate and pathological complete response (pCR) rate in patients. This trial continues to enroll and dose patients.

***Bavituximab in Advanced Melanoma***

This ongoing Phase Ib IST is designed to assess bavituximab in combination with ipilimumab in up to 24 patients with advanced melanoma. The primary endpoint is to determine safety, feasibility and tolerability. Secondary endpoints include measurements of disease control rate and overall survival. This trial continues to enroll and dose patients.

**PS-Targeting Molecular Imaging Program (PGN650)**

In addition to bavituximab, we believe our PS-targeting platform may have broad potential for the imaging and diagnosis of multiple diseases, including cancer. PS-targeting antibodies are able to target diseases that present PS on the surface of distressed cells, which we believe is present in multiple disease settings. In oncology, PS is a molecule usually located inside the membrane of healthy cells, but "flips" and becomes exposed on the outside of cells that line tumor blood vessels, creating a specific target for the imaging of multiple solid tumor types.

Our initial clinical candidate is PGN650, a first-in-class PS-targeting F(ab')2 fully human monoclonal antibody fragment joined to the positron emission tomography ("PET") imaging radio-isotope iodine-124 that represents a potential new approach to imaging cancer. In preclinical studies, PGN650 accumulates in tumor vasculature and provides exceedingly clear in vivo tumor images.

Our initial goal for the PGN650 program is to further validate the broad nature of the PS-targeting platform in the clinic. Our current PGN650 clinical trial evaluating PGN650 imaging in multiple solid tumor types was filed under an exploratory IND with the FDA and will enroll up to 12 patients. Patients receive an imaging dose followed by three PET images. This trial continues to enroll and dose patients and interim data presented in June 2015 at the Society of Nuclear Medicine and Molecular Imaging Annual Meeting demonstrated that 124I-PGN650 is safe and dosimetry estimates are acceptable for human imaging.

**Mechanism of Action of Our PS-Targeting Platform**

Our first-in-class PS-targeting therapeutics are monoclonal antibodies that target and bind to PS, a component of cells normally found only on the inner surface of the cell membrane. Under stress or apoptosis, PS becomes exposed on the surface of tumor blood vessels and on virus-infected cells, exposing a specific target for therapy and imaging of multiple diseases.

PS has been shown to be a highly immunosuppressive molecule usually located inside the membrane of healthy cells, which "flips" and becomes exposed on the outside of tumor cells and cells that line tumor blood vessels, causing the tumor to evade immune detection. Cancer therapies further increase PS exposure on the cell surface, further increasing immune suppression in the tumor environment. Bavituximab targets PS and works by both blocking the immunosuppressive pathway and activating the immune system, which causes the maturation of cancer-fighting (M1) macrophages and the development of cytotoxic T-cells that fight tumors.

In addition, data from a series of preclinical studies have demonstrated that PS-targeting antibodies, such as bavituximab, mediate important immuno-stimulatory changes in tumors. These changes include the increased production of inflammatory cytokines, inhibition of immunosuppressive myeloid derived suppressor cells ("MDSCs"), and an increase in tumor-fighting (M1) macrophages and mature dendritic cells that lead to the formation of tumor fighting T-cells.

**In-Licensing Agreements**

The following represents a summary of our key in-licensing agreements covering our products in clinical development.

*Bavituximab*

In August 2001 and August 2005, we exclusively in-licensed the worldwide rights to the phosphatidylserine ("PS")-targeting technology platform from the University of Texas Southwestern Medical Center at Dallas ("UTSWMC"), including bavituximab. During November 2003, we entered into a non-exclusive license agreement with Genentech, Inc. ("Genentech"), to license certain intellectual property rights covering methods and processes for producing antibodies used in connection with the development of our PS-targeting program. During December 2003, we entered into an exclusive commercial license agreement with Avanir Pharmaceuticals, Inc., ("Avanir") covering the generation of a chimeric monoclonal antibody. In March 2005, we entered into a worldwide non-exclusive license agreement with Lonza Biologics ("Lonza") for intellectual property and materials relating to the expression of recombinant monoclonal antibodies for use in the manufacture of bavituximab.

Under our in-licensing agreements relating to bavituximab, we are obligated to pay future milestone payments based on potential clinical development and regulatory milestones, plus a royalty on net sales and/or a percentage of sublicense income. The applicable royalty rate under each of the foregoing in-licensing agreements is in the low single digits. During fiscal year 2014, we expensed $125,000 associated with milestone obligations under in-licensing agreements covering bavituximab, which is included in research and development expense in the accompanying consolidated statements of operations and comprehensive loss. We did not incur any milestone related expenses during fiscal years 2015 and 2013.

The following table provides certain information with respect to each of our in-licensing agreements relating to our bavituximab program.

| Licensor | Agreement Date | Total Milestone Obligations Expensed To Date | Potential Future Milestone Obligations (1) |
|---|---|---|---|
| UTSWMC | August 2001 | $ 173,000 | $ 300,000 |
| UTSWMC | August 2005 | 85,000 | 375,000 |
| Lonza | March 2005 | 64,000 | – (2) |
| Avanir | December 2003 | 100,000 | 1,000,000 |
| Genentech | November 2003 | 500,000 | 5,000,000 |
| Total | | $ 922,000 | $ 6,675,000 |

(1) Under our current agreements, potential future milestone obligations are due upon achieving certain clinical and regulatory milestones. Based on the current stage of clinical development for bavituximab, future milestone obligations would be due upon submission of a biologics license application in the U.S. and upon FDA approval, which events are currently uncertain and depend on positive clinical trial results. In addition, potential future milestone obligations vary by license agreement (as defined in each license agreement) and certain agreements depend on a valid patent claim, as defined in each of these underlying agreements, at the time the potential milestone is achieved.

(2) In the event we utilize a third-party contract manufacturer other than Lonza to manufacture bavituximab for commercial purposes, we would owe Lonza 300,000 pounds sterling per year (or approximately $461,000 USD based on the exchange rate at April 30, 2015).

We do not expect to incur any milestone related expenses regarding our bavituximab program during fiscal year 2016. In addition, of the total potential future milestone obligations of $6,675,000, up to $6,400,000 would be due upon the first commercial approval of bavituximab pursuant to these in-licensing agreements. However, given the uncertainty of the drug development and the regulatory approval process, we are unable to predict with any certainty when any of these future milestones will occur, if at all.

*PGN650*

In October 1998, we exclusively in-licensed worldwide rights from UTSWMC, to certain patent families, which was amended in January 2000 to license patents related to PS-targeting conjugates, such as PGN650. Under the October 1998 license agreement, as amended, we are obligated to pay UTSWMC a future milestone payment of $300,000 upon the first commercial sale of a licensed PS-targeting conjugate such as PGN650, plus a low single digit royalty on net sales.

In addition, during fiscal year 2007, we entered into a research collaboration agreement and a development and commercialization agreement with Affitech A/S (“Affitech”) regarding the generation and commercialization of a certain number of fully human monoclonal antibodies under our platform technologies to be used as possible future clinical candidates, including the antibody of our imaging agent PGN650. During fiscal year 2013, under the terms of the development and commercialization agreement, we elected to enter into a license agreement for the PS-targeting antibody used to create PGN650, whereby we paid a $50,000 up-front license fee and are obligated to pay future milestone payments of up to $1,921,000 based on the achievement of certain potential clinical development and regulatory milestones, plus a low single digit royalty on net sales.

During fiscal year 2013, we expensed $50,000 under in-licensing agreements covering PGN650, which is included in research and development expense in the accompanying consolidated statements of operations and comprehensive loss. We did not incur any milestone related expenses during fiscal years 2015 or 2014 covering PGN650. In addition, we do not expect to incur any milestone related expenses regarding our PGN650 program during fiscal year 2016.

*Other In-Licensing Agreement Covering a Third-Party Product Development Program*

During July 2009, we entered into a patent assignment and sublicense with Affitech whereby we out-licensed exclusive worldwide rights to develop and commercialize certain products under our anti-vascular endothelial growth factor ("VEGF") intellectual property portfolio as further described in the "Out-Licensing Collaborations" section below. The underlying technology licensed to Affitech was in-licensed from UTSWMC in August 2001 under an exclusive worldwide license agreement. Under the UTSWMC license agreement, as amended, our aggregate future milestone obligations are $450,000 assuming the achievement of all development milestones by Affitech. We did not incur any milestone related expenses during the three years ended April 30, 2015. In addition, we do not anticipate making any milestone payments for at least the next fiscal year under the UTSWMC license agreement.

**Out-Licensing Agreements**

The following represents a summary of our key out-licensing agreements:

During October 2000, we entered into a licensing agreement with Merck KGaA to out-license a segment of our Tumor Necrosis Therapy technology for use in the application of cytokine fusion proteins. During January 2003, we entered into an amendment to the license agreement, whereby we received an extension to the royalty period from six years to ten years from the date of the first commercial sale. Under the terms of the agreement, we would receive a royalty on net sales if a product is approved under the agreement. Merck KGaA is currently in the clinical development stage of this program.

During July 2009, we entered into a patent assignment and sublicense (collectively, the "Affitech Agreements") with Affitech whereby we licensed exclusive worldwide rights to develop and commercialize certain products under our anti-VEGF intellectual property portfolio, including the fully human antibody AT001/r84. During September 2010, we and Affitech agreed to amend certain terms of the Affitech Agreements for sublicenses entered into by Affitech with non-affiliates for the territories of Brazil, Russia and other countries of the Commonwealth of Independent States ("CIS") (the "September 2010 Amendment"). Under the amended terms, we agreed to forego our aforementioned sublicense fee equal to forty-five percent (45%) of the payments received by Affitech (after Affitech deducts fifty percent (50%) of its incurred development costs under the program) for the territories of Brazil, Russia, and the CIS, provided however, that Affitech reinvests such sublicense payments toward the further development of AT001/r84 in those territories. In the event Affitech enters into a licensing transaction for AT001/r84 with a non-affiliate in a major pharmaceutical market (defined as U.S., European Union, Switzerland, United Kingdom and/or Japan), Affitech has agreed to reimburse us the aforementioned sublicense fees we agreed to forego that were applied to the AT001/r84 program while Affitech will be eligible to be reimbursed for up to 50% of their development costs in Brazil, Russia and CIS territories. The remaining terms of the Affitech Agreements remain unchanged, including milestone and royalty payments. To date, we have not received any payments from Affitech under the September 2010 Amendment.

We recognized revenue of $37,000, $107,000 and $350,000 during fiscal years 2015, 2014 and 2013, respectively, under the Affitech Agreements, which amounts are included in license revenue in the accompanying consolidated financial statements.

**Avid Bioservices, Inc., Our Integrated Biomanufacturing Subsidiary**

Our wholly-owned subsidiary, Avid, is a CMO that provides fully-integrated cGMP services from cell line development to commercial biomanufacturing for us and its third-party customers. In addition, to generating revenue from third-party customers, Avid is strategically integrated with us to manufacture our clinical drug supply of bavituximab while also preparing for the potential commercial launch of bavituximab. Avid's total revenue generated from third-party customers for fiscal years 2015, 2014 and 2013 amounted to $26,744,000, $22,294,000, and $21,333,000, respectively.

Avid manufactures cGMP commercial and clinical products and has over 10 years of experience developing and producing monoclonal antibodies, recombinant proteins and enzymes in batch, fed-batch and perfusion modes. Avid provides an array of contract biomanufacturing services that support the development and cGMP production of clinical and commercial monoclonal antibodies, recombinant proteins and enzymes, including cell culture development, process development and testing of biologics for biopharmaceutical and biotechnology companies.

To date, Avid has been audited and qualified by large and small, domestic and foreign, biotechnology companies interested in the production of biologic material for clinical and commercial use. Additionally, Avid has been audited by several regulatory agencies, including the FDA, European Medicines Agency, the Brazilian Health Surveillance Agency and the California Department of Health.

In addition, in December 2014, we announced expansion plans that could more than double Avid's current manufacturing capacity to support the potential commercial manufacturing of bavituximab while also providing sufficient additional capacity to meet the anticipated growth of Avid's business. The new facility is located within an existing 40,000 square foot warehouse located adjacent to our current headquarters in Tustin, California and was designed to accommodate multiple single-use bioreactors up to 2,000 liter scale. The new manufacturing facility is expected to be operational in the near term.

**Government Regulation**

Regulation by governmental authorities in the U.S. and other countries is a significant factor in our ongoing research and development activities and in the production of our products under development. Our products and our research and development activities are subject to extensive governmental regulation in the U.S., including the Federal Food, Drug, and Cosmetic Act, as amended, the Public Health Service Act, as amended, as well as to other federal, state and local statutes and regulations. These laws, and similar laws outside the U.S., govern the clinical and non-clinical testing, manufacture, safety, effectiveness, approval, labeling, distribution, sale, import, export, storage, record keeping, reporting, advertising and promotion of our products, if approved. Violations of regulatory requirements at any stage may result in various adverse consequences, including regulatory delay in approving or refusal to approve a product, enforcement actions, including withdrawal of approval, labeling restrictions, seizure of products, fines, injunctions and/or civil or criminal penalties. Any product that we develop must receive all relevant regulatory approvals or clearances before it may be marketed in a particular country.

The regulatory process, which includes extensive preclinical testing and clinical trials of each product candidate to study its safety and efficacy, is uncertain, takes many years and requires the expenditure of substantial resources.

The activities required before a product, such as bavituximab, may be marketed in the U.S. are generally performed in the following sequential steps:

1. *Preclinical testing.* This generally includes evaluation of our products in the laboratory or in animals to characterize the product and determine safety and efficacy. Some preclinical studies must be conducted by laboratories that comply with FDA regulations regarding good laboratory practice.
2. *Submission to the FDA of an Investigational New Drug ("IND") application.* The results of preclinical studies, together with manufacturing information, analytical data and proposed clinical trial protocols, are submitted to the FDA as part of an IND application, which must become effective before the clinical trials can begin. Once a new IND application is filed, the FDA has 30 days to review the IND application. The IND application will automatically become effective 30 days after the FDA receives the application, unless the FDA indicates prior to the end of the 30-day period that the application raises concerns that must be resolved to the FDA's satisfaction before clinical trials may proceed. If the FDA raises concerns at any time, we may be unable to resolve the issues in a timely fashion, if at all.

3. *Completion of clinical trials.* Human clinical trials are necessary to seek approval for a new drug or biologic and typically involve a three-phase process. In Phase I, small clinical trials are generally conducted to determine the safety of the product. In Phase II, clinical trials are generally conducted to assess safety and acceptable dose and gain preliminary evidence of the efficacy of the product. In Phase III, clinical trials are generally conducted to provide sufficient data for the statistically valid proof of safety and efficacy. A clinical trial must be conducted according to good clinical practices under protocols that detail the trial's objectives, inclusion and exclusion criteria, the parameters to be used to monitor safety and the efficacy criteria to be evaluated, and informed consent must be obtained from all study subjects. Each protocol involving U.S. trial sites must be submitted to the FDA as part of the IND application. The FDA may impose a clinical hold on an ongoing clinical trial if, for example, safety concerns arise, in which case the study cannot recommence without FDA authorization under terms sanctioned by the FDA. Similarly, trials conducted outside the U.S. require notification and/or approval by the governing health authority. In addition, before a clinical trial can be initiated, each clinical site or hospital administering the product must have the protocol reviewed and approved by an institutional review board ("IRB") or independent ethics committee ("IEC"). The IRB/IEC will consider, among other things, ethical factors and the safety of human subjects. The IRB/IEC may require changes in a protocol, which may delay initiation or completion of a study. Phase I, Phase II or Phase III clinical trials may not be completed successfully within any specific period of time, if at all, with respect to any of our potential products. Furthermore, we, the governing health authority (including the FDA) or an IRB/IEC may suspend a clinical trial at any time for various reasons, including a finding that patients are being exposed to an unacceptable health risk.

4. Submission to the FDA of a Biologics License Application ("BLA") or New Drug Application ("NDA"). After completion of clinical studies for an investigational product, a BLA or NDA is submitted to the FDA for product marketing approval. No action can be taken to market any new drug or biologic product in the U.S. until the FDA has approved an appropriate marketing application.

5. *FDA review and approval of the BLA or NDA before the product is commercially sold or shipped.* The results of preclinical studies, clinical trials and manufacturing information are submitted to the FDA in the form of a BLA or NDA for approval to manufacture, market and ship the product for commercial use. The FDA may take a number of actions after the BLA or NDA is filed, including but not limited to, denying the BLA or NDA if applicable regulatory criteria are not satisfied, requiring additional clinical testing or information, or requiring post-market testing and surveillance to monitor the safety or efficacy of the product. Adverse events that are reported after marketing approval can result in additional limitations being placed on the product's use and, potentially, withdrawal of the product from the market. Any adverse event, either before or after marketing approval, can result in product liability claims against us.

In addition, we are subject to regulation under state, federal, and international laws and regulations regarding occupational safety, laboratory practices, the use and handling of radioactive isotopes, environmental protection and hazardous substance control, and other regulations. Our clinical trial and research and development activities involve the controlled use of hazardous materials, chemicals and radioactive compounds. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result and any such liability could exceed our financial resources. In addition, disposal of radioactive materials used in our clinical trials and research efforts may only be made at approved facilities. We believe that we are in material compliance with all applicable laws and regulations including those relating to the handling and disposal of hazardous and toxic waste.

Our product candidates, if approved, may also be subject to import laws in other countries, the food and drug laws in various states in which the products are or may be sold and subject to the export laws of agencies of the U.S. government.

In addition, we must also adhere to cGMP and product-specific regulations enforced by the FDA through its facilities inspection program. Failure to comply with manufacturing regulations can result in, among other things, warning letters, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, refusal of the government to renew marketing applications and criminal prosecution.

The FDA has designated as a Fast Track development program the investigation of bavituximab, in combination with docetaxel, to improve overall survival in patients with previously-treated, non-squamous, NSCLC compared with docetaxel alone. This designation facilitates the development and expedites the review of new drugs that are intended to treat serious or life-threatening conditions and that demonstrate the potential to address unmet medical needs. The Fast Track mechanism is described in the Food and Drug Administration Modernization Act of 1997. The benefits of Fast Track include scheduled meetings to seek FDA input into development plans, the option of submitting a BLA in sections rather than all components simultaneously and the option of requesting evaluation of studies using surrogate endpoints.

**Manufacturing and Raw Materials**

We manufacture cGMP pharmaceutical-grade products to supply our clinical trials through our wholly-owned subsidiary, Avid. The process for manufacturing generally uses commercially available raw materials from multiple suppliers, and in some instances, from a sole source supplier. We currently do not have long-term supply contracts with these suppliers, and accordingly, we may experience delays in receiving raw materials to support the manufacturing of bavituximab. However, to date, we have not experienced any significant difficulty in obtaining these raw materials.

**Patents and Trade Secrets**

We continue to seek patents on inventions originating from ongoing research and development activities within the Company and in collaboration with other companies and university researchers. In addition to seeking patent protection in the U.S., we typically file patent applications in Europe, Canada, Japan and additional countries on a selective basis. Patents, issued or applied for, cover inventions relating in general to cancer therapy and anti-viral therapy and in particular to different proteins, peptides, antibodies and conjugates, methods and devices for labeling antibodies, and therapeutic and diagnostic uses of the peptides, antibodies and conjugates. We intend to pursue opportunities to license these technologies and any advancements or enhancements, as well as to pursue the incorporation of our technologies in the development of our own products.

Our issued patents extend for varying periods according to the date of patent application filing and/or grant and the legal term of patents in the various countries where patent protection is obtained. In the U.S., patents issued on applications filed prior to June 8, 1995 have a term of 17 years from the issue date or 20 years from the earliest effective filing date, whichever is longer. U.S. patents issued on applications filed on or after June 8, 1995, have a term first calculated as 20 years from the earliest effective filing date, not counting any provisional application filing date. Certain U.S. patents issued on applications filed on or after June 8, 1995, and particularly on applications filed on or after May 29, 2000, are eligible for Patent Term Adjustment, which extends the term of the patent to compensate for delays in examination at the U.S. Patent and Trademark Office. The term of foreign patents varies in accordance with provisions of applicable local law, but is typically 20 years from the effective filing date, which is often the filing date of an application under the provisions of the Patent Cooperation Treaty.

In addition, in certain cases, the term of U.S. and foreign patents can be extended to recapture a portion of the term effectively lost as a result of health authority regulatory review. As such, certain U.S. patents may be eligible for Patent Term Extension under 35 U.S.C. § 156 (known as "the Hatch-Waxman Act") to restore the portion of the patent term that has been lost as a result of review at the U.S. FDA. Such extensions, which may be up to a maximum of five years (but cannot extend the remaining term of a patent beyond a total of 14 years), are potentially available to one U.S. patent that claims an approved human drug product (including a human biological product), a method of using a drug product, a method of manufacturing a drug product, or a medical device.

We consider that in the aggregate our patents, patent applications and licenses under patents owned by third parties are of material importance to our operations. Of the patent portfolios that are owned, controlled by or exclusively licensed to us, those concerning our PS-Targeting technology platform, including bavituximab and PGN650 are of particular importance to our operations and our clinical pipeline.

Our patent portfolios relating to the PS-Targeting technology platform in oncology include U.S. and foreign patents and patent applications with claims directed to methods, compositions and combinations for targeting tumor vasculature and imaging and treating cancer using antibodies and conjugates that localize to the aminophospholipids, PS (Phosphatidylserine) and PE (Phosphatidylethanolamine), exposed on tumor vascular endothelial cells. These patents are currently set to expire between 2019 and 2021.

Our patent portfolios relating to the PS-Targeting technology platform in the viral field include U.S. and foreign patents and patent applications with claims directed to methods, compositions and combinations for inhibiting viral replication or spread and for treating viral infections and diseases using antibodies, certain peptides and conjugates that localize to the aminophospholipids, PS and PE, exposed on viruses and virally-infected cells. Such anti-viral patents concerning antibodies and conjugates are currently set to expire in 2023.

Additionally, we have U.S. and foreign patents and patent applications relating more specifically to our product, bavituximab, including composition of matter, combinations and methods of use in treating angiogenesis and cancer and in treating viral infections and diseases, alone and in combination therapies. These patents that more specifically concern bavituximab compositions and their use in treating cancer, both alone and in combination therapies, are currently set to expire between 2023 and 2025.

The information given above is based on our current understanding of the patents and patent applications that we own, control, or have exclusively licensed. The information is subject to revision, for example, in the event of changes in the law or legal rulings affecting our patents, or if we become aware of new information. In particular, the expiry information given above does not account for possible extension of any U.S. or foreign patent to recapture patent term effectively lost as a result of FDA or other health authority regulatory review. We intend to seek such extensions, as appropriate to approved product(s), which may be up to a maximum of five years (but not extending the term of a patent beyond 14 years).

The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. We have either been issued patents or have patent applications pending that relate to a number of current and potential products including products licensed to others. In general, we have obtained licenses from various parties that we deem to be necessary or desirable for the manufacture, use or sale of our products. These licenses (both exclusive and non-exclusive) generally require us to pay royalties to the parties.

In general, the patent position of a biotechnology firm is highly uncertain and no consistent policy regarding the patentability or breadth of issued claims has emerged from the actions of the U.S. Patent Office and courts with respect to biotechnology patents. Similar uncertainties also exist for biotechnology patents in important overseas markets. Accordingly, there can be no assurance that our patents, including those issued and those pending, will provide protection against competitors with similar technology, nor can there be any assurance that such patents will not be legally challenged, invalidated, infringed upon and/or designed around by others.

International patents relating to biologics are numerous and there can be no assurance that current and potential competitors have not filed or in the future will not file patent applications or receive patents relating to products or processes utilized or proposed to be used by us. In addition, there is certain subject matter which is patentable in the U.S. but which may not generally be patentable outside of the U.S. Statutory differences in patentable subject matter may limit the protection we can obtain on some of our products outside of the U.S. These and other issues may prevent us from obtaining patent protection outside of the U.S. Failure to obtain patent protection outside the U.S. may have a material adverse effect on our business, financial condition and results of operations.

We also intend to continue to rely upon trade secrets and improvements, unpatented proprietary know-how, and continuing technological innovation to develop and maintain our competitive position in research and development of therapeutic and diagnostic products. We typically place restrictions in our agreements with third-parties, which contractually restrict their right to use and disclose any of our proprietary technology with which they may be involved. In addition, we have internal non-disclosure safeguards, including confidentiality agreements, with our employees.

**Segment Information**

Our business is organized into two reportable operating segments. Peregrine is engaged in the research and development of monoclonal antibodies focused on the treatment of cancer and has not generated any product sales from any of its technologies under development. Our wholly-owned subsidiary, Avid, is engaged in providing fully-integrated cGMP biomanufacturing services for us and its third-party customers. In addition, we had no foreign based operations and no long-lived assets located in foreign countries as of and for the fiscal years ended April 30, 2015, 2014 and 2013. Refer to Note 11, “Segment Reporting” to the accompanying consolidated financial statements for additional financial information regarding our operating segments.

**Customers**

Contract manufacturing revenue generated by our wholly-owned subsidiary, Avid, has historically been derived from a small customer base. These third-party customers typically do not enter into long-term commitments because their need for product supply depends on a variety of factors, including the products stage of development, their financial resources, and, the market demand with respect to commercial products. Our future results of operations could be adversely affected if revenue from any one of our primary customers is significantly reduced or eliminated. During fiscal years 2015, 2014 and 2013, Avid’s total revenue generated from third-party customers amounted to $26,744,000, $22,294,000, and $21,333,000, respectively, of which 79%, 91% and 81% was derived from Halozyme Therapeutics, Inc., respectively. In addition, contract manufacturing from third-party customers outside the United States represented less than 1% of the contract manufacturing revenue recognized during fiscal years 2015, 2014 and 2013. Refer to Note 11, “Segment Reporting” to the accompanying consolidated financial statements for additional financial information regarding Avid’s customer concentration and geographic areas of its customers.

**Marketing Our Potential Products**

We intend to sell our products, if approved, in the U.S. and internationally in collaboration with marketing partners or through a direct sales force. If the FDA approves bavituximab, the marketing for bavituximab will be contingent upon us entering into an agreement with a company to market our product or upon us recruiting, training and deploying our own sales force, either internally or through a contract sales organization. We do not presently possess the resources or experience necessary to market bavituximab and we currently have no arrangements for the distribution of bavituximab, if approved. Development of an effective sales force requires significant financial resources, time and expertise.

**Competition**

The pharmaceutical and biotechnology industry is intensely competitive and any product candidate developed by us would compete with existing drugs and therapies. There are many pharmaceutical companies, biotechnology companies, public and private universities, government agencies and research organizations that compete with us in developing various approaches to cancer therapy.

In addition, we are aware of several pharmaceutical and biotechnology companies actively engaged in research and development of immunotherapy-based products that have commenced clinical trials with, or have successfully commercialized, these products. Some or all of these companies may have greater financial resources, larger technical staffs and larger research budgets than we have, as well as greater experience in developing products and running clinical trials. We expect to continue to experience significant and increasing levels of competition in the future. In addition, there may be other companies which are currently developing competitive technologies and products or which may in the future develop technologies and products that are comparable or superior to our technologies and products.

Our lead immunotherapy candidate, bavituximab, is currently in a Phase III clinical trial for the treatment of NSCLC. Most common drugs currently used in the treatment of NSCLC with progression on or after platinum-based chemotherapy include docetaxel, a chemotherapeutic agent from Sanofi-Aventis, erlotinib, a targeted small molecule from Genentech, Inc., a member of the Roche Group, nivolumab (marketed as Opdivo®) by Bristol-Myers Squibb Company and pemetrexed, a chemotherapeutic agent from Eli Lilly & Company. In addition, although we are not aware of any other PS-targeting immunotherapies in clinical development, there are a number of investigational products in development for the treatment of NSCLC, including but not limited to Imprime PGG by Biothera, pembrolizumab (marketed as Keytruda®) by Merck & Co., MEDI-4736 by AstraZeneca plc, and MPDL3820A by Roche.

**Research and Development**

A major portion of our operating expenses to date is related to research and development. Research and development expenses primarily include (i) payroll and related costs, including share-based compensation, associated with research and development personnel, (ii) costs related to clinical trials and preclinical testing of our technologies under development, (iii) costs to develop and manufacture the product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (iv) expenses for research services provided by universities and contract laboratories, including sponsored research funding, and (v) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to our research and development efforts and have no alternative future uses. Research and development expenses were $42,996,000 in fiscal year 2015, $27,723,000 in fiscal year 2014, and $24,306,000 in fiscal year 2013.

**Corporate Governance**

Our board of directors is committed to legal and ethical conduct in fulfilling its responsibilities. Our board expects all directors, as well as officers and employees, to act ethically at all times and to adhere to the policies comprising our Code of Business Conduct and Ethics. Our board adopted the corporate governance policies and charters. Copies of the following corporate governance documents are posted on our website and are available free of charge, at www.peregrineinc.com: (1) Peregrine Pharmaceuticals, Inc., Code of Business Conduct & Ethics policy (2) Peregrine Pharmaceuticals, Inc., Charter of the Nominating Committee of the Board of Directors, (3) Peregrine Pharmaceuticals, Inc., Charter of the Audit Committee of the Board of Directors, and (4) Peregrine Pharmaceuticals, Inc., Amended and Restated Charter of the Compensation Committee of the Board of Directors. The information that is contained on, or can be accessed through our website is not incorporated into this Annual Report on Form 10-K, and the inclusion of our website address is an inactive textual reference only. If you would like a printed copy of any of these corporate governance documents, please send your request to Peregrine Pharmaceuticals, Inc., Attention: Corporate Secretary, 14282 Franklin Avenue, Tustin, California 92780.

**Human Resources**

As of April 30, 2015, we employed 211 full-time employees and four part-time employees. None of our employees are covered by a collective bargaining agreement. We have never experienced employment-related work stoppages and consider our employee relations to be good.

## ITEM 1A. RISK FACTORS

*This Annual Report on Form 10-K contains forward-looking information based on our current expectations. Because our actual results may differ materially from any forward-looking statements made by us or on our behalf, this section includes a discussion of important factors that could affect our actual future results, including, but not limited to, our potential product sales, potential royalties, contract manufacturing revenues, expenses, net income(loss) and earnings(loss) per common share.*

### RISKS RELATED TO OUR BUSINESS

**IF WE CANNOT OBTAIN ADDITIONAL FUNDING, OUR PRODUCT DEVELOPMENT AND COMMERCIALIZATION EFFORTS MAY BE REDUCED OR DISCONTINUED AND WE MAY NOT BE ABLE TO CONTINUE OPERATIONS OR TIMELY COMPLETE OUR PHASE III SUNRISE TRIAL.**

At April 30, 2015, we had $68,001,000 in cash and cash equivalents. We have expended substantial funds on the research and development of our product candidates, and funding the operations of Avid. As a result, we have historically experienced negative cash flows from operations since our inception and we expect negative cash flows from operations to continue in the foreseeable future. Therefore, unless and until we are able to generate sufficient revenue from Avid's contract manufacturing services and/or from the sale and/or licensing of our product candidates under development, we expect such negative cash flows to continue in the foreseeable future.

Our ability to continue to fund our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, (i) raising additional capital in the equity markets, (ii) licensing or partnering our product candidates in development, or (iii) generating additional revenue from Avid.

Historically, we have funded a significant portion of our operations through the issuance of equity. During fiscal year 2015, we raised $19,748,000 in aggregate gross proceeds from the sale of shares of our common stock and raised an additional $19,205,000 in aggregate gross proceeds from the sale of our 10.5% Series E Convertible Preferred Stock (the "Series E Preferred Stock") (as described in Note 6 to the accompanying audited consolidated financial statements). Subsequent to April 30, 2015 and through July 14, 2015, we raised an additional $8,896,000 in aggregate gross proceeds from the sale of shares of our common stock (as described in Note 13 to the accompanying audited financial statements). As of July 14, 2015, $151,651,000 remained available to us under our two effective shelf registration statements, which allows us from time to time to offer and sell shares of our common stock or preferred stock, in one or more offerings, either individually or in combination.

Although we believe we can raise sufficient capital to meet our obligations through fiscal year 2016, our ability to raise additional capital in the equity markets to fund our obligations in future periods is dependent on a number of factors, including, but not limited to, the market demand for our common stock and/or Series E Preferred Stock. The market demand or liquidity of our common stock and/or Series E Preferred Stock is subject to a number of risks and uncertainties, including but not limited to, negative economic conditions, adverse market conditions, adverse clinical trial results and significant delays in one or more clinical trials. If we are unable to either (i) raise sufficient capital in the equity markets, (ii) license or partner our products in development, or (iii) generate additional revenue from Avid, or any combination thereof, we may need to delay, scale back, or eliminate some or all our research and development efforts, delay the commercial launch of bavituximab, if approved, and/or restructure our operations. In addition, even if we are able to raise additional capital, it may not be at a price or on terms that are favorable to us.

In addition, based on our current projections, which include but are not limited to, projected expenses associated with our Phase III SUNRISE trial, projected expenses associated with our anticipated new clinical trials, projected payments of dividends on our issued and outstanding Series E Preferred Stock, projected cash receipts under signed commitments with existing customers of Avid, and assuming we raise no additional capital from the capital markets or other potential sources, we believe we will have sufficient cash on hand to meet our obligations as they become due through at least February 2016. Notwithstanding, we will need to raise substantial additional capital in the future to fund certain of our operations beyond February 2016, including our Phase III SUNRISE trial. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of Avid customer contracts, technical challenges and the rate at which patients are enrolled into any current or future clinical trial, any of which could reduce, delay or accelerate our future projected cash inflows and outflows. In addition, in the event our projected cash-inflows are reduced or delayed, we might not have sufficient capital to operate our business through February 2016 unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern, and as a result, our independent registered public accounting firm included an explanatory paragraph in its report accompanying our audited consolidated financial statements for the year ended April 30, 2015 with respect to this uncertainty.

**We have had significant losses and we anticipate future losses.**

We have incurred net losses in most fiscal years since we began operations in 1981. The following table represents net losses incurred for each of the past three fiscal years:

| | Net Loss | |
|---|---|---|
| Fiscal Year 2015 | $ | 50,358,000 |
| Fiscal Year 2014 | $ | 35,362,000 |
| Fiscal Year 2013 | $ | 29,780,000 |

As of April 30, 2015, we had an accumulated deficit of $453,624,000. While we expect to continue to generate revenue from Avid's contract manufacturing services, in order to achieve and sustain profitable operations, we must successfully develop and obtain regulatory approval for our product candidates, either alone or with others, and following any such approval, must also manufacture, introduce, market and sell our product candidates. The costs associated with clinical trials and product manufacturing are very substantial and the time frame necessary to achieve market success for our product candidates is long and uncertain. Furthermore, the costs associated with advanced stage clinical trials can significantly increase due, in part, to expanded patient populations and the cost to prepare for potential commercialization. In addition, as we continue to advance our Phase III SUNRISE trial and initiate additional clinical trials, we expect our net loss for fiscal year 2016 to exceed our net loss for fiscal year 2015. We do not expect to generate product or royalty revenues for at least the next two years, and we may never generate product and/or royalty revenues sufficient to become profitable or to sustain profitability.

**Successful development of our product candidates is uncertain. To date, no revenues have been generated from the commercial sale of our product candidates and our product candidates may not generate revenues in the future.**

Our development of current and future product candidates is subject to the risks of failure inherent in the development of new pharmaceutical products and products based on new technologies. These risks include:

- delays in product development, clinical testing or manufacturing;
- unplanned expenditures in product development, clinical testing or manufacturing;
- failure in clinical trials or failure to receive regulatory approvals;
- emergence of superior or equivalent products;
- inability to manufacture on our own, or through others, product candidates on a commercial scale;
- inability to market products due to third party proprietary rights; and
- failure to achieve market acceptance.

Because of these risks, our research and development efforts or those of our potential partners may not result in any commercially viable products. If significant portions of these development efforts are not successfully completed, required regulatory approvals are not obtained, or any approved products are not commercially successful, our business, financial condition and results of operations may be materially harmed.

Because we have not begun the commercial sale of any of our product candidates, our revenue and profit potential is unproven and our operating history makes it difficult for an investor to evaluate our business and prospects. Our technology may not result in any meaningful benefits to our current or potential partners. No revenues have been generated from the commercial sale of our product candidates, and our products may not generate revenues in the future. Our business and prospects should be considered in light of the heightened risks and unexpected expenses and problems we may face as a company in an early stage of product development in an extremely competitive and rapidly evolving industry.

**We are primarily focusing our activities and resources on the development of bavituximab and depend on its success.**

We are focusing most of our near-term research and development activities and resources on bavituximab, and we believe a significant portion of the value of our company relates to our ability to develop this drug candidate. The development of bavituximab is subject to many risks, including the risks discussed in other risk factors. If the results of clinical trials of bavituximab, including our Phase III SUNRISE trial, the regulatory decisions affecting bavituximab, the anticipated or actual timing and plan for commercializing bavituximab, or, ultimately, the market acceptance of bavituximab do not meet our, your, analysts or others' expectations, the market price of our common stock could be adversely affected.

**Our product development efforts may not be successful.**

Our product candidates have not received regulatory approval and are in research, preclinical and various clinical stages of development. If the results from any of the clinical trials are not positive, those results may adversely affect our ability to raise additional capital or obtain regulatory approval to conduct additional clinical trials, which will affect our ability to continue full-scale research and development for our antibody technologies. In addition, our product candidates may take longer than anticipated to progress through clinical trials, or patient enrollment in the clinical trials may be delayed or prolonged significantly, thus delaying the clinical trials.

**Clinical trials required for our product candidates are expensive and time consuming, and their outcome is uncertain.**

In order to obtain FDA approval to market a new drug product, we or our potential partners must demonstrate proof of safety and efficacy in humans. To meet these requirements, we or our potential partners will have to conduct extensive preclinical testing and "adequate and well-controlled" clinical trials. Conducting clinical trials is a lengthy, time-consuming and expensive process. The length of time may vary substantially according to the type, complexity, novelty and intended use of the product candidate, and often can be several years or more per trial. Delays associated with products for which we are directly conducting preclinical or clinical trials may cause us to incur additional operating expenses. Moreover, we may continue to be affected by delays associated with the preclinical testing and clinical trials of certain product candidates conducted by our potential partners over which we have no control. The commencement and rate of completion of clinical trials may be delayed by many factors, including, for example:

- obtaining regulatory approval to commence a clinical trial;
- reaching agreement on acceptable terms with prospective contract research organizations ("CROs") and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites, particularly those in foreign jurisdictions;
- slower than expected rates of patient recruitment due to narrow screening requirements;
- the inability of patients to meet FDA or other regulatory authorities' imposed protocol requirements;
- the inability to retain patients who have initiated participation in a clinical trial but may be prone to withdraw due to various clinical or personal reasons, or who are lost to further follow-up;
- the inability to manufacture sufficient quantities of qualified materials under cGMPs for use in clinical trials;
- shortages of chemotherapy or other drugs used in clinical trials in combination with bavituximab;
- the need or desire to modify our manufacturing processes;
- the inability to adequately observe patients after treatment;
- changes in regulatory requirements for clinical trials;
- the lack of effectiveness during the clinical trials;
- unforeseen safety issues;
- delays, suspension, or termination of the clinical trials due to the institutional review board responsible for overseeing the study at a particular study site;
- insufficient financial resources; and
- government or regulatory delays or "clinical holds" requiring suspension or termination of the trials.

Even if we obtain positive results from preclinical or initial clinical trials, we may not achieve the same success in future trials. Clinical trials may not demonstrate statistically sufficient safety and effectiveness to obtain the requisite regulatory approvals for product candidates employing our technology.

Clinical trials that we conduct or that third parties conduct on our behalf may not demonstrate sufficient safety and efficacy to obtain the requisite regulatory approvals for any of our product candidates. We expect to commence new clinical trials from time to time in the course of our business as our product development work continues. The failure of clinical trials to demonstrate safety and effectiveness for our desired indications could harm the development of that product candidate as well as other product candidates. Any change in, or termination of, our clinical trials could materially harm our business, financial condition and results of operations.

**We rely on third-parties to conduct our clinical trials and many of our preclinical studies. If those parties do not successfully carry out their contractual duties or meet expected deadlines, our drug candidates may not advance in a timely manner or at all.**

In the course of our discovery, preclinical testing and clinical trials, we rely on third parties, including universities, investigators and CROs, to perform critical services for us. For example, we rely on third parties to conduct our clinical trials and many of our preclinical studies. CROs and investigators are responsible for many aspects of the trials, including finding and enrolling patients for testing and administering the trials. Our double-blind Phase III SUNRISE trial design is similar to our prior Phase IIb second-line NSCLC trial design in that management does not have access to certain information regarding the trial's administration and progress. We therefore must rely on third parties to conduct our clinical trials, but their failure to comply with all regulatory and contractual requirements, or to perform their services in a timely and acceptable manner, may compromise our clinical trials in particular or our business in general. Although we rely on these third parties to conduct our clinical trials, we are responsible for ensuring that each of our clinical trials is conducted in accordance with its investigational plan and protocol. Moreover, the FDA and foreign regulatory authorities require us to comply with regulations and standards, commonly referred to as good clinical practices ("GCPs") for conducting, monitoring, recording and reporting the results of clinical trials to ensure that the data and results are scientifically credible and accurate and that the trial patients are adequately informed of the potential risks of participating in clinical trials. Our reliance on third parties does not relieve us of these responsibilities and requirements. These third parties may not be available when we need them or, if they are available, may not comply with all regulatory and contractual requirements or may not otherwise perform their services in a timely or acceptable manner. Any failings by these third parties may compromise our clinical trials in particular or our business in general. Similarly, we may need to enter into new arrangements with alternative third parties and our clinical trials may be extended, delayed or terminated. These independent third parties may also have relationships with other commercial entities, some of which may compete with us. For example, if such third parties fail to perform their obligations in compliance with our clinical trial protocols, our clinical trials may not meet regulatory requirements or may need to be repeated. As a result of our dependence on third parties, we may face delays or failures outside of our direct control, as evidenced by the major discrepancies in treatment group coding by an independent third-party vendor responsible for distribution of blinded investigational product used in our bavituximab Phase II NSCLC trial. These risks also apply to the development activities of our collaborators, and we do not control our collaborators' research and development, clinical trials or regulatory activities. We do not expect any drugs resulting from our collaborators' research and development efforts to be commercially available for at least two (2) or more years, if ever.

In addition, we have prepaid research and development expenses to third parties that have been deferred and capitalized as pre-payments to secure the receipt of future preclinical and clinical research and development services. These pre-payments are recognized as an expense in the period that the services are performed. We assess our prepaid research and development expenses for impairment when events or changes in circumstances indicate that the carrying amount of the prepaid expense may not be recoverable or provide a future economic benefit, including the risk of third party nonperformance. If there are indicators that the third parties are unable to perform the research and development services, we may be required to take an impairment charge.

**We have limited experience as a company conducting large-scale clinical trials.**

Results from early stage clinical trials of bavituximab may not be indicative of successful outcomes in later stage trials. Negative or limited results from any current or future clinical trial could delay or prevent further development of our product candidates, which would adversely affect our business.

We have limited experience as a company in conducting large-scale, late-stage clinical trials, and our experience with early-stage clinical trials with small numbers of patients is limited. In part because of this limited experience, we cannot be certain that planned clinical trials will begin or be completed on time, if at all. Large-scale trials require significant additional financial and management resources, and reliance on third-party clinical investigators, CROs or consultants. Relying on third-party clinical investigators or CROs may force us to encounter delays that are outside of our control. Any such delays could have a material adverse effect on our business.

**We currently have no marketing and sales organization and have no experience in marketing products. If we are unable to establish marketing and sales capabilities or enter into agreements with third parties to market and sell our product candidates, we may not be able to generate product revenue.**

We currently have no sales, marketing or distribution capabilities and have no experience in marketing products. If we decide to develop an in-house marketing organization and sales force, it will require significant capital expenditures, management resources and time. In addition, we will have to compete with other pharmaceutical and biotechnology companies to recruit, hire, train and retain marketing and sales personnel. If we decide to pursue collaborative arrangements regarding the sales and marketing of our products, we may not be able to establish or maintain such collaborative arrangements, or if we are able to do so, our collaborators may not have effective sales forces. Any revenue we receive will depend upon the efforts of such third parties, which may not be successful. We may have little or no control over the marketing and sales efforts of such third parties and our revenue from product sales may be lower than if we had commercialized our product candidates ourselves. We will also face competition in our search for third parties to assist us with the sales and marketing efforts of our product candidates.

We may not be able to develop in-house sales and distribution capabilities or establish or maintain relationships with third-party collaborators to commercialize any product in the United States or overseas.

**Failure to recruit, enroll and retain patients for clinical trials may cause the development of our product candidates to be delayed or development costs to increase substantially.**

We have experienced, and expect to experience in the future, delays in patient enrollment in our clinical trials for a variety of reasons. The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the study until its conclusion. The enrollment of patients depends on many factors, including:

- the patient eligibility criteria defined in the protocol;
- the size of the patient population required for analysis of the trial's primary endpoints;
- the proximity of patients to study sites;
- the design of the trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- our ability to obtain and maintain patient consents;
- the risk that patients enrolled in clinical trials will drop out of the trials before completion; and
- competition for patients by clinical trial programs for other competitive treatments.

Our clinical trials compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates, and this competition reduces the number and types of patients available to us, because some patients who might have opted to enroll in our trials opt to enroll in a trial being conducted by one of our competitors. Since the number of qualified clinical investigators is limited, we conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which reduces the number of patients who are available for our clinical trials in such clinical trial site. Delays in patient enrollment in the future as a result of these and other factors may result in increased costs or may affect the timing or outcome of our clinical trials, which could prevent us from completing these trials and adversely affect our ability to advance the development of our product candidates.

**Patient enrollment and patient care provided at international clinical sites may be delayed or otherwise adversely impacted by social, political and economic factors affecting the particular foreign country.**

In the past, we have conducted, and are presently conducting in connection with our Phase III SUNRISE trial, clinical trials globally including clinical sites in Western and Eastern Europe, Asia-Pacific and other regions and/or countries. Our ability to successfully initiate, enroll and complete a clinical trial in any foreign country is subject to numerous risks unique to conducting business in foreign countries, including:

- difficulty in establishing or managing relationships with CROs and physicians;
- different standards for the conduct of clinical trials and/or health care reimbursement;
- our inability to locate qualified local consultants, physicians, and partners;
- the potential burden of complying with a variety of foreign laws, medical standards and regulatory requirements, including the regulation of pharmaceutical products and treatment; and
- general geopolitical risks, such as political and economic instability, and changes in diplomatic and trade relations.

Because we are conducting our Phase III SUNRISE trial in several foreign counties, any disruption to our international clinical trial sites could significantly delay or jeopardize our product development efforts.

**Success in early clinical trials may not be indicative of results obtained in later trials.**

A number of new drugs and biologics have shown promising results in initial clinical trials, but subsequently failed to establish sufficient safety and effectiveness data to obtain necessary regulatory approvals. Data obtained from preclinical and clinical activities are subject to varying interpretations, which may delay, limit or prevent regulatory approval.

Data from our preclinical studies and Phase I and Phase II clinical trials should not be relied upon as evidence that later or larger-scale clinical trials will succeed. The Phase I studies we have completed to date have been designed to primarily assess safety in a small number of patients. In addition, the results we have obtained in the Phase II trials may not predict results for any future studies and may not predict future therapeutic benefit of our drug candidates. We are required to demonstrate through larger-scale clinical trials, such as our ongoing Phase III SUNRISE trial, that bavituximab is safe and effective for use in a diverse population before we can seek regulatory approval for its commercial sale. There is typically an extremely high rate of attrition from the failure of drug candidates proceeding through clinical trials.

In addition, regulatory delays or rejections may be encountered as a result of many factors, including changes in regulatory policy during the period of product development.

**If we successfully develop products but those products do not achieve and maintain market acceptance, our business will not be profitable.**

Even if the FDA or other regulatory authorities approve bavituximab or any future product candidate for commercial sale, the degree of market acceptance of any approved product candidate by physicians, healthcare professionals and third-party payors and our profitability and growth will depend on a number of factors, including:

- our ability to provide acceptable evidence of safety and efficacy;
- changes in the standard of care for the targeted indication;
- relative convenience and ease of administration;
- the prevalence and severity of any adverse side effects;
- availability, cost and potential advantages of alternative treatments;
- pricing and cost effectiveness, which may be subject to regulatory control;
- effectiveness of our or our partners' sales and marketing strategy;
- the product labeling or product insert required by the FDA or regulatory authority in other countries; and
- our ability to obtain sufficient third-party insurance coverage or reimbursement.

In addition, if bavituximab or any future product candidate that we discover and develop does not provide a treatment regimen that is more beneficial than the current standard of care or otherwise provide patient benefit, that product likely will not be accepted favorably by the market. If any products we may develop do not achieve market acceptance, then we may not generate sufficient revenue to achieve or maintain profitability.

In addition, even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our products, are more cost effective or render our products obsolete.

**If we do not establish additional collaborations, we may have to alter our development plans.**

Our drug development programs and potential commercialization of our drug candidates will require substantial additional cash to fund our operations. We in-licensed all rights to our lead drug candidate, bavituximab, and are fully responsible for the associated development costs. Our strategy continues to include the potential of selectively collaborating with leading pharmaceutical and biotechnology companies to assist us in furthering development and potential commercialization of some of our product candidates and research programs. We may enter into one or more of such collaborations in the future, especially for target indications in which the potential collaborator has particular therapeutic expertise or that involve a large, primary care market that must be served by large sales and marketing organizations or for markets outside of North America. We face significant competition in seeking appropriate collaborators and these collaborations are complex and time-consuming to negotiate and document. We may not be able to negotiate collaborations on acceptable terms, or at all. Even if we successfully enter into a collaboration, our partner may not perform its contractual obligations or may terminate the agreement. If that were to occur, we may have to curtail the development of a particular product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of our sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms, or at all. If we do not have sufficient funds, we will not be able to bring our product candidates to market and generate product revenue.

**Healthcare reform measures and other statutory or regulatory changes could adversely affect our business.**

In both the U.S. and certain foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the healthcare system in ways that could impact our business. For example, the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010 (collectively, the "ACA"), enacted in March 2010, substantially changes the way healthcare is financed by both governmental and private insurers, and significantly impacts the pharmaceutical industry. With regard to pharmaceutical products, among other things, the ACA is expected to expand and increase industry rebates for drugs covered under Medicaid programs and made changes to the coverage requirements under the Medicare D program.

The pharmaceutical and biotechnology industries are subject to extensive regulation, and from time to time legislative bodies and governmental agencies consider changes to such regulations that could have significant impact on industry participants. For example, in light of certain highly-publicized safety issues regarding certain drugs that had received marketing approval, the U.S. Congress has considered various proposals regarding drug safety, including some which would require additional safety studies and monitoring and could make drug development more costly. Additional legislation or regulation, if any, relating to safety or other aspects of drug development may be enacted in the future, which could have an adverse effect on our business.

**The coverage and reimbursement status of newly approved drugs is uncertain, and failure to obtain adequate coverage and reimbursement could limit our ability to market bavituximab and may decrease our ability to generate revenue.**

There is significant uncertainty related to the third-party coverage and reimbursement of newly approved drugs. The commercial success of our product candidates, including bavituximab, in both domestic and international markets will depend in part on the availability of coverage and adequate reimbursement from third-party payors, including government payors, such as the Medicare and Medicaid programs, and managed care organizations. Government and other third-party payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement for new drugs and, as a result, they may not cover or provide adequate payment for our product candidates. These payors may conclude that our product candidates are less safe, less effective or less cost-effective than existing or later introduced products, and third-party payors may not approve our product candidates for coverage and reimbursement or may cease providing coverage and reimbursement for these product candidates. Because each country has one or more payment systems, obtaining reimbursement in the United States and internationally may take significant time and cause us to spend significant resources. The failure to obtain coverage and adequate reimbursement for our product candidates or healthcare cost containment initiatives that limit or deny reimbursement for our product candidates may significantly reduce any future product revenue.

In the United States and in other countries, there have been and we expect there will continue to be a number of legislative and regulatory proposals to change the healthcare system in ways that could significantly affect our business. International, federal and state lawmakers regularly propose and, at times, enact legislation that would result in significant changes to the healthcare system, some of which are intended to contain or reduce the costs of medical products and services. The U.S. government and other governments have shown significant interest in pursuing healthcare reform, as evidenced by the ACA. Such government-adopted reform measures may adversely impact the pricing of healthcare products and services in the United States or internationally and the amount of reimbursement available from governmental agencies or other third-party payors. In addition, in some foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the healthcare system in ways that could affect our ability to sell our products profitably. The continuing efforts of U.S. and other governments, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce healthcare costs may adversely affect our ability to set satisfactory prices for our products, to generate revenues, and to achieve and maintain profitability.

In some countries, particularly in the European Union, prescription drug pricing is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product candidate. To obtain reimbursement or pricing approval in some countries, we may be required to conduct additional clinical trials that compare the cost-effectiveness of our product candidates to other available therapies. If reimbursement of our product candidates is unavailable or limited in scope or amount in a particular country, or if pricing is set at unsatisfactory levels, we may be unable to achieve or sustain profitability of our products in such country.

**WE MAY BE SUBJECT, DIRECTLY OR INDIRECTLY, TO FEDERAL AND STATE HEALTHCARE FRAUD AND ABUSE LAWS, FALSE CLAIMS LAWS, PHYSICIAN PAYMENT TRANSPARENCY LAWS AND HEALTH INFORMATION PRIVACY AND SECURITY LAWS. IF WE ARE UNABLE TO COMPLY, OR HAVE NOT FULLY COMPLIED, WITH SUCH LAWS, WE COULD FACE SUBSTANTIAL PENALTIES.**

If we obtain FDA approval for any of our product candidates and begin commercializing those products in the United States, our operations may be directly, or indirectly through our customers, subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute, the federal False Claims Act, and physician sunshine laws and regulations. These laws may impact, among other things, our proposed sales, marketing, and education programs. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, knowingly and willfully soliciting, receiving, offering or paying any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce, or in return for, either the referral of an individual, or the purchase, lease, order or recommendation of any good, facility, item or service for which payment may be made, in whole or in part, under a federal healthcare program, such as the Medicare and Medicaid programs;
- federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment or approval from Medicare, Medicaid, or other third-party payors that are false or fraudulent or knowingly making a false statement to improperly avoid, decrease or conceal an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, which created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and their respective implementing regulations, which impose requirements on certain covered healthcare providers, health plans, and healthcare clearinghouses as well as their respective business associates that perform services for them that involve the use, or disclosure of, individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information without appropriate authorization;

- the federal Physician Payment Sunshine Act, created under the ACA, and its implementing regulations, which require manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program to report annually to the U.S. Department of Health and Human Services, information related to payments or other transfers of value made to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and
- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers.

Additionally, we are or may become subject to state and foreign equivalents of each of the healthcare laws described above, among others, some of which may be broader in scope and may apply regardless of the payor.

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

Efforts to ensure that our business arrangements will comply with applicable healthcare laws may involve substantial costs. It is possible that governmental and enforcement authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law interpreting applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations. In addition, the approval and commercialization of any of our product candidates outside the United States will also likely subject us to foreign equivalents of the healthcare laws mentioned above, among other foreign laws.

**Failure to obtain regulatory approval in foreign jurisdictions will prevent us from marketing bavituximab abroad.**

We intend to market bavituximab in international markets either directly or through a potential future collaboration partner, if any. In order to market bavituximab in the European Union, Canada, Japan and many other foreign jurisdictions, we or a potential future collaboration partner must obtain separate regulatory approvals. We have, and potential future collaboration partners may have, had limited interactions with foreign regulatory authorities, and the approval procedures vary among countries and can involve additional testing at significant cost. The time required to obtain approval may differ from that required to obtain FDA approval. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. The foreign regulatory approval processes may include all of the risks associated with obtaining FDA approval. In addition, in some foreign countries where we may not have conducted clinical studies (or treated a sufficient number of patients), the applicable foreign regulatory agency may require us to conduct additional studies in its country to establish the safety of our drug in that patient population, which could delay the approval process in that foreign country. We or a potential future collaboration partner may not obtain foreign regulatory approvals on a timely basis, if at all.

**Foreign governments often impose strict price controls, which may adversely affect our future profitability.**

We intend to seek approval to market bavituximab in both the U.S. and foreign jurisdictions either directly or through a potential future collaboration partner. If we or a potential future collaboration partner obtain approval in one or more foreign jurisdictions, we or a potential future collaboration partner will be subject to rules and regulations in those jurisdictions relating to bavituximab. In some foreign countries, particularly in the European Union, prescription drug pricing is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a drug candidate. To obtain reimbursement or pricing approval in some countries, we or a potential future collaboration partner may be required to conduct a clinical trial that compares the cost-effectiveness of bavituximab to other available therapies. If reimbursement of bavituximab is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, we may be unable to achieve or sustain profitability.

**Obtaining Fast Track designation from the FDA for our product candidate bavituximab does not guarantee faster approval.**

We received Fast Track designation for our product candidate bavituximab in combination with docetaxel in patients with previously-treated non-squamous NSCLC. Fast Track designation is a process designed to facilitate the development and expedite the review of new drugs intended to treat serious or life-threatening diseases or conditions and that have the potential to address an unmet medical need for such disease or condition. Fast Track designation applies to the product and the specific indication for which it is being studied. Once a Fast Track designation is obtained, the FDA may consider for review on a rolling basis sections of the NDA before the complete application is submitted if the applicant provides and the FDA approves a schedule for the submission of the sections of the NDA and the applicant pays applicable user fees upon submission of the first section of the NDA. However, the time period specified in the Prescription Drug User Fee Act, which governs the time period goals the FDA has committed to reviewing an application, does not begin until the complete application is accepted for filing. Although we received Fast Track designation for bavituximab, the FDA may later decide that bavituximab no longer meets the conditions for qualification. In addition, Fast Track designation may not provide us with a material commercial advantage.

**Our manufacturing facilities may not continue to meet regulatory requirements and have limited capacity.**

Before approving a new drug or biologic product, the FDA requires that the facilities at which the product will be manufactured comply with cGMP requirements. To be successful, our therapeutic products must be manufactured for development and, following approval, in commercial quantities, in compliance with regulatory requirements and at acceptable costs. Currently, we manufacture all preclinical and clinical material through Avid, our wholly-owned subsidiary. While we believe our current facilities are adequate for the manufacturing of our product candidates for clinical trials, our current facilities may not be adequate to produce sufficient quantities required for commercialization, which is largely due to manufacturing capacity utilized by Avid's third-party customers.

In order to prepare for potential commercialization, during fiscal year 2015, we commenced the construction of a manufacturing cleanroom to accommodate both the commercial manufacturing of bavituximab, if regulatory approval is obtained, while also providing additional manufacturing capacity to grow Avid's contract manufacturing business. While we believe we have the ability to successfully increase the manufacturing capacity to support the commercial manufacturing of bavituximab, the manufacturing of monoclonal antibodies, like bavituximab, is a lengthy and costly process which the FDA must review and approve prior to commercialization. In addition, quality issues may arise during manufacturing because of the complexities inherent in the manufacturing of monoclonal antibodies. If we are unable to successfully manufacture bavituximab in sufficient quality and quantity in the new manufacturing cleanroom, the development of bavituximab and its regulatory approval or commercial launch, if approved for sale, may be delayed or there may be a shortage in supply, which could significantly harm our business. Although we are not presently seeking a secondary source for the potential commercial production of bavituximab, if we were to engage a third-party manufacturer, we would need to transfer our technology to that third-party manufacturer and gain FDA approval, potentially causing significant delays in product delivery. In addition, if we use a third-party manufacturer, it may not perform as agreed or may terminate its agreement with us.

We may also encounter problems with the following:

- production yields;
- possible facility contamination;
- quality control and quality assurance programs;
- shortages of qualified personnel;
- compliance with FDA or other regulatory authorities regulations, including the demonstration of purity and potency;
- changes in FDA or other regulatory authorities requirements;
- production costs; and/or
- development of advanced manufacturing techniques and process controls.

In addition, we will be required to register the manufacturing facility with the FDA and other regulatory authorities, provided it had not already registered. The facility will be subject to inspections confirming compliance with cGMP or other regulations. If we fail to maintain regulatory compliance, the FDA can impose regulatory sanctions including, among other things, refusal to approve a pending application for a new drug product or biologic product, or revocation of a pre-existing approval. As a result, our business, financial condition and results of operations may be materially harmed.

**We presently rely on a limited number of vendors for certain raw materials critical to the manufacture of bavituximab.**

Manufacturing of bavituximab requires many raw materials and we currently depend on a limited number of vendors for certain materials used in the manufacture thereof. We also do not have long-term supply contracts with these suppliers and may not be able to obtain supply contracts with them on acceptable terms or at all. Accordingly, we may experience delays in receiving raw materials to support clinical or commercial manufacturing, if approved.

For some of these raw materials, we currently rely, and may in the future rely, on sole source suppliers or a limited number of suppliers. If we are unable to continue to source product from any of these suppliers due to, for example, regulatory actions or requirements affecting the supplier, adverse financial or other strategic developments experienced by a supplier, labor disputes or shortages, unexpected demand, or quality issues, we could be unable to satisfy demand for bavituximab, if approved, which could materially harm our business, financial condition and results of operations.

**If we use hazardous and biological materials in a manner that causes injury or violates applicable law, we may be liable for damages.**

Our clinical trials, research and development activities and manufacturing operations involve the controlled use of hazardous materials and chemicals. We are subject to federal, state and local laws and regulations in the U.S. governing the use, manufacture, storage, handling and disposal of hazardous materials and chemicals. Although we believe that our procedures for using, handling, storing and disposing of these materials comply with legally prescribed standards, we may incur significant additional costs to comply with applicable laws in the future. Also, even if we are in compliance with applicable laws, we cannot completely eliminate the risk of contamination or injury resulting from hazardous materials or chemicals. As a result of any such contamination or injury, we may incur liability or local, city, state or federal authorities may curtail the use of these materials and interrupt our business operations. In the event of an accident, we could be held liable for damages or penalized with fines, and the liability could exceed our resources. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development and production efforts, which could materially harm our business, financial condition and results of operations.

**We may have significant product liability exposure because we maintain only limited product liability insurance.**

We face an inherent business risk of exposure to product liability claims in the event that the administration of one of our product candidates during a clinical trial adversely affects or causes the death of a patient. Although we maintain product liability insurance for clinical studies in the amount of $5,000,000 per occurrence or $5,000,000 in the aggregate on a claims-made basis, as well as country-specific coverage where required for clinical sites located in foreign countries, our coverage may not be adequate. Product liability insurance is expensive, difficult to obtain and may not be available in the future on acceptable terms, if at all. Our inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims in excess of our insurance coverage, if any, or a product recall, could negatively impact our financial position and results of operations.

In addition, the contract manufacturing services that we offer through Avid expose us to an inherent risk of liability as the antibodies or other substances manufactured by Avid, at the request and to the specifications of our customers, could possibly cause adverse effects or have product defects. We obtain agreements from our customers indemnifying and defending us from any potential liability arising from such risk. However, these indemnification agreements may not adequately protect us against potential claims relating to such contract manufacturing services or protect us from being named in a possible lawsuit. Although Avid has procured insurance coverage, we may not be able to maintain our existing coverage or obtain additional coverage on commercially reasonable terms, or at all, or such insurance may not provide adequate coverage against all potential claims to which we might be exposed. A partially successful or completely uninsured claim against Avid could materially harm our business, financial condition and results of operations.

**Our research and development activities rely on technology licensed from third parties, and termination of any of those licenses would result in loss of significant rights to develop and market our products, which would impair our business, prospects, financial condition and results of operations.**

We have been granted rights to a variety of technologies necessary for our research and development activities from third parties through license agreements. Each license generally may be terminated by the licensor if we fail to perform our obligations under the agreement, including obligations to develop the product candidates or technologies under license. If terminated, we would lose the right to develop the product candidates, which could adversely affect our business, prospects, financial condition and results of operations. The license agreements also generally require us to meet specified milestones or show reasonable diligence in development of the technology. If disputes arise over the definition of these requirements or whether we have satisfied the requirements in a timely manner, or if any other obligations in the license agreements are disputed by the other party, the other party could terminate the agreement, and we could lose our rights to develop the licensed technology.

In addition, if new technology is developed from these licenses, we may be required to negotiate certain key financial and other terms, such as milestone and royalty payments, for the licensing of this future technology with the third party licensors, and it might not be possible to obtain any such license on terms that are satisfactory to us, or at all.

**If we are unable to obtain, protect and enforce our patent rights, we may be unable to effectively protect or exploit our proprietary technology, inventions and improvements.**

Our success depends in part on our ability to obtain, protect and enforce commercially valuable patents. We try to protect our proprietary positions by filing U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that are important to developing our business. However, if we fail to obtain and maintain patent protection for our proprietary technology, inventions and improvements, our competitors could develop and commercialize products that would otherwise infringe upon our patents.

Our patent position is generally uncertain and involves complex legal and factual questions. Legal standards relating to the validity and scope of claims in the biotechnology and biopharmaceutical fields are still evolving. Accordingly, the degree of future protection for our patent rights is uncertain. The risks and uncertainties that we face with respect to our patents include the following:

- the pending patent applications we have filed or to which we have exclusive rights may not result in issued patents or may take longer than we expect to result in issued patents;
- the claims of any patents that issue may not provide meaningful protection;
- we may be unable to develop additional proprietary technologies that are patentable;
- the patents licensed or issued to us may not provide a competitive advantage;
- other parties may challenge patents licensed or issued to us;
- disputes may arise regarding the invention and corresponding ownership rights in inventions and know-how resulting from the joint creation or use of intellectual property by us, our licensors, corporate partners and other scientific collaborators; and
- other parties may design around our patented technologies.

If we are unable to adequately protect our intellectual property rights, our business may be adversely impacted.

**The patent protection for our product candidates may expire before we are able to maximize their commercial value, which may subject us to increased competition and reduce or eliminate our opportunity to generate product revenue.**

The patents for our product candidates have varying expiration dates and, if these patents expire, we may be subject to increased competition and we may not be able to recover our development costs or market any of our approved products profitably. For example, one of our U.S. patents claims compounds encompassing bavituximab and is due to expire in 2024, and two of our other U.S. patents claim treatment methods encompassing bavituximab and are due to expire in 2025. In some of the larger potential market territories, such as the United States and Europe, patent term extension or restoration may be available to compensate for time taken during aspects of the product's development and regulatory review. However, such an extension may not be granted, or if granted, the applicable time period or the scope of patent protection afforded during any extension period may not be sufficient to maximize the commercial value of the patent(s). In addition, even though some regulatory authorities may provide some other exclusivity for a product under their own laws and regulations, we may not be able to qualify the product or obtain the exclusive time period. If we are unable to obtain patent term extension/restoration or some other exclusivity, we could be subject to increased competition and our opportunity to establish or maintain product revenue could be substantially reduced or eliminated. Furthermore, we may not have sufficient time to recover our development costs prior to the expiration of our U.S. and non-U.S. patents.

**We may become involved in lawsuits to protect or enforce our patents that would be expensive, time consuming and may lead to disclosure of our confidential information.**

In order to protect or enforce our patent rights, we may initiate patent litigation against third parties. In addition, we may become subject to interference, opposition or other post-grant review proceedings conducted in patent and trademark offices to determine the priority and/or patentability of inventions. The defense of intellectual property rights, including patent rights through lawsuits, interference, opposition or other post-grant review proceedings and other legal and administrative proceedings, would be costly and divert our technical and management personnel from their normal responsibilities. An adverse determination of any litigation or defense proceedings could put our pending patent applications at risk of not being issued.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. For example, during the course of this kind of litigation, confidential information may be inadvertently disclosed in the form of documents or testimony in connection with discovery requests, depositions or trial testimony. This disclosure could have a material adverse effect on our business and our financial results.

**Business disruptions could seriously harm our future revenues and financial condition and increase our costs and expenses.**

Our operations could be subject to earthquakes, power shortages, telecommunications failures, water shortages, floods, fires, extreme weather conditions, medical epidemics and other natural or manmade disasters or business interruptions, for which we have limited insurance or are predominantly self-insured. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses. Our ability to obtain raw materials for the manufacture of our clinical supplies and for our third party customers' products, for which we act as a contract manufacturer, could be disrupted, if the operations of these suppliers is affected by a man-made or natural disaster or other business interruption. Our corporate headquarters and manufacturing facility is located in California near major earthquake faults. The ultimate impact on us, our significant suppliers and our general infrastructure of being located near major earthquake faults and being consolidated in certain geographical areas is unknown, but our operations and financial condition could suffer in the event of a major earthquake or other natural disaster.

**We may not be able to compete with our competitors in the pharmaceutical and biotechnology industries because many of them have greater resources than we do and they are further along in their development efforts.**

The pharmaceutical and biotechnology industry is intensely competitive and any product candidate developed by us would compete with existing drugs and therapies. There are many pharmaceutical companies, biotechnology companies, public and private universities, government agencies and research organizations that compete with us in developing various approaches to cancer therapy.

In addition, we are aware of several pharmaceutical and biotechnology companies actively engaged in research and development of immunotherapy-based products that have commenced clinical trials with, or have successfully commercialized, these products. Some or all of these companies may have greater financial resources, larger technical staffs and larger research budgets than we have, as well as greater experience in developing products and running clinical trials. We expect to continue to experience significant and increasing levels of competition in the future. In addition, there may be other companies which are currently developing competitive technologies and products or which may in the future develop technologies and products that are comparable or superior to our technologies and products.

Our lead immunotherapy product, bavituximab, is currently in a Phase III clinical trial for the treatment NSCLC. Most common drugs currently used in the treatment of NSCLC with progression on or after platinum-based chemotherapy include docetaxel, a chemotherapeutic agent from Sanofi-Aventis, erlotinib, a targeted small molecule from Genentech, Inc., a member of the Roche Group, nivolumab (marketed as Opdivo®) by Bristol-Myers Squibb Company and pemetrexed, a chemotherapeutic agent from Eli Lilly & Company. In addition, although we are not aware of any other PS-targeting immunotherapies in clinical development, there are a number of investigational products in development for the treatment of NSCLC, including but not limited to Imprime PGG by Biothera, pembrolizumab (marketed as Keytruda®) by Merck & Co., MEDI-4736 by AstraZeneca plc, and MPDL3820A by Roche.

**Our contract manufacturing business is exposed to risks resulting from its small customer base.**

A significant portion of Avid's revenues has historically been derived from a small number of customers. These customers typically do not enter into long-term commitments because their need for drug supply depends on a variety of factors, including the drug's stage of development, their financial resources, and, with respect to commercial drugs, demand for the drug in the market. Our results of operations could be adversely affected if revenue from any one of our primary customers is significantly reduced or eliminated.

**If we lose qualified management and scientific personnel or are unable to attract and retain such personnel, we may be unable to successfully develop our products or we may be significantly delayed in developing our products.**

Our success is dependent, in part, upon a limited number of key executive officers, each of whom is an at-will employee, and upon our scientific researchers. For example, because of his extensive understanding of our technologies and product development programs, the loss of Mr. Steven W. King, our President and Chief Executive Officer, would adversely affect our development efforts and clinical trial programs during the six- to twelve-month period that we estimate it would take to find a qualified replacement.

We also believe that our future success will depend largely upon our ability to attract and retain highly-skilled research and development and technical personnel. We face intense competition in our recruiting activities, including competition from larger companies with greater resources. We do not know if we will be successful in attracting or retaining skilled personnel. The loss of certain key employees or our inability to attract and retain other qualified employees could negatively affect our operations and financial performance.

**We have federal and state net operating loss ("NOL") carry forwards which, if we were to become profitable, could be used to offset/defer federal and state income taxes. Our ability to use such carry forwards to offset future taxable income may be subject to certain limitations related to changes in ownership of our stock.**

As of April 30, 2015, we had federal and state NOL carry forwards of approximately $337 million and $247 million, respectively, expiring from 2016 to 2035. These NOL carry forwards could potentially be used to offset certain future federal and state income tax liabilities. However, utilization of NOL carry forwards may be subject to a substantial annual limitation pursuant to Section 382 of the Internal Revenue Code of 1986, as amended, as well as similar state provisions due to ownership changes that have occurred previously or that could occur in the future. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain stockholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. We performed a detailed analysis of our NOL carry forwards through April 30, 2015 and it was determined that no change in ownership had occurred. As a result of this analysis, we currently do not believe any Section 382 limitations will significantly impact our ability to offset income with available NOL carry forwards. However, future ownership changes under Section 382 may limit our ability to fully utilize these tax benefits. Any limitation may result in expiration of a portion of the carry forwards before utilization. If we were not able to utilize our carry forwards, we would be required to use our cash resources to pay taxes that would otherwise have been offset, thereby reducing our liquidity.

**Our internal computer systems, or those used by our third-party collaborators, CROs or other contractors or consultants, may fail or suffer security breaches.**

Despite the implementation of security measures, our internal computer systems and those of our third-party collaborators, CROs and other contractors and consultants are vulnerable to damage from computer viruses and unauthorized access. Although to our knowledge we have not experienced any such material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Likewise, we rely on our third-party collaborators and other third parties for research and to conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and/or suffer substantial reputational harm and the further development and commercialization of our product candidates could be delayed.

**Our governance documents and state law provide certain anti-takeover measures which will discourage a third party from seeking to acquire us unless approved by the Board of Directors.**

We adopted a shareholder rights plan, commonly referred to as a "poison pill," on March 16, 2006. The purpose of the shareholder rights plan is to protect stockholders against unsolicited attempts to acquire control of us that do not offer a fair price to our stockholders as determined by our board of directors. Under the plan, the acquisition of 15% or more of our outstanding common stock by any person or group, unless approved by our board of directors, will trigger the right of our stockholders (other than the acquirer of 15% or more of our common stock) to acquire additional shares of our common stock, and, in certain cases, the stock of the potential acquirer, at a 50% discount to market price, thus significantly increasing the acquisition cost to a potential acquirer. In addition, our certificate of incorporation and by-laws contain certain additional anti-takeover protective devices. For example,

- no stockholder action may be taken without a meeting, without prior notice and without a vote; solicitations by consent are thus prohibited;
- special meetings of stockholders may be called only by our board of directors; and
- our board of directors has the authority, without further action by the stockholders, to fix the rights and preferences, and issue shares, of preferred stock. An issuance of preferred stock with dividend and liquidation rights senior to the common stock and convertible into a large number of shares of common stock could prevent a potential acquirer from gaining effective economic or voting control.

Further, we are subject to Section 203 of the Delaware General Corporation Law, which, subject to certain exceptions, restricts certain transactions and business combinations between a corporation and a stockholder owning 15% or more of the corporation's outstanding voting stock for a period of three years from the date the stockholder becomes a 15% stockholder.

Although we believe these provisions and our rights plan collectively provide for an opportunity to receive higher bids by requiring potential acquirers to negotiate with our board of directors, they would apply even if the offer may be considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

**Our bylaws, as amended, provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.**

Our bylaws, as amended, provide that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of a fiduciary duty owed by any of our directors, officers, or other employees to us, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our certificate of incorporation or our bylaws, any action to interpret, apply, enforce, or determine the validity of our certificate of incorporation or bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Although the Delaware State Legislature has approved of amendments to the Delaware General Corporation Law authorizing such choice of forum provisions in the charters or bylaws of Delaware corporations, if a court were to find the choice of forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely harm our business, financial condition and results of operations.

**We and certain of our current and former executive officers and one consultant have been named as defendants in litigation that could result in substantial costs and divert management's attention.**

Beginning in September 2012, several lawsuits were filed against us and certain of our executive officers, consultants and directors on behalf of certain purchasers of our common stock. The lawsuits in general include allegations that we and certain of our executive officer, consultants and directors violated federal securities laws by making materially false and misleading statements regarding the interim results of our bavituximab Phase II second-line NSCLC trial, thereby artificially inflating the price of our common stock. The plaintiffs are seeking unspecified monetary damages and other relief.

We may not be successful in defending these lawsuits. Also, our insurance coverage may be insufficient, our assets may be insufficient to cover any amounts that exceed our insurance coverage, and we may have to pay damage awards or otherwise may enter into settlement arrangements in connection with such claims. A settlement of the lawsuit could involve the issuance of common stock or other equity, which may dilute your ownership interest. Any payments or settlement arrangements could have material adverse effects on our business, operating results, financial condition or your ownership interest. Even if lead plaintiff's claims are not successful, this litigation could result in substantial costs and significantly and adversely impact our reputation and divert management's attention and resources, which could have a material adverse effect on our business, operating results, financial condition or partnering efforts. In addition, such consolidated lawsuit may make it more difficult to finance our operations, obtain certain types of insurance (including directors' and officers' liability insurance), and attract and retain qualified executive officers, other employees and directors.

## RISKS RELATED TO THE OWNERSHIP OF OUR COMMON STOCK

**The sale of substantial shares of our common stock may depress our stock price.**

As of April 30, 2015, there were 193,346,627 shares of our common stock outstanding. Substantially all of these shares are eligible for trading in the public market, subject in some cases to volume and other limitations. The market price of our common stock may decline if our common stockholders sell a large number of shares of our common stock in the public market, or the market perceives that such sales may occur.

In addition, our common stock outstanding as of April 30, 2015 excludes the following common shares reserved for future issuance:

- 24,880,481 common shares reserved for issuance under outstanding option grants and available for issuance under our stock incentive plans;
- 2,443,056 common shares reserved for and available for issuance under our 2010 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan");
- 273,280 common shares issuable upon exercise of outstanding warrants; and
- 45,668,156 common shares issuable upon conversion of our outstanding Series E Preferred Stock.

Of the total options and warrants outstanding as of April 30, 2015, 8,196,188 would be considered dilutive to stockholders because we would receive an amount per share, which is less than the market price of our common stock at April 30, 2015.

In addition, we will need to raise substantial additional capital in the future to fund our operations, including our Phase III SUNRISE trial. If we raise additional funds by issuing equity securities, the market price of our securities may decline and our existing stockholders may experience significant dilution.

**OUR HIGHLY VOLATILE STOCK PRICE MAY ADVERSELY AFFECT THE LIQUIDITY OF OUR COMMON STOCK.**

The market price of our common stock and the market prices of securities of companies in the biotechnology sector have generally been highly volatile and are likely to continue to be highly volatile. For instance, the market price of our common stock has ranged from $0.42 to $5.50 per share over the last three fiscal years ended April 30, 2015.

In addition, the market price of our common stock may be significantly impacted by many factors, including, but not limited to:

- the success or failure of our internal drug development efforts;
- positive or negative data reported on programs in clinical trials we or our investigators are conducting;
- announcements of technological innovations or new commercial products by us or our competitors;
- uncertainties about our ability to continue to fund our operations beyond February 2016, including our Phase III SUNRISE trial;
- significant changes in our financial results or that of our competitors, including our ability to continue as a going concern;
- the offering and sale of shares of our common stock, either sold at market prices or at a discount under an equity transaction;
- significant changes in our capital structure;
- published reports by securities analysts;
- announcements of partnering transactions, licensing agreements, joint ventures, strategic alliances, and any other transaction that involves the development, sale or use of our technologies or competitive technologies;
- developments and/or disputes concerning our patent or other proprietary rights;

- regulatory developments, including possible delays, and product safety concerns;
- outcomes of significant litigation, disputes and other legal or regulatory proceedings;
- general stock trends in the biotechnology and pharmaceutical industry sectors;
- public concerns as to the safety and effectiveness of our products;
- economic trends and other external factors, including but not limited to, interest rate fluctuations, economic recession, inflation, foreign market trends, national crisis, and disasters; and
- healthcare reimbursement reform and cost-containment measures implemented by government agencies.

These and other external factors have caused and may continue to cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock, and may otherwise negatively affect the liquidity of our common stock.

**If we fail to meet continued listing standards of NASDAQ, our common stock may be delisted, which could have a material adverse effect on the liquidity of our common stock.**

Our common stock is currently traded on The NASDAQ Capital Market. The NASDAQ Stock Market LLC has requirements that a company must meet in order to remain listed on NASDAQ. In particular, NASDAQ rules require us to maintain a minimum bid price of $1.00 per share of our common stock. If the closing bid price of our common stock were to fall below $1.00 per share for 30 consecutive trading days or we do not meet other listing requirements, we would fail to be in compliance with NASDAQ's listing standards. We may not continue to meet the minimum bid price requirement, or any other requirement in the future. If we fail to meet the minimum bid price requirement, The NASDAQ Stock Market LLC may initiate the delisting process with a notification letter. If we were to receive such a notification, we would be afforded a grace period of 180 calendar days to regain compliance with the minimum bid price requirement. In order to regain compliance, shares of our common stock would need to maintain a minimum closing bid price of at least $1.00 per share for a minimum of 10 consecutive trading days. If our common stock were to be delisted, the liquidity of our common stock would be adversely affected and the market price of our common stock could decrease.

**We do not intend to pay dividends on our common stock so any returns will be limited to the value of our stock.**

We have never declared or paid any cash dividend on our common stock. We currently anticipate that we will retain future earnings, if any, for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to the appreciation of their stock.

## ADDITIONAL RISKS RELATED TO THE OWNERSHIP OF OUR SERIES E PREFERRED STOCK

**We may not be able to pay dividends on the Series E Preferred Stock.**

We are incorporated in Delaware and governed by the Delaware General Corporation Law. Delaware law allows a corporation to pay dividends only out of surplus, as determined under Delaware law, or if there is no surplus, out of net profits for the fiscal year in which the dividend was declared and for the preceding fiscal year. Under Delaware law, however, we cannot pay dividends out of net profits if, after we pay the dividend, our capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. In addition, payment of our dividends depends upon our financial condition and other factors as our Board of Directors may deem relevant from time to time. Our business may not generate sufficient cash flow from operations or future borrowings may not be available to us in an amount sufficient to enable us to make distributions on our Series E Preferred Stock.

**The market price of the Series E Preferred Stock could be substantially affected by various factors.**

The market price of the Series E Preferred Stock will depend on many factors, which may change from time to time, including:

- prevailing interest rates, increases in which may have an adverse effect on the market price of the Series E Preferred Stock;
- trading prices of common and preferred equity securities issued by other biopharmaceutical companies;
- the annual yield from distributions on the Series E Preferred Stock as compared to yields on other financial instruments;
- announcements of technological innovations or new commercial products by us or our competitors;
- publicity regarding actual or potential company-sponsored clinical trial and investigator-sponsored clinical trial results relating to products under development by us or our competitors;
- announcements of licensing agreements, joint ventures, strategic alliances, and any other transaction that involves the development, sale or use of our technologies;
- regulatory developments and product safety concerns;
- general economic and financial market conditions;
- government action or regulation;
- significant changes in the financial condition, performance and prospects of us and our competitors;
- changes in financial estimates or recommendations by securities analysts with respect to us, our competitors in our industry;
- our issuance of additional preferred equity or debt securities; and
- actual or anticipated variations in quarterly operating results of us and our competitors.

As a result of these and other factors, holders of our Series E Preferred Stock may experience a decrease, which could be substantial and rapid, in the market price of the Series E Preferred Stock, including decreases unrelated to our operating performance or prospects.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 2. PROPERTIES

Our corporate offices, research and development, and manufacturing facilities are located in Tustin, California. We lease an aggregate of approximately 101,000 square feet of office, research and manufacturing space in four adjacent buildings under three separate lease agreements with an aggregate monthly rent expense of approximately $105,000.

Our first lease agreement to lease two building expires in December 2017 and includes two five-year options to extend the lease through December 2027. Our second lease agreement to lease the third building expires in December 2017 and includes a five-year option to extend the lease through December 2022. Our third lease agreement to lease the fourth building expires in July 2021 and includes two five-year options to extend the lease through July 2031. We believe our facilities are adequate for our current needs and that suitable additional substitute space would be available if needed.

**ITEM 3. LEGAL PROCEEDINGS**

In the ordinary course of business, we are at times subject to various legal proceedings and disputes. We make provisions for liabilities when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Such provisions are reviewed at least quarterly and adjusted to reflect the impact of any settlement negotiations, judicial and administrative rulings, advice of legal counsel, and other information and events pertaining to a particular case. Litigation is inherently unpredictable. Unless otherwise disclosed, we are unable to estimate the possible loss or range of loss for the legal proceedings described below. While it is not possible to accurately predict or determine the eventual outcome of these items, an adverse determination in one or more of these items currently pending could have a material adverse effect on our consolidated results of operations, financial position or cash flows.

*Securities Related Class Action Lawsuit*

On September 28, 2012, three complaints were filed in the U.S. District Court for the Central District of California against us and certain of our executive officers and one consultant (collectively, the "Defendants") on behalf of certain purchasers of our common stock. The complaints have been brought as purported stockholder class actions, and, in general, include allegations that Defendants violated (i) Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder and (ii) Section 20(a) of the Exchange Act, by making materially false and misleading statements regarding the interim results of our bavituximab Phase II second-line NSCLC trial, thereby artificially inflating the price of our common stock. The plaintiffs are seeking unspecified monetary damages and other relief. On February 5, 2013, the court consolidated the related actions with the low-numbered case (captioned *Anderson v. Peregrine Pharmaceuticals, Inc., et al.*, Case No. 12-cv-1647-PSG (FMOx)). After the court issued two separate orders granting the Defendants' two separate motions to dismiss, on May 1, 2014, the court issued a third order granting Defendants' motion to dismiss the plaintiff's amended complaint with prejudice. On May 29, 2014, the plaintiff filed a notice of appeal with respect to the court's order granting Defendants' motion to dismiss. Lead plaintiff's opening brief with respect to the appeal was filed on December 15, 2014 and the Defendants' answering brief was filed on January 30, 2015. Lead plaintiff filed a reply brief on February 27, 2015. We believe that the class action lawsuit is without merit and intend to vigorously defend the action.

*Derivative Litigation*

On May 9, 2013, an alleged shareholder filed, purportedly on behalf of us, a derivative lawsuit, captioned *Roy v. Steven W. King*, *et al*., Case No. 13-cv-0741-PSG (RNBx), in the U.S. District Court for the Central District of California against certain of our executive officers and directors. The complaint asserts claims for breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment arising from substantially similar factual allegations as those asserted in the consolidated securities class action lawsuit, described above (the "Securities Class Action"). The plaintiff is seeking, for our benefit, unspecified monetary damages and other relief. This case was subsequently transferred to the same court and judge handling the Securities Class Action lawsuit. On May 31, 2013, the judge issued an order administratively closing the case and inviting the parties to move to re-open after the final resolution of defendants' motions to dismiss in the Securities Class Action.

On October 10, 2013, a derivative/class action complaint, captioned *Michaeli v. Steven W. King, et al.*, C.A. No. 8994-VCL, was filed in the Court of Chancery of the State of Delaware against certain of our executive officers and directors. The complaint alleges that our directors and executives breached their respective fiduciary duties in connection with certain purportedly improper compensation decisions made by our Board of Directors during the past three fiscal years, including: (i) the grant of a stock option to Mr. King on May 4, 2012; (ii) the non-routine broad-based stock option grant to our directors, executives, all other employees and certain consultants on December 27, 2012; and (iii) the payment, during the past three fiscal years, of compensation to our non-employee directors. In addition, the complaint alleges that our directors breached their fiduciary duty of candor by filing and seeking stockholder action on the basis of an allegedly materially false and misleading proxy statement for our 2013 annual meeting of stockholders. The plaintiff is seeking recession of a portion of the stock option grant to Mr. King on May 4, 2012 and the stock options granted to the defendants on December 27, 2012, as well as disgorgement of any excessive compensation paid to our non-employee directors during the three fiscal years prior to the filing of the complaint and other monetary relief for our benefit. The defendants filed their answer to the complaint on February 5, 2014. We believe that the derivative/class action complaint are without merit and intend to vigorously defend the action.

*Other Legal Matters*

On September 24, 2012, we filed a lawsuit, captioned *Peregrine Pharmaceuticals, Inc. v. Clinical Supplies Management, Inc.,* Case No. 8:12-cv-01608 JST(AN) (C.D. Cal), against Clinical Supplies Management, Inc. ("CSM"), in the U.S. District Court for the Central District of California. In 2010, we had contracted with CSM as our third-party vendor responsible for distribution of the blinded investigational product used in our bavituximab Phase IIb second-line NSCLC trial. As part of the routine collection of data in advance of an end-of-Phase II meeting with regulatory authorities, we discovered major discrepancies between some patient sample test results and patient treatment code assignments. Consequently, we filed this lawsuit against CSM alleging breach of contract, negligence and negligence per se arising from CSM's performance of its contracted services. We are seeking monetary damages. On June 5, 2014, CSM filed with the court a Notice of Motion and Motion for Partial Summary Judgment seeking partial summary judgment on our claims for damages on the grounds that the limitation of liability clauses contained in our master services agreement with CSM are valid and enforceable. Our opposition to CSM's motion was filed with the court on June 23, 2014, and the hearing on the motion was held on July 28, 2014. On July 30, 2014, the court issued its order holding that the limitation of liability clause did not apply to our claims for active negligence, negligent misrepresentation and constructive fraud, but did apply to our causes of action for breach of contract, passive negligence and negligence *per se*. On March 27, 2015, CSM filed with the court a Notice of Motion and Motion for Partial Summary Judgment seeking partial summary judgment on our claims for damages on the grounds that the causes of action for negligence, negligence *per se*, negligent misrepresentation, and constructive fraud are barred by the economic loss doctrine, as well as that the causes of action for negligent misrepresentation and constructive fraud cannot be established as a matter of law. Our opposition to CSM's motion was filed with the court on April 13, 2015 and CSM's reply to our motion was filed on April 20, 2015. On June 22, 2015, the court issued its order granting CSM's Motion for Partial Summary Judgment. The trial date for this matter is set for October 20, 2015.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) *Market Information.* Our common stock is listed on The NASDAQ Capital Market under the trading symbol "PPHM." The following table shows the high and low sales price of our common stock for each quarter in the two years ended April 30, 2015:

| | Common Stock Sales Price | |
|---|---|---|
| | **High** | **Low** |
| **Fiscal Year 2015** | | |
| Quarter Ended April 30, 2015 | $ 1.66 | $ 1.19 |
| Quarter Ended January 31, 2015 | $ 1.60 | $ 1.28 |
| Quarter Ended October 31, 2014 | $ 1.75 | $ 1.27 |
| Quarter Ended July 31, 2014 | $ 2.00 | $ 1.47 |
| **Fiscal Year 2014** | | |
| Quarter Ended April 30, 2014 | $ 3.18 | $ 1.55 |
| Quarter Ended January 31, 2014 | $ 2.05 | $ 1.16 |
| Quarter Ended October 31, 2013 | $ 1.54 | $ 1.25 |
| Quarter Ended July 31, 2013 | $ 2.06 | $ 1.11 |

(b) *Holders.* As of June 30, 2015, we had 4,480 stockholders of record of our common stock.

(c) *Dividends.* No dividends on common stock have been declared or paid by us. We intend to employ all available funds for the development of our business and, accordingly, do not intend to pay any cash dividends in the foreseeable future. In addition, the Certificate of Designations governing the Series E Preferred Stock restricts us from declaring and paying any dividends on our common stock unless full cumulative dividends on the Series E Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods.

(d) *Securities Authorized for Issuance Under Equity Compensation.* The information included under Item 12 of Part III of this Annual Report is hereby incorporated by reference into this Item 5 of Part II of this Annual Report.

(e) *Recent Sales of Unregistered Securities*. None.

**ITEM 6. SELECTED FINANCIAL DATA**

The selected consolidated financial data set forth below as of April 30, 2015 and 2014, and for the fiscal years ended April 30, 2015, 2014 and 2013, are derived from our audited consolidated financial statements included elsewhere in this Annual Report. This information should be read in conjunction with those consolidated financial statements, the notes thereto, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected consolidated financial data set forth below as of April 30, 2013, 2012 and 2011, and for the fiscal years ended April 30, 2012 and 2011, are derived from our audited consolidated financial statements that are contained in Annual Reports previously filed with the SEC, not included herein.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**FIVE YEARS ENDED APRIL 30,**

| | 2015 | 2014 | 2013 | 2012 | 2011 [(a)] |
|---|---|---|---|---|---|
| Revenues | $ 26,781,000 | $ 22,401,000 | $ 21,683,000 | $ 15,233,000 | $ 13,492,000 |
| Net loss | $ (50,358,000) | $ (35,362,000) | $ (29,780,000) | $ (42,119,000) | $ (34,151,000) |
| Series E preferred stock accumulated dividends | $ (3,696,000) | $ (401,000) | $ – | $ – | $ – |
| Net loss attributable to common stockholders [(b)] | $ (54,054,000) | $ (35,763,000) | $ (29,780,000) | $ (42,119,000) | $ (34,151,000) |
| Basic and diluted loss per common share | $ (0.30) | $ (0.22) | $ (0.25) | $ (0.50) | $ (0.56) |
| Weighted average common shares outstanding | 182,558,332 | 161,579,649 | 120,370,333 | 83,572,761 | 60,886,392 |

**CONSOLIDATED BALANCE SHEET DATE**
**AS OF APRIL 30,**

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 68,001,000 | $ 77,490,000 | $ 35,204,000 | $ 18,033,000 | $ 23,075,000 |
| Working capital | $ 43,192,000 | $ 63,564,000 | $ 21,353,000 | $ 7,153,000 | $ 13,136,000 |
| Total assets | $ 97,464,000 | $ 90,545,000 | $ 45,058,000 | $ 28,262,000 | $ 34,766,000 |
| Long-term debt | $ – | $ – | $ 13,000 | $ 46,000 | $ 124,000 |
| Accumulated deficit | $ (453,624,000) | $ (403,266,000) | $ (367,904,000) | $ (338,124,000) | $ (296,005,000) |
| Stockholders' equity | $ 59,035,000 | $ 67,699,000 | $ 23,760,000 | $ 9,483,000 | $ 15,418,000 |

(a) Revenues in fiscal year 2011 include government contract revenue of $4,640,000 derived from a former government contract with the Transformational Medical Technologies of the U.S. Department of Defense's Defense Threat Reduction Agency, which expired on April 15, 2011.

(b) Net loss attributable to common stockholders represents our net loss plus Series E preferred stock accumulated dividends.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion is included to describe our financial position and results of operations for each of the three years in the period ended April 30, 2015. The audited consolidated financial statements and notes thereto contain detailed information that should be referred to in conjunction with this discussion.

**Overview**

We are a biopharmaceutical company focused on developing novel investigational products that help utilize the body's own immune system to fight cancer, also known as immunotherapy. Our lead immunotherapy candidate, bavituximab, is in Phase III development for the treatment of previously-treated non-small cell lung cancer (the "Phase III SUNRISE trial") along with several investigator-sponsored trials evaluating other treatment combinations and additional oncology indications.

Bavituximab is the lead immunotherapy candidate from our phosphatidylserine ("PS")-targeting technology platform. The PS-targeting platform includes monoclonal antibodies that target and bind to PS, a highly immunosuppressive molecule usually located inside the membrane of healthy cells, but "flips" and becomes exposed on the outside of cells in the tumor microenvironment, causing the tumor to evade immune detection. PS-targeting antibodies target and bind to PS and block this immunosuppressive pathway and simultaneously activate adaptive immunity, thereby enabling the immune system to recognize and fight the tumor.

Our primary focus for the PS-targeting platform is to continue to advance our ongoing bavituximab Phase III SUNRISE trial for the treatment of previously-treated non-small cell lung cancer ("NSCLC"), continue to explore the broader immunotherapeutic applications of bavituximab in the treatment of cancer in combination with chemotherapy and other immunotherapy agents by initiating additional Company-sponsored trials and advancing existing investigator-sponsored trials ("ISTs"), and to explore the broader potential uses of the PS-targeting technology platform.

The following represents an overview of our company and investigator-sponsored bavituximab clinical trials that are currently enrolling patients or clinical trials where data was recently presented during fiscal year 2015:

| Product Candidate | Indication; Trial Design | Phase | Status |
|---|---|---|---|
| **Bavituximab**<br>PS-Targeting Monoclonal Antibody (oncology) | Previously-treated non-small cell lung cancer ("NSCLC"); randomized, double blind, placebo-controlled, combined with docetaxel ("Phase III SUNRISE trial") | III | Trial initiated in December 2013; Patient enrollment is expected to be completed by the end of calendar year 2015. No clinical data reported to date. |
| | Front-line NSCLC; randomized, open-label, combined with carboplatin and pemetrexed | Ib | Patient enrollment complete; Interim data described below. |
| | HER2-negative metastatic breast cancer ("MBC"); single arm, open-label, combined with paclitaxel | I | Patient enrollment complete; Final data described below. |
| | Advanced liver cancer ("hepatocellular carcinoma" or "HCC"); single arm, open-label, combined with sorafenib | I/II | Patient enrollment complete; Top-line data described below. |
| | Stage II/III rectal adenocarcinoma; single arm, open-label, combined with capecitabine and radiation therapy | I | Patient enrollment ongoing. No clinical data reported to date. |
| | Advanced melanoma; randomized, open label, combined with ipilimumab | Ib | Patient enrollment ongoing. No clinical data reported to date. |

The following represents additional information, including any supporting trial data, of our company and investigator-sponsored bavituximab clinical trials by indication:

***Bavituximab in Previously-Treated NSCLC***

Bavituximab is our lead immunotherapy candidate in Phase III development for the treatment of second-line NSCLC. The design of the Phase III SUNRISE (**S**timulating Imm**U**ne Respo**N**se th**R**ough Bav**I**tuximab in a Pha**SE** III Lung Cancer Study) trial was supported by promising data from our prior Phase IIb second-line NSCLC trial in the same indication, which final data was presented at the 2013 American Society of Clinical Oncology ("ASCO") Annual Meeting. In December 2013, we initiated the Phase III SUNRISE trial. In addition, in January 2014, we announced that bavituximab received Fast Track designation by the U.S. Food and Drug Administration ("FDA") for combination with docetaxel in patients with previously-treated non-squamous NSCLC.

The Phase III SUNRISE trial is a randomized, double-blind, placebo-controlled trial evaluating bavituximab plus docetaxel versus docetaxel plus placebo in approximately 600 patients at clinical sites worldwide. The trial is enrolling stage IIIb/IV non-squamous NSCLC patients who have progressed after standard front-line platinum-containing chemotherapy doublet. Patients are randomized into one of two treatment arms. One treatment arm receives docetaxel (75 mg/m$^2$), up to six 21-day cycles, in combination with bavituximab (3 mg/kg) weekly until progression or toxicity. The other treatment arm receives docetaxel (75 mg/m$^2$), up to six 21-day cycles, in combination with placebo weekly until progression or toxicity. The primary endpoint of the trial is overall survival. This trial is currently enrolling patients and we expect to complete enrollment by December 31, 2015.

In fiscal year 2016, we plan to expand the potential market opportunity of bavituximab in NSCLC by initiating a clinical trial of bavituximab and Opdivo® (nivolumab) in previously-treated NSCLC. The trial is expected to be an open-label multi-center, randomized Phase II trial comparing the anti-PD-1 monoclonal antibody nivolumab (marketed as Opdivo®) versus nivolumab plus bavituximab in patients with previously-treated locally advanced or metastatic NSCLC.

***Bavituximab in Front-Line NSCLC***

This Phase Ib IST was designed to assess bavituximab with pemetrexed and carboplatin in up to 25 patients with locally advanced or metastatic NSCLC. Patient enrollment is complete and interim data was presented at the Chicago Multidisciplinary Symposium in Thoracic Oncology in October 2014. This single-arm trial showed an overall tumor response rate of 35% (as measured in accordance with RECIST criteria), a median progression-free-survival of 4.8 months, and a median overall survival of 12.2 months. We believe these favorable trends in overall tumor response rates and median overall survival further support bavituximab's potential to treat NSCLC.

***Bavituximab in HER2-negative Metastatic Breast Cancer ("MBC")***

This Phase I IST was designed to assess bavituximab combined with paclitaxel in up to 14 patients with HER2-negative MBC. Patient enrollment is complete. In March 2015, we announced the publication of final data from this trial in the March 2015 issue of the peer-reviewed journal, *Cancer Medicine*, which reported that 85% of patients (11 of 13 evaluable patients) achieved an objective tumor response, including 15% of such patients achieving a complete response measured in accordance with RECIST criteria and median progression free survival for the combination of bavituximab with weekly paclitaxel was 7.3 months. We believe these promising data further support bavituximab's potential to treat HER2-negative MBC.

In fiscal year 2016, we plan to expand our focus in chemotherapy combinations that show synergies with bavituximab by initiating a Phase II/III open-label trial of either docetaxel or paclitaxel (physician's choice) with or without bavituximab in patients with locally advanced or metastatic HER2 negative-MBC. The new trial is based upon the consistently positive clinical experience in three prior clinical studies of bavituximab and docetaxel or paclitaxel in advanced breast cancer, including the aforementioned HER2 negative-MBC Phase I clinical data.

***Bavituximab in Advanced Liver Cancer***

This Phase I/II IST was designed to assess bavituximab combined with sorafenib in up to 48 patients with advanced liver cancer ("hepatocellular carcinoma" or "HCC"). Patient enrollment was completed in September 2014. In November 2014, interim data from a translational sub-study consisting of six patients who consented to a biopsy in the Phase II portion of the study was presented at the Society for Immunotherapy of Cancer's 29th Annual Meeting and Associated Programs ("SITC"). Half of the patients evaluated showed that bavituximab can increase tumor-fighting immune cells in patients following one cycle of treatment, consistent with what we have reported from multiple preclinical models. In January 2015, top-line clinical data presented at the ASCO Gastrointestinal Cancers Symposium showed that the combination of bavituximab and sorafenib was associated with an improved time to progression of 6.7 months, a disease-specific survival of 8.7 months, a disease control rate of 58% (22 out of 38 patients) and a 4-month progression-free survival of 62%. Two patients (5%) achieved a partial response according to RECIST and the trial's secondary endpoint of median overall survival was 6.2 months. In addition, the combination of bavituximab and sorafenib was well-tolerated in patients with advanced HCC. We believe these favorable trends continue to highlight the potential immunotherapeutic synergies of bavituximab and sorafenib and warrant further clinical evaluation.

***Bavituximab in Front-Line Rectal Adenocarcinoma***

This ongoing Phase I IST is designed to assess bavituximab in combination with capecitabine and radiation therapy in up to 18 patients with Stage II or III rectal adenocarcinoma. The primary endpoint is to determine the safety, feasibility and tolerability with a standard platform of capecitabine and radiation therapy. Secondary endpoints include overall response rate and pathological complete response (pCR) rate in patients. This trial continues to enroll and dose patients.

***Bavituximab in Advanced Melanoma***

This ongoing Phase Ib IST is designed to assess bavituximab in combination with ipilimumab in up to 24 patients with advanced melanoma. The primary endpoint is to determine safety, feasibility and tolerability. Secondary endpoints include measurements of disease control rate and overall survival. This trial continues to enroll and dose patients.

**PS-Targeting Molecular Imaging Program (PGN650)**

In addition to bavituximab, we believe our PS-targeting platform may have broad potential for the imaging and diagnosis of multiple diseases, including cancer. PS-targeting antibodies are able to target diseases that present PS on the surface of distressed cells, which we believe is present in multiple disease settings. In oncology, PS is a molecule usually located inside the membrane of healthy cells, but "flips" and becomes exposed on the outside of cells that line tumor blood vessels, creating a specific target for the imaging of multiple solid tumor types.

Our initial clinical candidate is PGN650, a first-in-class PS-targeting F(ab')2 fully human monoclonal antibody fragment joined to the positron emission tomography ("PET") imaging radio-isotope iodine-124 that represents a potential new approach to imaging cancer. In preclinical studies, PGN650 accumulates in tumor vasculature and provides exceedingly clear in vivo tumor images.

Our initial goal for the PGN650 program is to further validate the broad nature of the PS-targeting platform in the clinic. Our current PGN650 clinical trial evaluating PGN650 imaging in multiple solid tumor types was filed under an exploratory IND with the FDA and will enroll up to 12 patients. Patients receive an imaging dose followed by three PET images. This trial continues to enroll and dose patients and interim data presented in June 2015 at the Society of Nuclear Medicine and Molecular Imaging Annual Meeting demonstrated that 124I-PGN650 is safe and dosimetry estimates are acceptable for human imaging.

**Integrated Biomanufacturing Subsidiary**

In addition to our clinical research and development efforts, we operate a wholly-owned biomanufacturing subsidiary, Avid Bioservices, Inc. ("Avid"), a Contract Manufacturing Organization that provides fully integrated current Good Manufacturing Practices ("cGMP") services from cell line development to commercial cGMP biomanufacturing for us and its third-party customers. In addition to generating revenue from third-party customers, Avid is strategically integrated with us to manufacture our clinical drug supply of bavituximab while also preparing for the potential commercial launch of bavituximab.

Contract manufacturing revenue generated by Avid, has historically been derived from a small customer base. During fiscal years 2015, 2014 and 2013, Avid's total revenue generated from third-party customers amounted to $26,744,000, $22,294,000, and $21,333,000, respectively, of which 79%, 91% and 81% was derived from Halozyme Therapeutics, Inc., respectively.

During December 2014, we announced expansion plans that could more than double Avid's current manufacturing capacity to support the potential commercial manufacturing of bavituximab while also providing sufficient additional capacity to meet the anticipated growth of Avid's business. The new facility is located within an existing 40,000 square foot warehouse located adjacent to our current headquarters in Tustin, California and was designed to accommodate multiple single-use bioreactors up to 2,000 liter scale. The new manufacturing facility is expected to be operational in the near term.

**Results of Operations**

The following table compares the consolidated statements of operations and comprehensive loss for the fiscal years ended April 30, 2015, 2014 and 2013. This table provides you with an overview of the changes in the statements of operations and comprehensive loss for the comparative periods, which are further discussed below.

| | Years Ended April 30, | | | Years Ended April 30, | | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | $ Change | 2014 | 2013 | $ Change |
| **REVENUES:** | | | | | | |
| Contract manufacturing | $ 26,744,000 | $ 22,294,000 | $ 4,450,000 | $ 22,294,000 | $ 21,333,000 | $ 961,000 |
| License revenue | 37,000 | 107,000 | (70,000) | 107,000 | 350,000 | (243,000) |
| Total revenues | 26,781,000 | 22,401,000 | 4,380,000 | 22,401,000 | 21,683,000 | 718,000 |
| **COST AND EXPENSES:** | | | | | | |
| Cost of contract manufacturing | 15,593,000 | 13,110,000 | 2,483,000 | 13,110,000 | 12,595,000 | 515,000 |
| Research and development | 42,996,000 | 27,723,000 | 15,273,000 | 27,723,000 | 24,306,000 | 3,417,000 |
| Selling, general and administrative | 18,691,000 | 17,274,000 | 1,417,000 | 17,274,000 | 13,134,000 | 4,140,000 |
| Total cost and expenses | 77,280,000 | 58,107,000 | 19,173,000 | 58,107,000 | 50,035,000 | 8,072,000 |
| **LOSS FROM OPERATIONS** | (50,499,000) | (35,706,000) | (14,793,000) | (35,706,000) | (28,352,000) | (7,354,000) |
| **OTHER INCOME (EXPENSE):** | | | | | | |
| Interest and other income | 142,000 | 349,000 | (207,000) | 349,000 | 322,000 | 27,000 |
| Interest and other expense | (1,000) | (5,000) | 4,000 | (5,000) | (54,000) | 49,000 |
| Loss on early extinguishment of debt | – | – | – | – | (1,696,000) | 1,696,000 |
| **NET LOSS** | $ (50,358,000) | $ (35,362,000) | $ (14,996,000) | $ (35,362,000) | $ (29,780,000) | $ (5,582,000) |
| **COMPREHENSIVE LOSS** | $ (50,358,000) | $ (35,362,000) | $ (14,996,000) | $ (35,362,000) | $ (29,780,000) | $ (5,582,000) |

***Contract Manufacturing Revenue***

*Year Ended April 30, 2015 Compared to the Year Ended April 30, 2014:*

The increase in contract manufacturing revenue of $4,450,000 (or 20%) during the year ended April 30, 2015 compared to prior year was primarily due to an increase in the number of manufacturing runs completed and shipped in the current year compared to the prior year, which was attributed to an increase in the number of third-party customers requiring manufacturing services.

Based on the current commitments for manufacturing services from Avid's third-party customers and the anticipated completion of in-process third-party customer manufacturing runs, we expect contract manufacturing revenue for fiscal year 2016 to increase in comparison to fiscal year 2015.

*Year Ended April 30, 2014 Compared to the Year Ended April 30, 2013:*

The increase in contract manufacturing revenue of $961,000 (or 5%) during the year ended April 30, 2014 compared to fiscal year 2013 was primarily due to an increase in process development related services combined with an increase in pricing associated with manufacturing runs.

***License Revenue***

*Years Ended April 30, 2015 and 2014 Compared to the Years Ended April 30, 2014 and 2013:*

The changes in license revenue in fiscal years 2015 and 2014 compared to fiscal years 2014 and 2013, respectively, were directly related to revenue recognized in accordance with the terms of our existing license agreements. Based on our existing license agreements, we do not expect license revenue to be a significant source of revenue in fiscal year 2016.

***Cost of Contract Manufacturing***

*Year Ended April 30, 2015 Compared to the Year Ended April 30, 2014:*

The increase in cost of contract manufacturing of $2,483,000 (or 19%) during the year ended April 30, 2015 compared to prior year was directly related to the current year increase in contract manufacturing revenue combined with an increase in the write-off of unusable work-in process inventory. In addition, our gross margin on contract manufacturing revenues for fiscal years 2015 and 2014 remained in-line at 42% and 41%, respectively.

*Year Ended April 30, 2014 Compared to the Year Ended April 30, 2013:*

The increase in cost of contract manufacturing of $515,000 (or 4%) during the year ended April 30, 2014 compared to fiscal year 2013 was directly related to the fiscal year 2014 increase in contract manufacturing revenue. In addition, our gross margin on contract manufacturing revenues for fiscal years 2014 and 2013 remained consistent during each of the fiscal years at 41%.

***Research and Development Expenses***

Research and development expenses primarily include (i) payroll and related costs, including share-based compensation (non-cash), associated with research and development personnel, (ii) costs related to clinical trials and preclinical testing, (iii) costs to develop and manufacture our product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (iv) expenses for research services provided by universities and contract laboratories, including sponsored research funding, and (v) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to our research and development efforts and have no alternative future uses.

For the years ended April 30, 2015, 2014 and 2013, approximately 98%, 94% and 86%, respectively, of our total research and development expenses related to our PS-Targeting platform, which includes our lead immunotherapy candidate, bavituximab, and our molecular imaging agent, PGN650.

*Year Ended April 30, 2015 Compared to the Year Ended April 30, 2014:*

The increase in research and development expenses of $15,273,000 (or 55%) during the year ended April 30, 2015 compared to the prior year was due to the increase in PS-targeting expenses of $16,154,000 during the year ended April 30, 2015, compared to the prior year, which was primarily due to an increase of $10,523,000 in costs associated with advancing our Phase III SUNRISE trial (initiated in December 2013) combined with an increase in manufacturing costs, including raw material expenditures of $2,612,000 dedicated to the manufacturing of bavituximab. The current year increase in PS-targeting expenses was also due to increases in payroll and related expenses associated with increased employee headcount, share-based compensation expense (non-cash) and preclinical study expenses. This amount was offset by a decrease in expenses related to our other technologies of $881,000 during the year ended April 30, 2015 as our current year research and development efforts were primarily focused on advancing our PS-targeting technology platform.

Based on our current projections, we expect research and development expenses in fiscal year 2016 to continue to increase in comparison to fiscal year 2015 as we continue to advance our Phase III SUNRISE trial, including the completion of patient enrollment, continue to explore the broader immunotherapeutic applications of bavituximab in the treatment of cancer in combination with chemotherapy and other immunotherapy agents by initiating additional Company-sponsored trials and advancing existing investigator-sponsored trials, and prepare for the potential commercialization of bavituximab. These projections include a number of uncertainties, including but not limited to (i) the uncertainty of the rate at which patients will be enrolled in any current or future clinical trials, including, our Phase III SUNRISE trial, (ii) the uncertainty of future clinical and preclinical studies, which are dependent upon the results of current clinical and preclinical studies, (iii) the uncertainty of obtaining regulatory approval to commence any future clinical trials, (iv) the uncertainty of our ability to raise additional capital in fiscal year 2016 to support these research and development efforts, and (v) the uncertainty of terms related to any potential future partnering or licensing arrangement. During fiscal year 2016, we expect to continue to direct most of our research and development efforts towards our PS-targeting technology platform.

*Year Ended April 30, 2014 Compared to the Year Ended April 30, 2013:*

The increase in research and development expenses of $3,417,000 (or 14%) during the year ended April 30, 2014 compared to fiscal year 2013 was due an increase in PS-targeting program expenses of $5,133,000 primarily attributed to an increase in costs associated with the preparation and initiation of our Phase III SUNRISE trial, which was initiated during December 2013, combined with an increase in share-based compensation expense (non-cash) and increases in payroll and related expenses and manufacturing costs associated with our PS-targeting molecular imaging agent, PGN650. These increases in PS-targeting program expenses were offset by decreases in costs associated with our prior Phase II bavituximab trials. The increase in PS-targeting program expenses was offset by a decrease in expenses related to other technologies of $1,716,000 during the year ended April 30, 2014 compared to fiscal year 2013 as our research and development efforts were primarily focused on initiating our Phase III SUNRISE trial.

Looking beyond the next twelve months, we expect to continue to direct the majority of our research and development expenses towards our PS-targeting technology platform although it is extremely difficult for us to reasonably estimate all future research and development costs associated with each of our technologies due to the number of unknowns and uncertainties associated with preclinical and clinical trial development. These unknown variables and uncertainties include, but are not limited to:

- the uncertainty of the progress and results of our ongoing preclinical and clinical studies, and any additional preclinical and clinical studies we may initiate in the future based on their results;
- the uncertainty of obtaining regulatory approval to commence any future clinical trials;
- the uncertainty of the ultimate number of patients to be treated in any current or future clinical trial;
- the uncertainty of the rate at which patients are enrolled into any current or future clinical trial. Any delays in clinical trials could significantly increase the cost of the trial and would extend the estimated completion dates;
- the uncertainty of terms related to potential future partnering or licensing arrangements;
- the uncertainty of protocol changes and modifications in the design of our clinical trials, which may increase or decrease our future costs; and
- the uncertainty of our ability to raise additional capital to support our future research and development efforts beyond February 2016.

***Selling, General and Administrative Expenses***

*Year Ended April 30, 2015 Compared to the Year Ended April 30, 2014:*

Selling, general and administrative ("SG&A") expenses consist primarily of payroll and related expenses, including share-based compensation expense (non-cash), for personnel in executive, finance, accounting, business development, legal, human resources, information technology, and other internal support functions. In addition, SG&A expenses include corporate and patent legal fees, audit and accounting fees, investor relation expenses, non-employee director fees, insurance expense, and other expenses relating to our general management, administration, and business development activities.

The increase in SG&A expenses of $1,417,000 (or 8%) during the year ended April 30, 2015 compared to the prior year was primarily due to increases in payroll and related expenses of $469,000, share-based compensation expense of $404,000 (non-cash), and non-employee director fees of $334,000. The increase in payroll and related expenses was primarily attributed to compensation increases associated with annual merit increases, increased health insurance benefit costs and increased employee headcount, offset by a decrease in severance expense incurred in the prior year associated with a former employee. The increase in share-based compensation expense (non-cash) was primarily related to the amortization of the fair value of stock options granted to employees and non-employee directors under our routine annual broad-based grants of stock option awards. The increase in non-employee director fees was directly related to the current year increase in annual cash retainer fees paid to our non-employee directors as a result of their increased time commitments associated with the oversight of our operations. We expect SG&A expenses in fiscal year 2016 to increase in comparison to fiscal year 2015 as we continue to increase our infrastructure to support our clinical development activities and our commercial manufacturing business.

*Year Ended April 30, 2014 Compared to the Year Ended April 30, 2013:*

The increase in SG&A expenses of $4,140,000 (or 32%) during the year ended April 30, 2014 compared to fiscal year 2013 was primarily due to increases in share-based compensation expense of $1,635,000 (non-cash), payroll and related expenses of $1,305,000, and legal fees of $649,000. The increase in share-based compensation expense (non-cash) was primarily related to the amortization of the fair value of stock options under a non-routine broad based grant during December 2012 and a routine annual broad based grant during May 2013. The increase in payroll and related expenses was primarily attributed to compensation increases associated with annual merit increases, bonuses, and increased employee headcount combined with an increase in severance expense associated with a former employee. The increase in legal fees is primarily attributable to general corporate legal matters combined with an increase in legal fees associated with certain lawsuits described in this Annual Report under Part I, Item 3, "Legal Proceedings." These increases in SG&A expenses were further supplemented with incremental fiscal year 2014 increases in non-employee director fees, travel and related expenses, insurance expense and other corporate related expenses.

***Interest and Other Income***

*Year Ended April 30, 2015 Compared to the Year Ended April 30, 2014:*

The decrease in interest and other income of $207,000 during the year ended April 30, 2015 compared to fiscal year 2014 was due to a $35,000 increase in interest income, offset by a $242,000 decrease in other income.

*Year Ended April 30, 2014 Compared to the Year Ended April 30, 2013:*

The increase in interest and other income of $27,000 during the year ended April 30, 2014 compared to fiscal year 2013 was due to increases in interest income and other income of $14,000 and $13,000, respectively.

***Loss on Early Extinguishment of Debt***

The loss on early extinguishment of debt of $1,696,000 in fiscal year 2013 is related to a term loan we entered into during August 2012 that was subsequently repaid in full and terminated in September 2012 under an event of default (as described in Note 3 to the accompanying audited consolidated financial statements). Upon the termination of the term loan during fiscal year 2013, we recorded a loss on the early extinguishment of debt of $1,696,000, which consisted of a final payment fee of $975,000, the unamortized debt discount associated with the fair value of the warrants issued to the lenders under the term loan of $470,000, and unamortized aggregate debt issuance costs of $251,000. We did not incur any such related losses during fiscal years 2015 and 2014.

**Critical Accounting Policies**

Our discussion and analysis of our consolidated financial position and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We review our estimates and assumptions on an ongoing basis. We base our estimates on historical experience and on assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what we anticipate, and different assumptions or estimates about the future could change our reported results. We believe the following accounting policies to be critical to the assumptions and estimates used in the preparation of our consolidated financial statements.

***Revenue Recognition***

We currently derive revenue from the following two sources: (i) contract manufacturing services provided by Avid, and (ii) licensing revenue related to agreements associated with Peregrine's technologies under development.

We recognize revenue in accordance with the authoritative guidance for revenue recognition. We recognize revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery (or passage of title) has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured. We also comply with the authoritative guidance for revenue recognition regarding arrangements with multiple deliverables.

*Contract Manufacturing Revenue*

Revenue associated with contract manufacturing services provided by Avid is recognized once the service has been rendered and/or upon shipment (or passage of title) of the product to the customer. On occasion, we recognize revenue on a "bill-and-hold" basis in accordance with the authoritative guidance. Under "bill-and-hold" arrangements, revenue is recognized once the product is complete and ready for shipment, title and risk of loss has passed to the customer, management receives a written request from the customer for "bill-and-hold" treatment, the product is segregated from other inventory, and no further performance obligations exist.

In addition, we also follow the authoritative guidance when reporting revenue as gross when we act as a principal versus reporting revenue as net when we act as an agent. For transactions in which we act as a principal, have discretion to choose suppliers, bear credit risk and perform a substantive part of the services, revenue is recorded at the gross amount billed to a customer and costs associated with these reimbursements are reflected as a component of cost of sales for contract manufacturing services.

Any amounts received prior to satisfying our revenue recognition criteria are recorded as deferred revenue in the accompanying consolidated financial statements. We also record a provision for estimated contract losses, if any, in the period in which they are determined.

*License Revenue*

Revenue associated with licensing agreements primarily consists of non-refundable upfront license fees, non-refundable annual license fees and milestone payments. Non-refundable upfront license fees received under license agreements, whereby continued performance or future obligations are considered inconsequential to the relevant license technology, are recognized as revenue upon delivery of the technology. If a licensing agreement has multiple elements, we analyze each element of our licensing agreements and consider a variety of factors in determining the appropriate method of revenue recognition of each element.

*Multiple Element Arrangements.* Prior to the adoption of Accounting Standards Update ("ASU") No. 2009-13 on May 1, 2011, if a license agreement has multiple element arrangements, we analyze and determine whether the deliverables, which often include performance obligations, can be separated or whether they must be accounted for as a single unit of accounting in accordance with the authoritative guidance. Under multiple element arrangements, we recognize revenue for delivered elements only when the delivered element has stand-alone value and we have objective and reliable evidence of fair value for each undelivered element. If the fair value of any undelivered element included in a multiple element arrangement cannot be objectively determined, the arrangement would then be accounted for as a single unit of accounting, and revenue is recognized over the estimated period of when the performance obligation(s) are performed.

In addition, under certain circumstances, when there is objective and reliable evidence of the fair value of the undelivered items in an arrangement, but no such evidence for the delivered items, we utilize the residual method to allocate the consideration received under the arrangement. Under the residual method, the amount of consideration allocated to delivered items equals the total arrangement consideration less the aggregate fair value of the undelivered items, and revenue is recognized upon delivery of the undelivered items based on the relative fair value of the undelivered items.

For licensing agreements or material modifications of existing licensing agreements entered into after May 1, 2011, we follow the provisions of ASU No. 2009-13. If a licensing agreement includes multiple elements, we identify which deliverables represent separate units of accounting, and then determine how the arrangement consideration should be allocated among the separate units of accounting, which may require the use of significant judgment.

If a licensing agreement includes multiple elements, a delivered item is considered a separate unit of accounting if both of the following criteria are met:

1. The delivered item has value to the licensing partner on a standalone basis based on the consideration of the relevant facts and circumstances for each agreement;
2. If the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in our control.

Arrangement consideration is allocated at the inception of the agreement to all identified units of accounting based on their relative selling price. The relative selling price for each deliverable is determined using vendor specific objective evidence ("VSOE") of selling price or third-party evidence of selling price if VSOE does not exist. If neither VSOE nor third-party evidence of selling price exists, we use our best estimate of the selling price for the deliverable. The amount of allocable arrangement consideration is limited to amounts that are fixed or determinable. The consideration received is allocated among the separate units of accounting, and the applicable revenue recognition criteria are applied to each of the separate units. Changes in the allocation of the sales price between delivered and undelivered elements can impact revenue recognition but do not change the total revenue recognized under any agreement.

*Milestone Payments*. Effective May 1, 2011, we adopted on a prospective basis the Milestone Method under ASU No. 2010-17 for new licensing agreements or material modifications of existing licensing agreements entered into after May 1, 2011. Under the Milestone Method, we recognize consideration that is contingent upon the achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone is substantive in its entirety. A milestone is considered substantive when it meets all of the following criteria:

1. The consideration is commensurate with either the entity's performance to achieve the milestone or the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone;
2. The consideration relates solely to past performance; and
3. The consideration is reasonable relative to all of the deliverables and payment terms within the arrangement.

A milestone is defined as an event (i) that can only be achieved based in whole or in part on either the entity's performance or on the occurrence of a specific outcome resulting from the entity's performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved and (iii) that would result in additional payments being due to us.

The provisions of ASU No. 2010-17 do not apply to contingent consideration for which payment is either contingent solely upon the passage of time or the result of a counterparty's performance. We will assess the nature of, and appropriate accounting for, these payments on a case-by-case basis in accordance with the applicable authoritative guidance for revenue recognition.

Any amounts received prior to satisfying these revenue recognition criteria were recorded as deferred revenue in the accompanying consolidated financial statements.

***Research and Development Expenses***

Research and development expenses primarily include (i) payroll and related costs, including share-based compensation associated with research and development personnel, (ii) costs related to clinical trials and preclinical testing of our technologies under development, (iii) costs to develop and manufacture the product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (iv) expenses for research services provided by universities and contract laboratories, including sponsored research funding, and (v) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to our research and development efforts and have no alternative future uses.

Clinical trial costs are a significant component of our research and development expenses. We have a history of contracting with third parties that perform various clinical trial activities on our behalf in the ongoing development of our product candidates. The financial terms of these contracts are subject to negotiations and may vary from contract to contract and may result in uneven payment flow. Expenses related to clinical trials are accrued based on our estimates and/or representations from third parties (including clinical research organizations) regarding services performed. If the contracted amounts are modified (for instance, as a result of changes in the clinical trial protocol or scope of work to be performed), we modify our accruals accordingly on a prospective basis. Revisions in the scope of a contract are charged to expense in the period in which the facts that give rise to the revision become reasonably certain. There were no material adjustments for a change in estimate to research and development expenses in the accompanying consolidated financial statements in any of the three years ended April 30, 2015.

Under certain research and development agreements, we are obligated to make certain advance payments, including nonrefundable amounts, for goods or services that will be used or rendered for future research and development activities and are deferred and capitalized as prepaid research and development expenses. These advance payments are recognized as an expense in the period the related goods are delivered or the related services are performed. We assess our prepaid research and development expenses for impairment when events or changes in circumstances indicate that the carrying amount of the prepaid expense may not be recoverable or provide future economic benefit.

In addition, under certain in-licensing agreements associated with the research and development of our product candidates, we are obligated to pay certain milestone payments based on potential clinical development and regulatory milestones (as described in Note 5 to the accompanying audited consolidated financial statements). These milestone payments have no alternative future uses (in other research and development projects or otherwise) and therefore have no separate economic values and are expensed as research and development costs at the time the costs are incurred. We have no in-licensed product candidates that have alternative future uses in research and development projects or otherwise.

***Share-based Compensation***

We account for stock options and other share-based awards granted under our equity compensation plans in accordance with the authoritative guidance for share-based compensation. The estimated fair value of share-based payments to employees in exchange for services is measured at the grant date, using a fair value based method, and is recognized as expense on a straight-line basis over the requisite service periods. The fair value of modifications to share-based awards, if any, is generally estimated using a Black-Scholes option valuation model, unless a lattice model is required. Share-based compensation expense recognized during the period is based on the value of the portion of the share-based payment that is ultimately expected to vest during the period. In addition, as of April 30, 2015, there were no outstanding share-based awards with market or performance conditions.

The fair value of each option grant is estimated using the Black-Scholes option valuation model and is amortized as compensation expense on a straight-line basis over the requisite service period of the award, which is generally the vesting period. The use of a valuation model requires us to make certain estimates and assumptions with respect to selected model inputs. The expected volatility is based on the daily historical volatility of our common stock covering the estimated expected term. The expected term of options granted reflects actual historical exercise activity and assumptions regarding future exercise activity of unexercised, outstanding options. The risk-free interest rate is based on U.S. Treasury notes with terms within the contractual life of the option at the time of grant. The expected dividend yield assumption is based on our expectation of future dividend payouts. We have never declared or paid any cash dividends on our common stock and currently do not anticipate paying such cash dividends. In addition, guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

If factors change and we employ different assumptions in the determination of fair value in future periods, the share-based compensation expense that we record may differ significantly from what we have recorded in the current period. There are a number of factors that affect the amount of share-based compensation expense, including the number of employee options granted during subsequent fiscal years, the price of our common stock on the date of grant, the volatility of our stock price, the estimate of the expected life of options granted and the risk-free interest rates.

In addition, we periodically grant stock options and other share-based awards to non-employee consultants, which we account for in accordance with the authoritative guidance for share-based compensation. The cost of non-employee services received in exchange for share-based awards are measured based on either the fair value of the consideration received or the fair value of the share-based award issued, whichever is more reliably measurable. In addition, guidance requires share-based compensation related to unvested options and awards issued to non-employees to be recalculated at the end of each reporting period based upon the fair market value on that date until the share-based award has vested, and any cumulative catch-up adjustment to share-based compensation resulting from the re-measurement is recognized in the current period.

**Liquidity and Capital Resources**

At April 30, 2015, we had $68,001,000 in cash and cash equivalents. We have expended substantial funds on the research and development of our product candidates, and funding the operations of Avid. As a result, we have historically experienced negative cash flows from operations since our inception and we expect negative cash flows from operations to continue in the foreseeable future. Therefore, unless and until we are able to generate sufficient revenue from Avid's contract manufacturing services and/or from the sale and/or licensing of our product candidates under development, we expect such negative cash flows to continue in the foreseeable future.

Our ability to continue to fund our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, (i) raising additional capital in the equity markets, (ii) licensing or partnering our product candidates in development, or (iii) generating additional revenue from Avid.

Historically, we have funded a significant portion of our operations through the issuance of equity. During fiscal year 2015, we raised $19,748,000 in aggregate gross proceeds from the sale of shares of our common stock and raised an additional $19,205,000 in aggregate gross proceeds from the sale of our 10.5% Series E Convertible Preferred Stock (the "Series E Preferred Stock") (as described in Note 6 to the accompanying audited consolidated financial statements). Subsequent to April 30, 2015 and through July 14, 2015, we raised an additional $8,896,000 in aggregate gross proceeds from the sale of shares of our common stock (as described in Note 13 to the accompanying audited financial statements). As of July 14, 2015, $151,651,000 remained available to us under our two effective shelf registration statements, which allows us from time to time to offer and sell shares of our common stock or preferred stock, in one or more offerings, either individually or in combination.

Although we believe we can raise sufficient capital to meet our obligations through fiscal year 2016, our ability to raise additional capital in the equity markets to fund our obligations in future periods is dependent on a number of factors, including, but not limited to, the market demand for our common stock and/or Series E Preferred Stock. The market demand or liquidity of our common stock and/or Series E Preferred Stock is subject to a number of risks and uncertainties, including but not limited to, negative economic conditions, adverse market conditions, adverse clinical trial results and significant delays in one or more clinical trials. If we are unable to either (i) raise sufficient capital in the equity markets, (ii) license or partner our products in development, or (iii) generate additional revenue from Avid, or any combination thereof, we may need to delay, scale back, or eliminate some or all our research and development efforts, delay the commercial launch of bavituximab, if approved, and/or restructure our operations. In addition, even if we are able to raise additional capital, it may not be at a price or on terms that are favorable to us.

In addition, based on our current projections, which include but are not limited to, projected expenses associated with our Phase III SUNRISE trial, projected expenses associated with our anticipated new clinical trials, projected payments of dividends on our issued and outstanding Series E Preferred Stock, projected cash receipts under signed commitments with existing customers of Avid, and assuming we raise no additional capital from the capital markets or other potential sources, we believe we will have sufficient cash on hand to meet our obligations as they become due through at least February 2016. Notwithstanding, we will need to raise substantial additional capital in the future to fund certain of our operations beyond February 2016, including our Phase III SUNRISE trial. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of Avid customer contracts, technical challenges and the rate at which patients are enrolled into any current or future clinical trial, any of which could reduce, delay or accelerate our future projected cash inflows and outflows. In addition, in the event our projected cash-inflows are reduced or delayed, we might not have sufficient capital to operate our business through February 2016 unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern, and as a result, our independent registered public accounting firm included an explanatory paragraph in its report accompanying our audited consolidated financial statements for the year ended April 30, 2015 with respect to this uncertainty.

Significant components of the changes in cash flows from operating, investing and financing activities for the three years ended April 30, 2015 are as follows:

*Cash Used In Operating Activities*. Net cash used in operating activities represents our (i) net loss, as reported, (ii) less non-cash operating expenses, and (iii) net changes in the timing of cash flows as reflected by the changes in operating assets and liabilities, as described in the below table:

| | Year Ended April 30, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Net loss, as reported | $ (50,358,000) | $ (35,362,000) | $ (29,780,000) |
| Less non-cash operating expenses: | | | |
| Share-based compensation | 6,702,000 | 6,207,000 | 3,435,000 |
| Depreciation and amortization | 1,041,000 | 986,000 | 1,087,000 |
| Loss on early extinguishment of debt | – | – | 1,696,000 |
| Loss on disposal of property and equipment | 2,000 | 4,000 | 8,000 |
| Net cash used in operating activities before changes in operating assets and liabilities | $ (42,613,000) | $ (28,165,000) | $ (23,554,000) |
| Net change in operating assets and liabilities | $ 6,594,000 | $ (89,000) | $ 2,628,000 |
| Net cash used in operating activities | $ (36,019,000) | $ (28,254,000) | $ (20,926,000) |

Net cash used in operating activities increased $7,765,000 to $36,019,000 for the year ended April 30, 2015 compared to net cash used in operating activities of $28,254,000 for the year ended April 30, 2014. This increase in net cash used in operating activities was due to an increase of $14,448,000 in net loss reported for fiscal year 2015 after deducting non-cash operating expenses as described in the above table, which amount was offset by a net change in operating assets and liabilities of $6,683,000 due to the timing of cash receipts and expenditures.

Net cash used in operating activities for the year ended April 30, 2014 was $28,254,000 compared to $20,926,000 for the year ended April 30, 2013, representing an increase of $7,328,000. This increase in net cash used in operating activities was due to an increase of $4,611,000 in net loss reported for fiscal year 2014 after deducting non-cash operating expenses as described in the above table, combined with a net change in operating assets and liabilities of $2,717,000 due to the timing of cash receipts and expenditures.

*Cash Used In Investing Activities.* Net cash used in investing activities for the fiscal years ended April 30, 2015, 2014, and 2013, was $8,449,000, $2,522,000, and $751,000, respectively.

Cash used in investing activities during fiscal year 2015 consisted of property and equipment acquisitions of $9,047,000 offset by a decrease in other assets of $598,000. Property and equipment acquisitions during fiscal year 2015 primarily related to construction-in-progress associated with the construction of a manufacturing facility to support the commercial manufacturing of bavituximab, if approved for sale, and to add additional manufacturing capacity to support Avid's potential revenue growth combined with the implementation of an enterprise resource planning, or ERP system, and the acquisition of laboratory equipment.

Cash used in investing activities during fiscal year 2014 consisted of property and equipment acquisitions of $755,000 primarily related to the purchase of additional laboratory equipment to support internal product development efforts combined with an increase in other assets of $1,767,000 primarily related to deposits and/or progress payments related to an ERP system and laboratory equipment.

Cash used in investing activities during fiscal year 2013 consisted of property and equipment acquisitions of $853,000 primarily related to the purchase of additional laboratory and computer equipment to support internal product development efforts offset by a decrease in other assets of $102,000.

*Cash Provided By Financing Activities.* Net cash provided by financing activities for the fiscal years ended April 30, 2015, 2014, and 2013, was $34,979,000, $73,062,000, and $38,848,000, respectively.

Net cash provided by financing activities during fiscal year 2015 consisted of (i) $19,235,00 in net proceeds from the sale of shares of our common stock under two separate At Market Issuance Sales Agreements, (ii) $18,203,000 in net proceeds from the sale of shares of our Series E Preferred Stock under a separate At Market Issuance Sales Agreement (iii) $608,000 in net proceeds from the purchase of shares of our common stock under our Employee Stock Purchase Plan, and (iv) $298,000 in net proceeds from stock option exercises, which amounts were offset by dividends paid on our issued and outstanding Series E Preferred Stock of $3,352,000 and principal payments on a capital lease of $13,000.

Net cash provided by financing activities during fiscal year 2014 consisted of (i) $53,920,000 in net proceeds from the sale of shares of our common stock under an At Market Issuance Sales Agreement, (ii) $17,917,000 in net proceeds in connection with an underwritten public offering of our Series E Preferred Stock at a public offering price of $25.00 per share, (iii) $944,000 in net proceeds from stock option exercises, and (iv) $545,000 in net proceeds from the purchase of shares of our common stock under our Employee Stock Purchase Plan, which amounts were offset by dividends paid on our issued and outstanding Series E Preferred of $232,000 and principal payments on capital leases of $32,000.

Net cash provided by financing activities during fiscal year 2013 consisted of $39,522,000 in net proceeds from the sale of shares of our common stock under two separate At Market Issuance Sales Agreements combined with $534,000 in net proceeds from the purchase of shares of our common stock from the purchase of shares under our Employee Stock Purchase Plan and $96,000 in net proceeds from the exercise of stock options, which amounts were offset with principal payments on capital leases of $78,000. In addition, during fiscal year 2013, we received gross proceeds of $15,000,000 under a term loan, excluding debt issuance costs of $251,000, which principal amount was subsequently repaid in full during fiscal year 2013 upon the termination of the term loan agreement (as described in Note 3 to the accompanying audited consolidated financial statements). In addition, we paid a final payment fee of $975,000 upon the termination of the term loan.

**Contractual Obligations**

Contractual obligations represent future cash commitments and liabilities under agreements with third parties, and exclude contractual liabilities already recorded on our consolidated balance sheet as current liabilities and contingent liabilities for which we cannot reasonably predict future payments. The following chart represents our contractual obligations as of April 30, 2015, aggregated by type:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | < 1 year | 1-3 years | 4-5 years | After 5 years |
| Operating leases, net (1) | $ 5,739,000 | $ 1,359,000 | $ 2,736,000 | $ 994,000 | $ 650,000 |
| Purchase obligations (2) | 4,669,000 | 4,669,000 | – | – | – |
| Other long-term liabilities - minimum license obligations (3) | 119,000 | 119,000 | – | – | – |
| Total contractual obligations | $ 10,527,000 | $ 6,147,000 | $ 2,736,000 | $ 994,000 | $ 650,000 |

(1) Represents future minimum lease payments under all non-cancelable operating leases including our facility operating leases as further described in Note 4 to the accompanying audited consolidated financial statements.

(2) Represents obligations associated with the construction of a manufacturing facility to expand the current manufacturing capacity at our facilities located in Tustin, California and the purchase of certain laboratory equipment.

(3) Represents licensing agreements we periodically enter into with third parties to obtain exclusive or non-exclusive licenses for certain technologies. The terms of certain of these agreements require us to pay annual maintenance fees and potential future milestone payments based on product development success. Amounts exclude milestone or contractual payment obligations if the amount and timing of such obligations are unknown or uncertain, which potential obligations are further described in Note 5 to the accompanying audited consolidated financial statements.

**Off Balance Sheet Arrangements.**

We do not have any off balance sheet arrangements, as defined in Item 303 of Regulation S-K.

**Recently Issued Accounting Pronouncements**

See Note 2, *Summary of Significant Accounting Policies — Adoption of Recent Accounting Pronouncements* and *Pending Adoption of Recent Accounting Pronouncements*, in the accompanying Notes to Consolidated Financial Statements for a discussion of recent accounting pronouncements and their effect, if any, on our consolidated financial statements.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our cash and cash equivalents are primarily invested in money market funds with one major commercial bank with the primary objective to preserve our principal balance. Our deposits held with this bank exceed the amount of government insurance limits provided on our deposits and, therefore, we are exposed to credit risk in the event of default by the major commercial bank holding our cash balances. However, these deposits may be redeemed upon demand and, therefore, bear minimal risk. In addition, while changes in U.S. interest rates would affect the interest earned on our cash balances at April 30, 2015, such changes would not have a material adverse effect on our financial position or results of operations based on historical movements in interest rates.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information required by this Item is incorporated by reference to the financial statements set forth in Item 15 of Part IV of this Annual Report, "Exhibits and Financial Statement Schedules."

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

*(a) Evaluation of Disclosure Controls and Procedures.* The term "disclosure controls and procedures" (defined in Rule 13a-15(e) under the Exchange Act refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the required time periods. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of April 30, 2015. Based on this evaluation, our president and chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective as of April 30, 2015 to ensure the timely disclosure of required information in our SEC filings.

*(b) Management's Report on Internal Control Over Financial Reporting.* Management's Report on Internal Control Over Financial Reporting and the report of our independent registered public accounting firm on our internal control over financial reporting, which appear on the following pages, are incorporated herein by this reference.

*(c) Changes in Internal Control over Financial Reporting.* There have been no significant changes in our internal control over financial reporting during the fourth quarter of the fiscal year ended April 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**PEREGRINE PHARMACEUTICALS, INC.**
**MANAGEMENT'S REPORT ON**
**INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. The Company's internal control over financial reporting is a process designed, as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Securities Exchange Act of 1934, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting is supported by written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

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

In connection with the preparation of the Company's annual consolidated financial statements, management of the Company has undertaken an assessment of the effectiveness of the Company's internal control over financial reporting based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of the Company's internal control over financial reporting.

Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of April 30, 2015.

Ernst & Young LLP, the independent registered public accounting firm that audited the company's consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Company's internal control over financial reporting which appears on the following page.

By: /s/ Steven W. King
Steven W. King,
President and Chief Executive Officer

By: /s/ Paul J. Lytle
Paul J. Lytle
Chief Financial Officer

July 14, 2015

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Peregrine Pharmaceuticals, Inc.

We have audited Peregrine Pharmaceuticals, Inc.'s internal control over financial reporting as of April 30, 2015, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Peregrine Pharmaceuticals, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Peregrine Pharmaceuticals, Inc.'s Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Peregrine Pharmaceuticals, Inc., maintained, in all material respects, effective internal control over financial reporting as of April 30, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Peregrine Pharmaceuticals, Inc. as of April 30, 2015 and 2014, and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended April 30, 2015, and our report dated July 14, 2015, expressed an unqualified opinion including an explanatory paragraph with respect to the Company's ability to continue as a going concern.

/s/ Ernst & Young LLP

Irvine, California
July 14, 2015

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item regarding our directors, executive officers and committees of our board of directors is incorporated by reference to the information set forth under the captions "Election of Directors," "Executive Compensation" and "Corporate Governance" in our 2015 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2015 (the "2015 Definitive Proxy Statement").

Information required by this Item regarding Section 16(a) reporting compliance is incorporated by reference to the information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2015 Definitive Proxy Statement.

Information required by this Item regarding our code of ethics is incorporated by reference to the information set forth under the caption "Corporate Governance" in Part I of this Annual Report.

### ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the information set forth under the captions "Director Compensation," "Compensation Discussion and Analysis" and "Executive Compensation" in our 2015 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2015.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Other than as set forth below, the information required by this Item is incorporated by reference to the information set forth under the caption "Security Ownership of Certain Beneficial Owners, Directors and Management" in our 2015 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2015.

**Equity Compensation Plan Information**

We currently maintain seven equity compensation plans: the 1996 Stock Incentive Plan (the "1996 Plan"), the 2002 Stock Incentive Plan (the "2002 Plan"), the 2003 Stock Incentive Plan (the "2003 Plan"), the 2005 Stock Incentive Plan (the "2005 Plan"), the 2009 Stock Incentive Plan (the "2009 Plan"), the 2010 Stock Incentive Plan (the "2010 Plan") and the 2011 Stock Incentive Plan, as amended on October 17, 2013 (the "2011 Plan"), in addition to which we maintain our Employee Stock Purchase Plan. The 1996 Plan, 2003 Plan, 2005 Plan, 2009 Plan, 2010 Plan and 2011 Plan, as well as the Employee Stock Purchase Plan, were approved by our stockholders, while we did not submit the 2002 Plan for stockholder approval.

The 2002 Plan, which expired in June 2012, was a broad-based non-qualified stock option plan for the issuance of up to 600,000 options. The 2002 Plan provided for the granting of options to purchase shares of our common stock at prices not less than the fair market value of our common stock at the date of grant and generally expired ten years after the date of grant. No additional options can be granted under the expired 2002 Plan, however, the terms of the 2002 Plan remain in effect with respect to outstanding options granted under the 2002 Plan until they are exercised, canceled or expired.

The following table sets forth certain information as of April 30, 2015 concerning our common stock that may be issued upon the exercise of options or pursuant to purchases of stock under all of our equity compensation plans approved by stockholders and equity compensation plans not approved by stockholders in effect as of April 30, 2015:

| Plan Category | (a) Number of Securities to be Issued Upon the Exercise of Outstanding Options, Warrants and Rights | (b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ($/share) | (c) Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) |
|---|---|---|---|
| Equity compensation plans approved by stockholders | 20,449,006 | 1.53 | 4,171,809 |
| Equity compensation plans not approved by stockholders | 259,666(1) | 2.51 | – |
| Employee Stock Purchase Plan approved by stockholders | – | – | 2,443,056 |
| Total | 20,708,672(2) | 1.54(3) | 6,614,865 |

(1) Includes an aggregate of 35,908 options granted in a previous fiscal year to one of our Named Executive Officers.
(2) Represents shares to be issued upon the exercise of outstanding options. There were no shares of common stock subject to restricted stock awards as of April 30, 2015.
(3) Represents the weighted-average exercise price of outstanding options.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item is incorporated by reference to the information set forth under the captions “Certain Relationships and Related Transactions,” “Director Independence” and “Compensation Committee Interlocks and Insider Participation” in our 2015 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2015.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this Item is incorporated by reference to the information set forth under the caption “Independent Registered Public Accounting Firm Fees” in our 2015 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2015.

## PART IV

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) (1) Consolidated Financial Statements

Index to consolidated financial statements filed as part of this Form 10-K:



(2) Financial Statement Schedules

The following schedule is filed as part of this Form 10-K:



All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(3) Exhibits

| Exhibit Number | Description |
|---|---|
| 3.1 | Certificate of Incorporation of Techniclone Corporation, a Delaware corporation (Incorporated by reference to Exhibit B to the Registrant's 1996 Proxy Statement as filed with the Commission on or about August 20, 1996). |
| 3.2 | Amended and Restated Bylaws of Peregrine Pharmaceuticals, Inc. (formerly Techniclone Corporation), a Delaware corporation (Incorporated by reference to Exhibit 3.2 to Registrant's Current Report on Form 8-K as filed with the Commission on November 14, 2014). |
| 3.3 | Certificate of Designation of 5% Adjustable Convertible Class C Preferred Stock as filed with the Delaware Secretary of State on April 23, 1997 (Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K as filed with the Commission on or about May 12, 1997). |
| 3.4 | Certificate of Amendment to Certificate of Incorporation of Techniclone Corporation to effect the name change to Peregrine Pharmaceuticals, Inc., a Delaware corporation (Incorporated by reference to Exhibit 3.4 to Registrant's Annual Report on Form 10-K as filed with the Commission on July 27, 2001). |
| 3.5 | Certificate of Amendment to Certificate of Incorporation of Peregrine Pharmaceuticals, Inc. to increase the number of authorized shares of common stock to two hundred million shares (Incorporated by reference to Exhibit 3.5 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on December 15, 2003). |
| 3.6 | Certificate of Amendment to Certificate of Incorporation of Peregrine Pharmaceuticals, Inc. to increase the number of authorized shares of common stock to two hundred fifty million shares (Incorporated by reference to Exhibit 3.6 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on December 12, 2005). |
| 3.7 | Certificate of Designation of Rights, Preferences and Privileges of Series D Participating Preferred Stock of the Registrant, as filed with the Secretary of State of the State of Delaware on March 16, 2006 (Incorporated by reference to Exhibit 3.7 to Registrant's Current Report on Form 8-K as filed with the Commission on March 17, 2006). |
| 3.8 | Certificate of Amendment to Certificate of Incorporation of Peregrine Pharmaceuticals, Inc. to increase the number of authorized shares of common stock to three hundred twenty five million shares (Incorporated by reference to Exhibit 3.8 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on December 10, 2007). |
| 3.9 | Amended and Restated Bylaws of Peregrine Pharmaceuticals, Inc., a Delaware corporation (Incorporated by reference to Exhibit 3.9 to Registrant's Current Report on Form 8-K as filed with the Commission on December 21, 2007). |
| 3.10 | Certificate of Amendment to Certificate of Incorporation of Peregrine Pharmaceuticals, Inc., in order to effect a 1-for-5 reverse stock split of common stock effective as of the close of business on October 16, 2009 (Incorporated by reference to Exhibit 3.10 to Registrant's Current Report on Form 8-K as filed with the Commission on October 19, 2009). |
| 3.11 | Certificate of Designations of Rights and Preferences of 10.50% Series E Convertible Preferred Stock of the Registrant, as filed with the Secretary of State of the State of Delaware on February 12, 2014 (Incorporated by reference to Exhibit 3.11 to Registrant's Form 8-A Registration Statement as filed with the Commission on February 12, 2014). |
| 4.1 | Form of Certificate for Common Stock (Incorporated by reference to Exhibit 4.1 to Registrant's Annual Report on Form 10-K for the year end April 30, 1988). |

| Exhibit Number | Description |
|---|---|
| 4.2 | Form of Non-qualified Stock Option Agreement by and between Registrant, Director and certain consultants dated December 22, 1999 (Incorporated by reference to Exhibit 4.16 to Registrant's Registration Statement on Form S-3 (File No. 333-40716)). * |
| 4.3 | Peregrine Pharmaceuticals, Inc. 2002 Non-Qualified Stock Option Plan (Incorporated by reference to Exhibit 4.17 to Registrant's Registration Statement on Form S-8 (File No. 333-106385)). * |
| 4.4 | Form of 2002 Non-Qualified Stock Option Agreement (Incorporated by reference to Exhibit 4.18 to Registrant's Registration Statement on Form S-8 (File No. 333-106385)). * |
| 4.5 | Preferred Stock Rights Agreement, dated as of March 16, 2006, between the Company and Integrity Stock Transfer, Inc., including the Certificate of Designation, the form of Rights Certificate and the Summary of Rights attached thereto as Exhibits A, B and C, respectively (Incorporated by reference to Exhibit 4.19 to Registrant's Current Report on Form 8-K as filed with the Commission on March 17, 2006). |
| 4.6 | 1996 Stock Incentive Plan (Incorporated by reference to Exhibit 4.1 to Registrant's Registration Statement on Form S-8 (File No. 333-17513)). * |
| 4.7 | 2003 Stock Incentive Plan Non-qualified Stock Option Agreement (Incorporated by reference to Exhibit 10.95 to Registrant's Registration Statement on Form S-8 (File No. 333-121334)). * |
| 4.8 | 2003 Stock Incentive Plan Incentive Stock Option Agreement (Incorporated by reference to Exhibit 10.96 to Registrant's Registration Statement on Form S-8 (File No. 333-121334)). * |
| 4.9 | Form of Incentive Stock Option Agreement for 2005 Stock Incentive Plan (Incorporated by reference to Exhibit 10.98 to Registrant's Current Report on Form 8-K as filed with the Commission on October 28, 2005). * |
| 4.10 | Form of Non-Qualified Stock Option Agreement for 2005 Stock Incentive Plan (Incorporated by reference to Exhibit 10.99 to Registrant's Current Report on Form 8-K as filed with the Commission on October 28, 2005). * |
| 4.11 | Peregrine Pharmaceuticals, Inc., 2005 Stock Incentive Plan (Incorporated by reference to Exhibit B to Registrant's Definitive Proxy Statement filed with the Commission on August 29, 2005). * |
| 4.12 | Form of Incentive Stock Option Agreement for 2009 Stock Incentive Plan (Incorporated by reference to Exhibit 4.14 to Registrant's Current Report on Form 8-K as filed with the Commission on October 27, 2009). * |
| 4.13 | Form of Non-Qualified Stock Option Agreement for 2009 Stock Incentive Plan (Incorporated by reference to Exhibit 4.15 to Registrant's Current Report on Form 8-K as filed with the Commission on October 27, 2009). * |
| 4.14 | Form of Restricted Stock Issuance Agreement dated February 1, 2010 (Incorporated by reference to Exhibit 4.15 to Registrant's Annual Report on Form 10-K as filed with the Commission on July 14, 2011). * |
| 4.15 | 2010 Stock Incentive Plan (Incorporated by reference to Exhibit A to Registrant's Definitive Proxy Statement filed with the Commission on August 27, 2010). * |
| 4.16 | Form of Stock Option Award Agreement under 2010 Stock Incentive Plan (Incorporated by reference to Exhibit 4.17 to Registrant's Registration Statement on Form S-8 (File No. 333-171067)). * |

| Exhibit Number | Description |
|---|---|
| 4.17 | 2010 Employee Stock Purchase Plan (Incorporated by reference to Exhibit B to Registrant's Definitive Proxy Statement filed with the Commission on August 27, 2010). * |
| 4.18 | 2011 Stock Incentive Plan (Incorporated by reference to Exhibit A to Registrant's Definitive Proxy Statement filed with the Commission on August 26, 2011). * |
| 4.19 | Form of Stock Option Award Agreement under 2011 Stock Incentive Plan (Incorporated by reference to Exhibit 4.20 to Registrant's Registration Statement on Form S-8 (File No. 333-178452)). * |
| 4.20 | First Amendment to the Peregrine Pharmaceuticals, Inc., 2011 Stock Incentive Plan (Incorporated by reference to Exhibit A to Registrant's Definitive Proxy Statement filed with the Commission on August 27, 2012). * |
| 4.21 | Second Amendment to the Peregrine Pharmaceuticals, Inc. 2011 Stock Incentive Plan (Incorporated by reference to Exhibit A to Registrant's Definitive Proxy Statement filed with the Commission on August 26, 2013). * |
| 4.22 | First Amendment to the Peregrine Pharmaceuticals, Inc., 2005 Stock Incentive Plan dated April 24, 2015. (*) (***) |
| 4.23 | First Amendment to the Peregrine Pharmaceuticals, Inc. 2009 Stock Incentive Plan dated April 24, 2015 (*) (***) |
| 4.24 | Third Amendment to the Peregrine Pharmaceuticals, Inc. 2011 Stock Incentive Plan dated April 24, 2015 (*) (***) |
| 4.25 | Form of Amendment to Non-Qualified Stock Option Agreement Under the Peregrine Pharmaceuticals, Inc., 2005 Stock Incentive Plan related to Non-Employee Director stock option awards. (*) (***) |
| 4.26 | Form of Amendment to Non-Qualified Stock Option Agreement Under the Peregrine Pharmaceuticals, Inc., 2009 Stock Incentive Plan related to Non-Employee Director stock option awards. (*) (***) |
| 4.27 | Form of Amendment to Stock Option Award Agreement Under the Peregrine Pharmaceuticals, Inc., 2011 Stock Incentive Plan related to Non-Employee Director stock option awards. (*) (***) |
| 10.1 | Lease and Agreement of Lease between TNCA, LLC, as Landlord, and Techniclone Corporation, as Tenant, dated as of December 24, 1998 (Incorporated by reference to Exhibit 10.48 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on March 12, 1999). |
| 10.2 | First Amendment to Lease and Agreement of Lease between TNCA, LLC, as Landlord, and Peregrine Pharmaceuticals, Inc., as Tenant, dated December 22, 2005 (Incorporated by reference to Exhibit 99.1 and 99.2 to Registrant's Current Report on Form 8-K as filed with the Commission on December 23, 2005). |
| 10.3 | Exclusive Patent License Agreement between The University of Texas System and Peregrine Pharmaceuticals, Inc., effective as of August 18, 2005 (Incorporated by reference to Exhibit 10.17 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). ** |

| Exhibit Number | Description |
|---|---|
| 10.4 | Amendment No. 1 to Exclusive Patent License Agreement between The University of Texas System and Peregrine Pharmaceuticals, Inc., dated June 1, 2009 (Incorporated by reference to Exhibit 10.18 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). ** |
| 10.5 | Exclusive Patent License Agreement between The University of Texas System and Peregrine Pharmaceuticals, Inc., effective as of August 1, 2001 (Incorporated by reference to Exhibit 10.19 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). ** |
| 10.6 | Amendment No. 1 to Exclusive Patent License agreement between The University of Texas System and Peregrine Pharmaceuticals, Inc., dated June 1, 2009 (Incorporated by reference to Exhibit 10.20 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). ** |
| 10.7 | Non-Exclusive Cabilly Patent License Agreement between Genentech, Inc. and Peregrine Pharmaceuticals, Inc., effective as of November 5, 2003 (Incorporated by reference to Exhibit 10.21 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). ** |
| 10.8 | Commercial License Agreement between Avanir Pharmaceuticals, Inc. and Peregrine Pharmaceuticals, Inc., dated December 1, 2003 (Incorporated by reference to Exhibit 10.22 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). ** |
| 10.9 | License Agreement between Lonza Biologics PLC and Peregrine Pharmaceuticals, Inc., dated July 1, 1998 (Incorporated by reference to Exhibit 10.23 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). ** |
| 10.10 | License Agreement between Lonza Biologics PLC and Peregrine Pharmaceuticals, Inc., dated March 1, 2005 (Incorporated by reference to Exhibit 10.24 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). ** |
| 10.11 | License Agreement between Stason Pharmaceuticals, Inc. and Peregrine Pharmaceuticals, Inc., dated May 3, 2010 (Incorporated by reference to Exhibit 10.26 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on September 9, 2010). ** |
| 10.12 | Assignment Agreement between Stason Pharmaceuticals, Inc. and Peregrine Pharmaceuticals, Inc., dated May 3, 2010 (Incorporated by reference to Exhibit 10.27 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on September 9, 2010). ** |
| 10.13 | Annual Bonus Plan for Executive Officers adopted July 12, 2011(Incorporated by reference to Exhibit 10.29 to Registrant's Annual Report on Form 10-K as filed with the Commission on July 14, 2011). * |
| 10.14 | Warrant to Purchase Stock issued to Oxford Finance LLC, dated August 30, 2012 (Incorporated by reference to Exhibit 10.29 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on December 10, 2012). |
| 10.15 | Warrant to Purchase Stock issued to Midcap Financial SBIC LP, dated August 30, 2012 (Incorporated by reference to Exhibit 10.30 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on December 10, 2012). |
| 10.16 | Warrant to Purchase Stock issued to Silicon Valley Bank, dated August 30, 2012 (Incorporated by reference to Exhibit 10.31 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on December 10, 2012). |

| Exhibit Number | Description |
|---|---|
| 10.17 | At Market Issuance Sales Agreement, dated December 27, 2012, by and between Peregrine Pharmaceuticals, Inc. and MLV & Co. LLC (Incorporated by reference to Exhibit 10.32 to Registrant's Current Report on Form 8-K as filed with the Commission on December 28, 2012). |
| 10.18 | Amended and Restated Employment Agreement by and between Peregrine Pharmaceuticals, Inc. and Steven W. King, effective December 27, 2012 (Incorporated by reference to Exhibit 10.34 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on March 12, 2013). * |
| 10.19 | Amended and Restated Employment Agreement by and between Peregrine Pharmaceuticals, Inc. and Paul J. Lytle, effective December 27, 2012 (Incorporated by reference to Exhibit 10.35 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on March 12, 2013). * |
| 10.20 | Amended and Restated Employment Agreement by and between Peregrine Pharmaceuticals, Inc. and Shelley P.M. Fussey, Ph.D., effective December 27, 2012 (Incorporated by reference to Exhibit 10.36 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on March 12, 2013). * |
| 10.21 | Amended and Restated Employment Agreement by and between Peregrine Pharmaceuticals, Inc. and Joseph Shan, effective December 27, 2012 (Incorporated by reference to Exhibit 10.37 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on March 12, 2013). * |
| 10.22 | Amended and Restated Employment Agreement by and between Peregrine Pharmaceuticals, Inc. and Mark R. Ziebell, effective December 27, 2012 (Incorporated by reference to Exhibit 10.38 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on March 12, 2013). * |
| 10.23 | At Market Issuance Sales Agreement, dated June 13, 2014, by and between Peregrine Pharmaceuticals, Inc. and MLV & Co. LLC (Incorporated by reference to Exhibit 10.28 to Registrant's Current Report on Form 8-K as filed with the Commission on June 16, 2014). |
| 10.24 | At Market Issuance Sales Agreement, dated June 13, 2014, by and between Peregrine Pharmaceuticals, Inc. and MLV & Co. LLC (Incorporated by reference to Exhibit 10.29 to Registrant's Current Report on Form 8-K as filed with the Commission on June 16, 2014). |
| 10.25 | Amendment No. 1, dated April 13, 2015, to At Market Issuance Sales Agreement, dated June 13, 2014, between Peregrine Pharmaceuticals, Inc. and MLV & Co., LLC (Incorporated by reference to Exhibit 10.27 to Registrant's Current Report on Form 8-K as filed with the Commission on April 13, 2015). |
| 21 | Subsidiaries of Registrant. *** |
| 23.1 | Consent of Independent Registered Public Accounting Firm. *** |
| 24 | Power of Attorney (included on signature page of Annual Report). *** |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended. *** |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended. *** |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b)/15d-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350. *** |
| 101.INS | XBRL Taxonomy Extension Instance Document. *** |
| 101.SCH | XBRL Taxonomy Extension Schema Document. *** |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. *** |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. *** |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. *** |
| 101.PRE | XBRL Presentation Extension Linkbase Document. *** |

* *This Exhibit is a management contract or a compensation plan or arrangement.*

** *Portions omitted pursuant to a request of confidentiality filed separately with the SEC.*

*** *Filed herewith.*

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

PEREGRINE PHARMACEUTICALS, INC.

Dated: July 14, 2015

By: /s/ Steven W. King
Steven W. King,
President and Chief Executive Officer

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Steven W. King, President and Chief Executive Officer, and Paul J. Lytle, Chief Financial Officer, and each of them, his true and lawful attorneys-in-fact and agents, with the full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or either of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

| Signature | Capacity | Date |
|---|---|---|
| /s/ Steven W. King<br>Steven W. King | President & Chief Executive Officer<br>(Principal Executive Officer),<br>and Director | July 14, 2015 |
| /s/ Paul J. Lytle<br>Paul J. Lytle | Chief Financial Officer<br>(Principal Financial and<br>Principal Accounting Officer) | July 14, 2015 |
| /s/ Carlton M. Johnson<br>Carlton M. Johnson | Director | July 14, 2015 |
| /s/ David H. Pohl<br>David H. Pohl | Director | July 14, 2015 |
| /s/ Eric S. Swartz<br>Eric S. Swartz | Director | July 14, 2015 |

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Peregrine Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Peregrine Pharmaceuticals, Inc. as of April 30, 2015 and 2014, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended April 30, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15 (a)(2). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Peregrine Pharmaceuticals, Inc. at April 30, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended April 30, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming Peregrine Pharmaceuticals, Inc. will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's recurring losses from operations and negative cash flows from operating activities raise substantial doubt about its ability to continue as a going concern. Management's plans as to these matters also are described in Note 2. The consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Peregrine Pharmaceuticals, Inc.'s internal control over financial reporting as of April 30, 2015, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated July 14, 2015, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Irvine, California
July 14, 2015

**PEREGRINE PHARMACEUTICALS, INC.**

**CONSOLIDATED BALANCE SHEETS**
**AS OF APRIL 30, 2015 AND 2014**

| | 2015 | 2014 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 68,001,000 | $ 77,490,000 |
| Trade and other receivables, net | 3,813,000 | 1,332,000 |
| Inventories | 7,354,000 | 5,530,000 |
| Prepaid expenses and other current assets, net | 1,355,000 | 1,419,000 |
| Total current assets | 80,523,000 | 85,771,000 |
| PROPERTY AND EQUIPMENT: | | |
| Leasehold improvements | 1,538,000 | 1,538,000 |
| Laboratory equipment | 5,965,000 | 5,646,000 |
| Furniture, fixtures, office equipment and software | 3,991,000 | 2,679,000 |
| Construction-in-progress | 11,819,000 | – |
| | 23,313,000 | 9,863,000 |
| Less accumulated depreciation and amortization | (8,189,000) | (7,416,000) |
| Property and equipment, net | 15,124,000 | 2,447,000 |
| Other assets | 1,817,000 | 2,327,000 |
| TOTAL ASSETS | $ 97,464,000 | $ 90,545,000 |

**PEREGRINE PHARMACEUTICALS, INC.**

**CONSOLIDATED BALANCE SHEETS**
**AS OF APRIL 30, 2015 AND 2014 (continued)**

| | 2015 | 2014 |
|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 10,385,000 | $ 2,434,000 |
| Accrued clinical trial and related fees | 3,910,000 | 4,433,000 |
| Accrued payroll and related costs | 4,606,000 | 3,837,000 |
| Deferred revenue, current portion | 6,630,000 | 5,241,000 |
| Customer deposits | 11,363,000 | 5,760,000 |
| Other current liabilities | 437,000 | 502,000 |
| Total current liabilities | 37,331,000 | 22,207,000 |
| Deferred revenue, less current portion | – | 292,000 |
| Deferred rent, less current portion | 1,098,000 | 347,000 |
| Commitments and contingencies | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock - $.001 par value; authorized 5,000,000 shares; issued and outstanding - 1,574,764 and 775,000, respectively | 2,000 | 1,000 |
| Common stock - $.001 par value; authorized 325,000,000 shares; issued and outstanding - 193,346,627 and 178,871,164, respectively | 193,000 | 179,000 |
| Additional paid-in-capital | 512,464,000 | 470,785,000 |
| Accumulated deficit | (453,624,000) | (403,266,000) |
| Total stockholders' equity | 59,035,000 | 67,699,000 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 97,464,000 | $ 90,545,000 |

See accompanying notes to consolidated financial statements.

**PEREGRINE PHARMACEUTICALS, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2015**

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| REVENUES: | | | |
| Contract manufacturing revenue | $ 26,744,000 | $ 22,294,000 | $ 21,333,000 |
| License revenue | 37,000 | 107,000 | 350,000 |
| Total revenues | 26,781,000 | 22,401,000 | 21,683,000 |
| COSTS AND EXPENSES: | | | |
| Cost of contract manufacturing | 15,593,000 | 13,110,000 | 12,595,000 |
| Research and development | 42,996,000 | 27,723,000 | 24,306,000 |
| Selling, general and administrative | 18,691,000 | 17,274,000 | 13,134,000 |
| Total costs and expenses | 77,280,000 | 58,107,000 | 50,035,000 |
| LOSS FROM OPERATIONS | (50,499,000) | (35,706,000) | (28,352,000) |
| OTHER INCOME (EXPENSE): | | | |
| Interest and other income | 142,000 | 349,000 | 322,000 |
| Interest and other expense | (1,000) | (5,000) | (54,000) |
| Loss on early extinguishment of debt | – | – | (1,696,000) |
| **NET LOSS** | $ (50,358,000) | $ (35,362,000) | $ (29,780,000) |
| **COMPREHENSIVE LOSS** | $ (50,358,000) | $ (35,362,000) | $ (29,780,000) |
| Series E preferred stock accumulated dividends | (3,696,000) | (401,000) | – |
| **NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS** | $ (54,054,000) | $ (35,763,000) | $ (29,780,000) |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | |
| Basic and Diluted | 182,558,332 | 161,579,649 | 120,370,333 |
| BASIC AND DILUTED LOSS PER COMMON SHARE | $ (0.30) | $ (0.22) | $ (0.25) |

See accompanying notes to consolidated financial statements.

**PEREGRINE PHARMACEUTICALS, INC.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2015**

| | Preferred Stock | | Common Stock | | Additional Paid-In | Accumulated | Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Deficit | Equity |
| **BALANCES, April 30, 2012** | **–** | **$ –** | **101,421,365** | **$ 101,000** | **$347,506,000** | **$ (338,124,000)** | **$ 9,483,000** |
| Common stock issued for cash under December 29, 2010 Financing, net of issuance costs of $895,000 | – | – | 31,863,368 | 32,000 | 26,455,000 | – | 26,487,000 |
| Common stock issued for cash under December 27, 2012 Financing, net of issuance costs of $337,000 | – | – | 9,320,675 | 9,000 | 13,026,000 | – | 13,035,000 |
| Common stock issued under Employee Stock Purchase Plan | – | – | 998,556 | 1,000 | 533,000 | – | 534,000 |
| Common stock issued upon exercise of options | – | – | 118,555 | – | 96,000 | – | 96,000 |
| Common stock issued upon exercise of warrants | – | – | 46,427 | – | – | – | – |
| Fair market value of warrants issued with notes payable | – | – | – | – | 470,000 | – | 470,000 |
| Share-based compensation | – | – | – | – | 3,435,000 | – | 3,435,000 |
| Net loss | – | – | – | – | – | (29,780,000) | (29,780,000) |
| **BALANCES, April 30, 2013** | **–** | **–** | **143,768,946** | **143,000** | **391,521,000** | **(367,904,000)** | **23,760,000** |
| Series E preferred stock issued for cash under February 11, 2014 Offering, net of issuance costs of $1,458,000 | 775,000 | 1,000 | – | – | 17,916,000 | – | 17,917,000 |
| Series E preferred stock dividends | – | – | – | – | (232,000) | – | (232,000) |
| Common stock issued for cash under December 27, 2012 Financing, net of issuance costs of $1,504,000 | – | – | 33,527,369 | 34,000 | 53,886,000 | – | 53,920,000 |
| Common stock issued under Employee Stock Purchase Plan | – | – | 498,050 | 1,000 | 544,000 | – | 545,000 |
| Common stock issued upon exercise of options | – | – | 976,799 | 1,000 | 943,000 | – | 944,000 |
| Common stock issued under restricted stock awards | – | – | 100,000 | – | – | – | – |
| Share-based compensation | – | – | – | – | 6,207,000 | – | 6,207,000 |
| Net loss | – | – | – | – | – | (35,362,000) | (35,362,000) |
| **BALANCES, April 30, 2014** | **775,000** | **1,000** | **178,871,164** | **179,000** | **470,785,000** | **(403,266,000)** | **67,699,000** |
| Series E preferred stock issued for cash under June 13, 2014 Financing, net of issuance costs of $1,002,000 | 799,764 | 1,000 | – | – | 18,202,000 | – | 18,203,000 |
| Series E preferred stock dividends | – | – | – | – | (3,352,000) | – | (3,352,000) |
| Common stock issued for cash under December 27, 2012 Financing, net of issuance costs of $161,000 | – | – | 3,983,360 | 4,000 | 6,039,000 | – | 6,043,000 |
| Common stock issued for cash under June 13, 2014 Financing, net of issuance costs of $352,000 | – | – | 9,681,757 | 10,000 | 13,182,000 | – | 13,192,000 |
| Common stock issued under Employee Stock Purchase Plan | – | – | 497,453 | – | 608,000 | – | 608,000 |
| Common stock issued upon exercise of options | – | – | 312,893 | – | 298,000 | – | 298,000 |
| Share-based compensation | – | – | – | – | 6,702,000 | – | 6,702,000 |
| Net loss | – | – | – | – | – | (50,358,000) | (50,358,000) |
| **BALANCES, April 30, 2015** | **1,574,764** | **$ 2,000** | **193,346,627** | **$ 193,000** | **$512,464,000** | **$ (453,624,000)** | **$ 59,035,000** |

See accompanying notes to consolidated financial statements.

**PEREGRINE PHARMACEUTICALS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2015**

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net loss | $ (50,358,000) | $ (35,362,000) | $ (29,780,000) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Share-based compensation | 6,702,000 | 6,207,000 | 3,435,000 |
| Depreciation and amortization | 1,041,000 | 986,000 | 1,087,000 |
| Loss on early extinguishment of debt | – | – | 1,696,000 |
| Loss on disposal of property and equipment | 2,000 | 4,000 | 8,000 |
| Changes in operating assets and liabilities: | | | |
| Trade and other receivables, net | (2,481,000) | 330,000 | 691,000 |
| Inventories | (1,824,000) | (1,191,000) | (728,000) |
| Prepaid expenses and other current assets, net | 64,000 | (710,000) | 86,000 |
| Other non-current assets | 12,000 | (94,000) | 2,000 |
| Accounts payable | 3,278,000 | (391,000) | (691,000) |
| Accrued clinical trial and related fees | (523,000) | 3,503,000 | (1,181,000) |
| Accrued payroll and related expenses | 769,000 | 255,000 | 1,114,000 |
| Deferred revenue | 1,097,000 | 1,070,000 | 451,000 |
| Customer deposits | 5,603,000 | (2,299,000) | 3,194,000 |
| Other accrued expenses and current liabilities | (52,000) | (464,000) | 24,000 |
| Deferred rent, less current portion | 651,000 | (98,000) | (334,000) |
| Net cash used in operating activities | (36,019,000) | (28,254,000) | (20,926,000) |
| | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Property and equipment acquisitions | (9,047,000) | (755,000) | (853,000) |
| Decrease (Increase) in other assets | 598,000 | (1,767,000) | 102,000 |
| Net cash used in investing activities | (8,449,000) | (2,522,000) | (751,000) |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of common stock, net of issuance costs of $513,000, $1,504,000, and $1,232,000, respectively | 19,235,000 | 53,920,000 | 39,522,000 |
| Proceeds from issuance of Series E preferred stock, net of issuance costs of $1,002,000 and $1,458,000, respectively | 18,203,000 | 17,917,000 | – |
| Proceeds from issuance of notes payable, net of issuance costs of $251,000 | – | – | 14,749,000 |
| Proceeds from issuance of common stock under Employee Stock Purchase Plan | 608,000 | 545,000 | 534,000 |
| Proceeds from exercise of stock options | 298,000 | 944,000 | 96,000 |
| Dividends paid on preferred stock | (3,352,000) | (232,000) | – |
| Principal payments on notes payable | – | – | (15,000,000) |
| Payment of final fee on notes payable | – | – | (975,000) |
| Principal payments on capital leases | (13,000) | (32,000) | (78,000) |
| Net cash provided by financing activities | 34,979,000 | 73,062,000 | 38,848,000 |

**PEREGRINE PHARMACEUTICALS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2015 (continued)**

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | $ (9,489,000) | $ 42,286,000 | $ 17,171,000 |
| CASH AND CASH EQUIVALENTS, beginning of period | 77,490,000 | 35,204,000 | 18,033,000 |
| CASH AND CASH EQUIVALENTS, end of period | $ 68,001,000 | $ 77,490,000 | $ 35,204,000 |
| SUPPLEMENTAL INFORMATION: | | | |
| Cash paid for interest | $ – | $ 1,000 | $ 46,000 |
| SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | | |
| Fair market value of warrants issued in connection with notes payable | $ – | $ – | $ 470,000 |
| Accounts payable and other liabilities for purchase of property and equipment | $ 4,673,000 | $ 4,000 | $ 20,000 |
| Lease incentives | $ 100,000 | $ – | $ – |

See accompanying notes to consolidated financial statements.

## 1. ORGANIZATION AND BUSINESS DESCRIPTION

*Organization* - In this Annual Report, "Peregrine," "Company," "we," "us," and "our," refer to Peregrine Pharmaceuticals, Inc., and our wholly-owned subsidiary, Avid Bioservices, Inc. ("Avid"). Peregrine was incorporated under the laws of the state of California in June 1981, reincorporated in Delaware in September 1996 and commenced operations of Avid in January 2002.

*Business Description* - We are a biopharmaceutical company focused on developing novel investigational products that help utilize the body's own immune system to fight cancer, also known as immunotherapy. Our lead immunotherapy candidate, bavituximab, is in Phase III development for the treatment of previously-treated non-small cell lung cancer (the "Phase III SUNRISE trial") along with several investigator-sponsored trials evaluating other treatment combinations and additional oncology indications.

The Phase III SUNRISE trial (**S**timulating Imm**U**ne Respo**N**se th**R**ough Bav**I**tuximab in a Pha**SE** III Lung Cancer Study) was initiated in December 2013 and patient enrollment is ongoing. In January 2014, we announced that bavituximab received Fast Track designation from the U.S. Food and Drug Administration ("FDA") for combination with docetaxel in patients with previously-treated non-squamous non-small cell lung cancer ("NSCLC"). We are also exploring the broader immunotherapeutic applications of bavituximab in the treatment of cancer in combination with chemotherapy and other immunotherapy agents by advancing existing investigator-sponsored trials and through the initiation of additional Company-sponsored trials.

In addition to our clinical research and development efforts, we operate a wholly-owned biomanufacturing subsidiary, Avid Bioservices, Inc., a Contract Manufacturing Organization that provides fully integrated current Good Manufacturing Practices services from cell line development to commercial biomanufacturing for its third-party customers while also supporting the clinical and potential commercial drug supply of bavituximab. In December 2014, we announced expansion plans that could more than double Avid's current manufacturing capacity to support the potential commercial manufacturing of bavituximab while also providing sufficient additional capacity to meet the anticipated growth of Avid's business. The new manufacturing facility is expected to be operational in the near term.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation* - The accompanying consolidated financial statements include the accounts of Peregrine and its wholly-owned subsidiary, Avid. All intercompany balances and transactions have been eliminated.

*Use of Estimates* - The preparation of our financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

*Going Concern* - Our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability of the recorded assets or the classification of liabilities that may be necessary should it be determined that we are unable to continue as a going concern.

At April 30, 2015, we had $68,001,000 in cash and cash equivalents. We have expended substantial funds on the research and development of our product candidates, and funding the operations of Avid. As a result, we have historically experienced negative cash flows from operations since our inception and we expect negative cash flows from operations to continue in the foreseeable future. Therefore, unless and until we are able to generate sufficient revenue from Avid's contract manufacturing services and/or from the sale and/or licensing of our product candidates under development, we expect such losses to continue in the foreseeable future.

Our ability to continue to fund our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, (i) raising additional capital in the equity markets, (ii) licensing or partnering our product candidates in development, or (iii) generating additional revenue from Avid.

Historically, we have funded a significant portion of our operations through the issuance of equity. During fiscal year 2015, we raised $19,748,000 in aggregate gross proceeds from the sale of shares of our common stock and raised an additional $19,205,000 in aggregate gross proceeds from the sale of our 10.5% Series E Convertible Preferred Stock (the "Series E Preferred Stock") (Note 6). Subsequent to April 30, 2015 and through July 14, 2015, we raised an additional $8,896,000 in aggregate gross proceeds from the sale of shares of our common stock under an At Market Issuance Sales Agreement (Note 13). As of July 14, 2015, $151,651,000 remained available to us under our two effective shelf registration statements, which allows us from time to time to offer and sell shares of our common stock or preferred stock, in one or more offerings, either individually or in combination.

Although we believe we can raise sufficient capital to meet our obligations through fiscal year 2016, our ability to raise additional capital in the equity markets to fund our obligations in future periods is dependent on a number of factors, including, but not limited to, the market demand for our common stock and/or Series E Preferred Stock. The market demand or liquidity of our common stock and/or Series E Preferred Stock is subject to a number of risks and uncertainties, including but not limited to, negative economic conditions, adverse market conditions, adverse clinical trial results and significant delays in one or more clinical trials. If we are unable to either (i) raise sufficient capital in the equity markets, (ii) license or partner our products in development, or (iii) generate additional revenue from Avid, or any combination thereof, we may need to delay, scale back, or eliminate some or all our research and development efforts, delay the commercial launch of bavituximab, if approved, and/or restructure our operations. In addition, even if we are able to raise additional capital, it may not be at a price or on terms that are favorable to us.

Therefore, these uncertainties surrounding our ability to raise sufficient capital to meet our obligations through fiscal year 2016 have raised substantial doubt regarding our ability to continue as a going concern, and as a result, our independent registered public accounting firm included an explanatory paragraph in its report accompanying our audited consolidated financial statements for the year ended April 30, 2015 with respect to this uncertainty.

*Cash and Cash Equivalents* - We consider all highly liquid, short-term investments with an initial maturity of three months or less to be cash equivalents.

*Trade and Other Receivables* - Trade receivables are recorded at the invoiced amount net of an allowance for doubtful accounts, if necessary. Other receivables are reported at amounts expected to be collected net of an allowance for doubtful accounts, if necessary. Trade and other receivables, net, at April 30, consist of the following:

| | 2015 | 2014 |
|---|---|---|
| Trade receivables[1] | $ 3,423,000 | $ 1,219,000 |
| Other receivables, net | 390,000 | 113,000 |
| Trade and other receivables, net | $ 3,813,000 | $ 1,332,000 |

[1] Represents amounts billed for contract manufacturing services provided by Avid.

*Allowance for Doubtful Accounts* - We continually monitor our allowance for doubtful accounts for all receivables. We apply judgment in assessing the ultimate realization of our receivables and we estimate an allowance for doubtful accounts based on various factors, such as, the aging of accounts receivable balances, historical experience, and the financial condition of our customers. Based on our analysis of our receivables as of April 30, 2015 and 2014, we determined an allowance for doubtful accounts of $5,000 and $13,000, respectively, was necessary with respect to our other receivables, and no allowance was necessary with respect to our trade receivables.

In addition, amounts billed under our former government contract with Transformational Medical Technologies of the U.S. Department of Defense's Defense Threat Reduction Agency, which expired on April 15, 2011, included the reimbursement for provisional rates covering allowable indirect overhead and general and administrative costs ("Indirect Rates"). These Indirect Rates were initially estimated based on financial projections and were subject to change based on actual costs incurred during each fiscal year. In addition, these Indirect Rates are currently subject to audit by the Defense Contract Audit Agency for cost reimbursable type contracts. Upon the expiration of this contract, we recorded an unbilled receivable of $92,000 pertaining to the difference calculated between the estimated and actual Indirect Rates, which amount at April 30, 2015 and 2014 is included in prepaid expenses and other current assets. However, due to the uncertainty of its collectability, we determined it appropriate to record a corresponding allowance for doubtful accounts with respect to unbilled Indirect Rates in the amount of $92,000 at April 30, 2015 and 2014.

*Inventories* - Inventories are stated at the lower of cost or market and primarily include raw materials, direct labor and overhead costs (work-in-process) associated with our wholly-owned subsidiary, Avid. Cost is determined by the first-in, first-out method. Inventories consist of the following at April 30,:

| | 2015 | 2014 |
|---|---|---|
| Raw materials | $ 3,821,000 | $ 2,370,000 |
| Work-in-process | 3,533,000 | 3,160,000 |
| Total inventories | $ 7,354,000 | $ 5,530,000 |

*Property and Equipment, net* - Property and equipment is recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related asset, generally ranging from three to ten years. Amortization of leasehold improvements is calculated using the straight-line method over the shorter of the estimated useful life of the asset or the remaining lease term. Construction-in-progress, which represents direct costs related to the construction of a manufacturing facility, is not depreciated until the asset is completed and placed into service. No interest was incurred or capitalized as construction-in-progress as of April 30, 2015.

*Concentrations of Credit Risk and Customer Base* - Financial instruments that potentially subject us to a significant concentration of credit risk consist of cash and cash equivalents and trade receivables. We maintain our cash balances primarily with one major commercial bank and our deposits held with the bank exceed the amount of government insurance limits provided on our deposits. We are exposed to credit risk in the event of default by the major commercial bank holding our cash balances to the extent of the cash amount recorded on the accompanying consolidated balance sheet.

Our trade receivables from amounts billed for contract manufacturing services provided by Avid have historically been derived from a small customer base. Most contracts require up-front payments and installment payments during the service period. We perform periodic evaluations of the financial condition of our customers and generally do not require collateral, but we can terminate any contract if a material default occurs. Approximately 97% and 99% of the trade receivables balance at April 30, 2015 and 2014 (Note 2), respectively, represents amounts due from two customers.

In addition, contract manufacturing revenue generated by Avid has historically been derived from a small customer base (Note 11). These customers typically do not enter into long-term contracts because their need for drug supply depends on a variety of factors, including the drug's stage of development, their financial resources, and, with respect to commercial drugs, demand for the drug in the market. Our future results of operations could be adversely affected if revenue from any one of our primary customers is significantly reduced or eliminated.

*Comprehensive Loss* - Comprehensive loss is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Comprehensive loss is equal to our net loss for all periods presented.

*Impairment* - Long-lived assets are reviewed for impairment in accordance with authoritative guidance for impairment or disposal of long-lived assets. Long-lived assets are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable. Long-lived assets are reported at the lower of carrying amount or fair value less cost to sell. For the fiscal years ended April 30, 2015 and 2014, there was no impairment of the value of our long-lived assets.

*Fair Value of Financial Instruments* - The carrying amounts in the accompanying consolidated balance sheet for cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities approximate their fair values due to their short-term maturities.

*Fair Value Measurements* - We determine fair value measurements in accordance with the authoritative guidance for fair value measurements and disclosures for all assets and liabilities within the scope of this guidance. This guidance, which among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance prioritizes the inputs used in measuring fair value into the following hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as assets or liabilities whose values are based on quoted market prices in markets where trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets.
- Level 3 – Unobservable inputs that are supported by little or no market activity and significant to the overall fair value measurement.

As of April 30, 2015 and 2014, we do not have any Level 2 or Level 3 financial assets or liabilities and our cash and cash equivalents, which are primarily invested in money market funds with one major commercial bank, are carried at fair value based on quoted market prices for identical securities (Level 1 input).

*Customer Deposits* - Customer deposits primarily represents advance billings and/or payments received from Avid's third-party customers prior to the initiation of contract manufacturing services.

*Deferred Rent* - Rent expense is recorded on a straight-line basis over the initial term of our facility operating lease agreements and the difference between rent expense and the amounts paid is recorded as a deferred rent liability. Incentives granted under our facility operating leases, including tenant improvements and landlord-funded lease incentives, are recorded as a deferred rent liability, which is amortized as a reduction to rent expense over the term of the operating lease (Note 4).

*Revenue Recognition* - We currently derive revenue from the following two sources: (i) contract manufacturing services provided by Avid, and (ii) licensing revenue related to agreements associated with Peregrine's technologies under development.

We recognize revenue in accordance with the authoritative guidance for revenue recognition. We recognize revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery (or passage of title) has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured. We also comply with the authoritative guidance for revenue recognition regarding arrangements with multiple deliverables.

*Contract Manufacturing Revenue*

Revenue associated with contract manufacturing services provided by Avid is recognized once the service has been rendered and/or upon shipment (or passage of title) of the product to the customer. On occasion, we recognize revenue on a "bill-and-hold" basis in accordance with the authoritative guidance. Under "bill-and-hold" arrangements, revenue is recognized once the product is complete and ready for shipment, title and risk of loss has passed to the customer, management receives a written request from the customer for "bill-and-hold" treatment, the product is segregated from other inventory, and no further performance obligations exist.

In addition, we also follow the authoritative guidance when reporting revenue as gross when we act as a principal versus reporting revenue as net when we act as an agent. For transactions in which we act as a principal, have discretion to choose suppliers, bear credit risk and perform a substantive part of the services, revenue is recorded at the gross amount billed to a customer and costs associated with these reimbursements are reflected as a component of cost of sales for contract manufacturing services.

Any amounts received prior to satisfying our revenue recognition criteria are recorded as deferred revenue in the accompanying consolidated financial statements. We also record a provision for estimated contract losses, if any, in the period in which they are determined.

*License Revenue*

Revenue associated with licensing agreements primarily consists of non-refundable upfront license fees, non-refundable annual license fees and milestone payments. Non-refundable upfront license fees received under license agreements, whereby continued performance or future obligations are considered inconsequential to the relevant license technology, are recognized as revenue upon delivery of the technology. If a licensing agreement has multiple elements, we analyze each element of our licensing agreements and consider a variety of factors in determining the appropriate method of revenue recognition of each element.

*Multiple Element Arrangements.* Prior to the adoption of Accounting Standards Update ("ASU") No. 2009-13 on May 1, 2011, if a license agreement has multiple element arrangements, we analyze and determine whether the deliverables, which often include performance obligations, can be separated or whether they must be accounted for as a single unit of accounting in accordance with the authoritative guidance. Under multiple element arrangements, we recognize revenue for delivered elements only when the delivered element has stand-alone value and we have objective and reliable evidence of fair value for each undelivered element. If the fair value of any undelivered element included in a multiple element arrangement cannot be objectively determined, the arrangement would then be accounted for as a single unit of accounting, and revenue is recognized over the estimated period of when the performance obligation(s) are performed.

In addition, under certain circumstances, when there is objective and reliable evidence of the fair value of the undelivered items in an arrangement, but no such evidence for the delivered items, we utilize the residual method to allocate the consideration received under the arrangement. Under the residual method, the amount of consideration allocated to delivered items equals the total arrangement consideration less the aggregate fair value of the undelivered items, and revenue is recognized upon delivery of the undelivered items based on the relative fair value of the undelivered items.

For licensing agreements or material modifications of existing licensing agreements entered into after May 1, 2011, we follow the provisions of ASU No. 2009-13. If a licensing agreement includes multiple elements, we identify which deliverables represent separate units of accounting, and then determine how the arrangement consideration should be allocated among the separate units of accounting, which may require the use of significant judgment.

If a licensing agreement includes multiple elements, a delivered item is considered a separate unit of accounting if both of the following criteria are met:

1. The delivered item has value to the licensing partner on a standalone basis based on the consideration of the relevant facts and circumstances for each agreement; and

2. If the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in our control.

Arrangement consideration is allocated at the inception of the agreement to all identified units of accounting based on their relative selling price. The relative selling price for each deliverable is determined using vendor specific objective evidence ("VSOE") of selling price or third-party evidence of selling price if VSOE does not exist. If neither VSOE nor third-party evidence of selling price exists, we use our best estimate of the selling price for the deliverable. The amount of allocable arrangement consideration is limited to amounts that are fixed or determinable. The consideration received is allocated among the separate units of accounting, and the applicable revenue recognition criteria are applied to each of the separate units. Changes in the allocation of the sales price between delivered and undelivered elements can impact revenue recognition but do not change the total revenue recognized under any agreement.

*Milestone Payments*. Effective May 1, 2011, we adopted on a prospective basis the Milestone Method under ASU No. 2010-17 for new licensing agreements or material modifications of existing licensing agreements entered into after May 1, 2011. Under the Milestone Method, we recognize consideration that is contingent upon the achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone is substantive in its entirety. A milestone is considered substantive when it meets all of the following criteria:

1. The consideration is commensurate with either the entity's performance to achieve the milestone or the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone;

2. The consideration relates solely to past performance; and

3. The consideration is reasonable relative to all of the deliverables and payment terms within the arrangement.

A milestone is defined as an event (i) that can only be achieved based in whole or in part on either the entity's performance or on the occurrence of a specific outcome resulting from the entity's performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved, and (iii) that would result in additional payments being due to us.

The provisions of ASU No. 2010-17 do not apply to contingent consideration for which payment is either contingent solely upon the passage of time or the result of a counterparty's performance. We will assess the nature of, and appropriate accounting for, these payments on a case-by-case basis in accordance with the applicable authoritative guidance for revenue recognition.

Any amounts received prior to satisfying these revenue recognition criteria are recorded as deferred revenue in the accompanying consolidated financial statements.

*Research and Development Expenses* - Research and development expenses primarily include (i) payroll and related costs, including share-based compensation associated with research and development personnel, (ii) costs related to clinical trials and preclinical testing of our technologies under development, (iii) costs to develop and manufacture the product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (iv) expenses for research services provided by universities and contract laboratories, including sponsored research funding, and (v) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to our research and development efforts and have no alternative future uses.

Clinical trial costs are a significant component of our research and development expenses. We have a history of contracting with third parties that perform various clinical trial activities on our behalf in the ongoing development of our product candidates. The financial terms of these contracts are subject to negotiations and may vary from contract to contract and may result in uneven payment flow. Expenses related to clinical trials are accrued based on our estimates and/or representations from third parties (including clinical research organizations) regarding services performed. If the contracted amounts are modified (for instance, as a result of changes in the clinical trial protocol or scope of work to be performed), we modify our accruals accordingly on a prospective basis. Revisions in the scope of a contract are charged to expense in the period in which the facts that give rise to the revision become reasonably certain. There were no material adjustments for a change in estimate to research and development expenses in the accompanying consolidated financial statements in any of the three years ended April 30, 2015.

Under certain research and development agreements, we are obligated to make certain advance payments, including nonrefundable amounts, for goods or services that will be used or rendered for future research and development activities and are deferred and capitalized as prepaid research and development expenses. These advance payments are recognized as an expense in the period the related goods are delivered or the related services are performed. We assess our prepaid research and development expenses for impairment when events or changes in circumstances indicate that the carrying amount of the prepaid expense may not be recoverable or provide future economic benefit.

In addition, under certain in-licensing agreements associated with the research and development of our product candidates, we are obligated to pay certain milestone payments based on potential clinical development and regulatory milestones (Note 5). These milestone payments have no alternative future uses (in other research and development projects or otherwise) and therefore have no separate economic values and are expensed as research and development costs at the time the costs are incurred. We have no in-licensed product candidates that have alternative future uses in research and development projects or otherwise.

*Share-based Compensation* - We account for stock options and other share-based awards granted under our equity compensation plans in accordance with the authoritative guidance for share-based compensation. The estimated fair value of share-based payments to employees in exchange for services is measured at the grant date, using a fair value based method, such as a Black-Scholes option valuation model, and is recognized as expense on a straight-line basis over the requisite service periods. The fair value of modifications to share-based awards, if any, is generally estimated using a Black-Scholes option valuation model, unless a lattice model is required. Share-based compensation expense recognized during the period is based on the value of the portion of the share-based payment that is ultimately expected to vest during the period. In addition, as of April 30, 2015, there were no outstanding share-based awards with market or performance conditions.

In addition, we periodically grant stock options and other share-based awards to non-employee consultants, which we account for in accordance with the authoritative guidance for share-based compensation. The cost of non-employee services received in exchange for share-based awards are measured based on either the fair value of the consideration received or the fair value of the share-based award issued, whichever is more reliably measurable. In addition, guidance requires share-based compensation related to unvested options and awards issued to non-employees to be recalculated at the end of each reporting period based upon the fair market value on that date until the share-based award has vested, and any cumulative catch-up adjustment to share-based compensation resulting from the re-measurement is recognized in the current period (Note 7).

*Income Taxes* - We utilize the liability method of accounting for income taxes in accordance with authoritative guidance for accounting for income taxes. Under the liability method, deferred taxes are determined based on the differences between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized (Note 9).

*Basic and Dilutive Net Loss Per Common Share* - Basic net loss per common share is computed by dividing our net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period excluding the dilutive effects of stock options, common shares expected to be issued under our employee stock purchase plan, warrants, and Series E Preferred Stock outstanding during the period. Diluted net loss per common share is computed by dividing our net loss attributable to common stockholders by the sum of the weighted average number of common shares outstanding during the period plus the potential dilutive effects of stock options, common shares expected to be issued under our employee stock purchase plan, warrants, and Series E Preferred Stock outstanding during the period. Net loss attributable to common stockholders represents our net loss plus Series E Preferred Stock accumulated dividends. Series E Preferred Stock accumulated dividends include dividends declared for the period (regardless of whether or not the dividends have been paid) and dividends accumulated for the period (regardless of whether or not the dividends have been declared).

The potential dilutive effect of stock options, common shares expected to be issued under our employee stock purchase plan, and warrants outstanding during the period was calculated in accordance with the treasury stock method, but are excluded if their effect is anti-dilutive. The potential dilutive effect of Series E Preferred Stock outstanding during the period was calculated using the if-converted method assuming the conversion of Series E Preferred Stock as of the earliest period reported or at the date of issuance, if later, but are excluded if their effect is anti-dilutive. Because the impact of stock options, common shares expected to be issued under our employee stock purchase plan, warrants, and Series E Preferred Stock are anti-dilutive during periods of net loss, there was no difference between basic and diluted loss per common share amounts for the three years ended April 30, 2015.

The calculation of weighted average diluted shares outstanding excludes the dilutive effect of the following weighted average outstanding stock options, common shares expected to be issued under our employee stock purchase plan, and warrants since their impact are anti-dilutive during periods of net loss, resulting in an anti-dilutive effect as of April 30,:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Stock options | 3,833,193 | 4,576,112 | 3,505,777 |
| Employee stock purchase plan | 46,992 | 72,896 | 307,501 |
| Warrants | – | 3,802 | – |
| Total | 3,880,185 | 4,652,810 | 3,813,278 |

The calculation of weighted average diluted shares outstanding also excludes weighted average outstanding stock options and warrants to purchase 8,744,285, 5,424,803, and 5,860,305 shares of common stock for fiscal years ended April 30, 2015, 2014, and 2013, respectively, as their exercise prices were greater than the average market price of our common stock during the respective periods, resulting in an anti-dilutive effect. In addition, weighted average shares of 9,879,531 and 1,253,452, assuming the issuance of common stock upon conversion of outstanding Series E Preferred Stock for fiscal years 2015 and 2014, respectively, were also excluded from the calculation of weighted average diluted shares outstanding as the conversion price was greater than the average market price during the respective periods, resulting in an anti-dilutive effect.

Subsequent to April 30, 2015 and through July 14, 2015, we granted an aggregate of 3,299,903 stock options under a broad based annual grant for fiscal year 2016 (Note 13) and issued an aggregate of 6,534,400 shares of our common stock (Note 13), which are not included in the calculation of basic and dilutive net loss per common share for the year ended April 30, 2015.

*Adoption of Recent Accounting Pronouncements*

Effective May 1, 2014, we adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2013-11, Income Taxes (Topic 740): *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU No. 2013-11 requires entities to present in the financial statements an unrecognized tax benefit, or a portion of an unrecognized tax benefit as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward except to the extent such items are not available or not intended to be used at the reporting date to settle any additional income taxes that would result from the disallowance of a tax position. In such instances, the unrecognized tax benefit is required to be presented in the financial statements as a liability and not be combined with deferred tax assets. The adoption of ASU No. 2013-11 did not have a material impact on our consolidated financial statements.

*Pending Adoption of Recent Accounting Pronouncements*

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606): *Revenue from Contracts with Customers*, which guidance in this update will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance when it becomes effective. ASU No. 2014-09 affects any entity that enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principal of ASU No. 2014-09 is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, which will be our fiscal year 2018 (or May 1, 2017), and entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Early adoption is prohibited. On April 1, 2015, the FASB voted to propose a one-year deferral to the effective date, but to permit entities to adopt one year earlier if they choose (i.e., the original effective date). The proposal will be subject to the FASB's due process requirement, which includes a period for public comments. We are currently in the process of evaluating the impact of adoption of ASU No. 2014-09 on our consolidated financial statements and related disclosures, including what transition method will be elected.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40): *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU No. 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). ASU No. 2014-15 provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations in the financial statement footnotes. ASU No. 2014-15 is effective for annual reporting periods ending after December 15, 2016, which will be our fiscal year ending April 30, 2017, and to annual and interim periods thereafter. Early adoption is permitted. We have not yet determined the effect that the adoption of this guidance will have on the disclosures included in our consolidated financial statements.

In November 2014, the FASB issued ASU No. 2014-16, Derivatives and Hedging (Topic 815): *Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity*. ASU No. 2014-16 clarifies how current guidance should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. In addition, ASU No. 2014-16 clarifies that in evaluating the nature of a host contract, an entity should assess the substance of the relevant terms and features (that is, the relative strength of the debt-like or equity-like terms and features given the facts and circumstances) when considering how to weight those terms and features. The effects of initially adopting ASU No. 2014-16 should be applied on a modified retrospective basis to existing hybrid financial instruments issued in a form of a share as of the beginning of the fiscal year for which the amendments are effective. Retrospective application is permitted to all relevant prior periods. ASU No. 2014-16 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, which will be our fiscal year 2017 (or May 1, 2016). Early adoption is permitted. We are currently in the process of evaluating the impact of adoption of ASU No. 2014-16 on our consolidated financial statements and related disclosures.

In June 2015, FASB issued ASU No. 2015-10, *Technical Corrections and Updates*. ASU No. 2015-10 is intended to correct differences between original guidance and the Codification, clarify the guidance, correct references and make minor improvements affecting a variety of topics. ASU No. 2015-10 covers a wide range of topics in the Codification and is generally categorized as follows: Amendments Related to Differences between Original Guidance and the Codification; Guidance Clarification and Reference Corrections; Simplification; and, Minor Improvements. The amendments are effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015, which will be our fiscal year 2017 (or May 1, 2016). Early adoption is permitted. We are currently in the process of evaluating the impact of adoption of ASU No. 2015-10 on our consolidated financial statements and related disclosures.

## 3. NOTE PAYABLE AND CAPITAL LEASE OBLIGATIONS

*Note Payable Obligation*

On August 30, 2012, we entered into a loan and security agreement (the "Loan Agreement") with Oxford Finance LLC, MidCap Financial SBIC LP, and Silicon Valley Bank (collectively, the "Lenders") for up to $30,000,000 in total funding available in two $15,000,000 tranches. The Loan Agreement was secured by a first-priority security interest in substantially all of our assets, excluding our intellectual property and our rights under license agreements granting us rights to intellectual property. On August 30, 2012, we received initial funding of $15,000,000 under the Loan Agreement, excluding debt issuance costs of $251,000.

On September 24, 2012, we received a written notice of default ("Notice of Default") from the Lenders, with respect to the Loan Agreement. The Notice of Default was triggered by a material adverse change under the Loan Agreement, whereby, pursuant to the terms of the Notice of Default, all amounts due under the Loan Agreement were declared immediately due and payable by the Lenders. On September 25, 2012, we paid the Lenders all obligations declared due and payable under the Loan Agreement, including outstanding principal of $15,000,000, accrued interest thereon at the Loan Agreement's applicable fixed rate of 7.95% per annum, plus a final payment fee equal to 6.5% of the principal amount funded (or $975,000), upon which, the Loan Agreement was terminated.

In addition, under the Loan Agreement, we issued the Lenders warrants to purchase an aggregate of 273,280 shares of our common stock at a per share price of $2.47. The warrants are exercisable on a cash or cashless basis and expire on August 30, 2018, if unexercised. The fair value of the warrants issued was $470,000 and was calculated using a Black-Scholes valuation model with the following assumptions: risk-free interest rate of 0.87%; expected volatility of 80.20%; expected term of six years; and a dividend yield of 0%. The fair value of the warrants issued was initially recorded as a debt discount with a corresponding increase to additional paid-in capital. As of April 30, 2015, the warrants issued under the Loan Agreement were outstanding and exercisable (Note 8).

Upon the termination of the Loan Agreement, we recorded a loss on the early extinguishment of debt of $1,696,000, which consisted of the final payment fee of $975,000, the unamortized debt discount associated with the fair value of the warrants issued to the Lenders of $470,000, and the unamortized aggregate debt issuance costs of $251,000. The loss on the early extinguishment of debt is included in the accompanying consolidated statements of operations and comprehensive loss for the fiscal year ended April 30, 2013.

*Capital Lease Obligations*

We had financed certain equipment under capital lease agreements, which bore interest at rates ranging from 3.71% to 5.36% per annum, and which, were paid in full as of April 30, 2015. Equipment purchased under capital leases is included in property in the accompanying consolidated financial statements at April 30, 2014 are as follows:

| | | |
|---|---|---|
| Furniture, fixtures, office equipment and software | $ | 258,000 |
| Less accumulated depreciation and amortization | | (200,000) |
| Net book value | $ | 58,000 |

## 4. COMMITMENTS AND CONTINGENCIES

*Operating Leases* - Our corporate offices, research and development, and manufacturing facilities are located in Tustin, California. We currently lease an aggregate of approximately 101,000 square feet of office, research and manufacturing space in four adjacent buildings under three separate lease agreements.

In December 1998, we entered into our first lease agreement (the "First Lease") to lease two buildings located at our headquarters in Tustin, California. The First Lease has an original lease term of 12 years with two 5-year renewal options and includes scheduled rental increases of 3.35% every two years. In December 2005, we entered into an amendment with the landlord and extended the original lease term for seven additional years to expire on December 31, 2017, while maintaining our two 5-year renewal options that could extend our lease to December 31, 2027.

During fiscal year 2011, we entered into a second lease agreement (the "Second Lease") to lease additional office and research space in a building adjacent to our two buildings leased under the First Lease. The Second Lease expires on December 31, 2017 and includes a 5-year option to extend the lease to December 31, 2022. The Second Lease includes nominal scheduled increases every twelve months. In addition, under the terms of the Second Lease, we received a tenant improvement reimbursement of $125,000 during fiscal year 2011, which we classified as deferred rent and is being amortized on a straight-line basis over the term of the lease as a reduction to rent expense. Tenant improvements associated with the Second Lease are recorded as leasehold improvements and are being amortized over the shorter of the estimated useful life of the improvements or the remaining life of the lease.

During fiscal year 2015, we entered into a third lease agreement (the "Third Lease"), to lease approximately 40,000 square feet of vacant warehouse space in a nearby adjacent building to expand our current manufacturing capacity. Our monthly base rent under the lease agreement is approximately $38,000 and includes scheduled annual rent increases of 3.0%. The lease term is for six years commencing August 1, 2015 and includes an option to extend the lease term in two 5-year periods to extend the lease to July 31, 2031. In addition, the Third Lease provides for 12.5 months of free rent, lessor improvements of $250,000 and a tenant improvement allowance of $365,000. The lessor improvements and tenant improvement allowance were classified as deferred rent and are being amortized on a straight-line basis over the term of the lease as a reduction to rent expense. In addition, these improvements associated with the lease agreement will be recorded as an addition to leasehold improvements upon completion of the facility build-out and amortized over the shorter of the estimated useful life of the improvements or the remaining life of the lease.

Under each of the aforementioned facility operating leases, we record rent expense on a straight-line basis over the initial term of the lease. The difference between rent expense and the amounts paid under the operating leases is recorded as a deferred rent liability in the accompanying consolidated financial statements. Annual rent expense under the aforementioned facility operating lease agreements totaled $1,197,000, $938,000, and $938,000 for the fiscal years ended April 30, 2015, 2014, and 2013, respectively.

At April 30, 2015, future minimum lease payments under all non-cancelable operating leases are as follows:

| Year ending April 30,: | Minimum Lease Payments |
|---|---|
| 2016 | $ 1,359,000 |
| 2017 | 1,530,000 |
| 2018 | 1,206,000 |
| 2019 | 490,000 |
| 2020 | 504,000 |
| Thereafter | 650,000 |
| | $ 5,739,000 |

*Legal Proceedings* - In the ordinary course of business, we are at times subject to various legal proceedings and disputes. We make provisions for liabilities when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Such provisions are reviewed at least quarterly and adjusted to reflect the impact of any settlement negotiations, judicial and administrative rulings, advice of legal counsel, and other information and events pertaining to a particular case. Litigation is inherently unpredictable. Unless otherwise disclosed, we are unable to estimate the possible loss or range of loss for the legal proceedings described below. While it is not possible to accurately predict or determine the eventual outcome of these items, an adverse determination in one or more of these items currently pending could have a material adverse effect on our consolidated results of operations, financial position or cash flows.

*Securities Related Class Action Lawsuit*

On September 28, 2012, three complaints were filed in the U.S. District Court for the Central District of California against us and certain of our executive officers and one consultant (collectively, the "Defendants") on behalf of certain purchasers of our common stock. The complaints have been brought as purported stockholder class actions, and, in general, include allegations that Defendants violated (i) Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder and (ii) Section 20(a) of the Exchange Act, by making materially false and misleading statements regarding the interim results of our bavituximab Phase II second-line NSCLC trial, thereby artificially inflating the price of our common stock. The plaintiffs are seeking unspecified monetary damages and other relief. On February 5, 2013, the court consolidated the related actions with the low-numbered case (captioned *Anderson v. Peregrine Pharmaceuticals, Inc., et al.*, Case No. 12-cv-1647-PSG (FMOx)). After the court issued two separate orders granting the Defendants' two separate motions to dismiss, on May 1, 2014, the court issued a third order granting Defendants' motion to dismiss the plaintiff's amended complaint with prejudice. On May 29, 2014, the plaintiff filed a notice of appeal with respect to the court's order granting Defendants' motion to dismiss. Lead plaintiff's opening brief with respect to the appeal was filed on December 15, 2014 and the Defendants' answering brief was filed on January 30, 2015. Lead plaintiff filed a reply brief on February 27, 2015. We believe that the class action lawsuit is without merit and intend to vigorously defend the action.

*Derivative Litigation*

On May 9, 2013, an alleged shareholder filed, purportedly on behalf of us, a derivative lawsuit, captioned *Roy v. Steven W. King*, *et al*., Case No. 13-cv-0741-PSG (RNBx), in the U.S. District Court for the Central District of California against certain of our executive officers and directors. The complaint asserts claims for breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment arising from substantially similar factual allegations as those asserted in the consolidated securities class action lawsuit, described above (the "Securities Class Action"). The plaintiff is seeking, for our benefit, unspecified monetary damages and other relief. This case was subsequently transferred to the same court and judge handling the Securities Class Action lawsuit. On May 31, 2013, the judge issued an order administratively closing the case and inviting the parties to move to re-open after the final resolution of defendants' motions to dismiss in the Securities Class Action.

On October 10, 2013, a derivative/class action complaint, captioned *Michaeli v. Steven W. King, et al.*, C.A. No. 8994-VCL, was filed in the Court of Chancery of the State of Delaware against certain of our executive officers and directors. The complaint alleges that our directors and executives breached their respective fiduciary duties in connection with certain purportedly improper compensation decisions made by our Board of Directors during the past three fiscal years, including: (i) the grant of a stock option to Mr. King on May 4, 2012; (ii) the non-routine broad-based stock option grant to our directors, executives, all other employees and certain consultants on December 27, 2012; and (iii) the payment, during the past three fiscal years, of compensation to our non-employee directors. In addition, the complaint alleges that the Company's directors breached their fiduciary duty of candor by filing and seeking stockholder action on the basis of an allegedly materially false and misleading proxy statement for our 2013 annual meeting of stockholders. The plaintiffs are seeking recession of a portion of the stock option grant to Mr. King on May 4, 2012 and the stock options granted to the defendants on December 27, 2012, as well as disgorgement of any excessive compensation paid to our non-employee directors during the three fiscal years prior to the filing of the complaint and other monetary relief for our benefit. The defendants filed their answer to the complaint on February 5, 2014. We believe that the derivative/class action complaint are without merit and intend to vigorously defend the action.

*Other Legal Matters*

On September 24, 2012, we filed a lawsuit, captioned *Peregrine Pharmaceuticals, Inc. v. Clinical Supplies Management, Inc.,* Case No. 8:12-cv-01608 JST(AN) (C.D. Cal), against Clinical Supplies Management, Inc. ("CSM"), in the U.S. District Court for the Central District of California. In 2010, we had contracted with CSM as our third-party vendor responsible for distribution of the blinded investigational product used in our bavituximab Phase IIb second-line NSCLC trial. As part of the routine collection of data in advance of an end-of-Phase II meeting with regulatory authorities, we discovered major discrepancies between some patient sample test results and patient treatment code assignments. Consequently, we filed this lawsuit against CSM alleging breach of contract, negligence and negligence per se arising from CSM's performance of its contracted services. We are seeking monetary damages. On June 5, 2014, CSM filed with the court a Notice of Motion and Motion for Partial Summary Judgment seeking partial summary judgment on our claims for damages on the grounds that the limitation of liability clauses contained in our master services agreement with CSM are valid and enforceable. Our opposition to CSM's motion was filed with the court on June 23, 2014, and the hearing on the motion was held on July 28, 2014. On July 30, 2014, the court issued its order holding that the limitation of liability clause did not apply to our claims for active negligence, negligent misrepresentation and constructive fraud, but did apply to our causes of action for breach of contract, passive negligence and negligence *per se*. On March 27, 2015, CSM filed with the court a Notice of Motion and Motion for Partial Summary Judgment seeking partial summary judgment on our claims for damages on the grounds that the causes of action for negligence, negligence *per se*, negligent misrepresentation, and constructive fraud are barred by the economic loss doctrine, as well as that the causes of action for negligent misrepresentation and constructive fraud cannot be established as a matter of law. Our opposition to CSM's motion was filed with the court on April 13, 2015 and CSM's reply to our motion was filed on April 20, 2015. On June 22, 2015, the court issued its order granting CSM's Motion for Partial Summary Judgment. The trial date for this matter is set for October 20, 2015.

## 5. LICENSING AGREEMENTS

The following represents a summary of our key in-licensing agreements covering our products in clinical development. In addition, we do not perform any research and development activities for any unrelated entities.

*Bavituximab*

In August 2001 and August 2005, we exclusively in-licensed the worldwide rights to the phosphatidylserine ("PS")-targeting technology platform from the University of Texas Southwestern Medical Center at Dallas ("UTSWMC"), including bavituximab. During November 2003, we entered into a non-exclusive license agreement with Genentech, Inc. ("Genentech"), to license certain intellectual property rights covering methods and processes for producing antibodies used in connection with the development of our PS-targeting program. During December 2003, we entered into an exclusive commercial license agreement with Avanir Pharmaceuticals, Inc., ("Avanir") covering the generation of a chimeric monoclonal antibody. In March 2005, we entered into a worldwide non-exclusive license agreement with Lonza Biologics ("Lonza") for intellectual property and materials relating to the expression of recombinant monoclonal antibodies for use in the manufacture of bavituximab.

Under our in-licensing agreements relating to bavituximab, we are obligated to pay future milestone payments based on potential clinical development and regulatory milestones, plus a royalty on net sales and/or a percentage of sublicense income. The applicable royalty rate under each of the foregoing in-licensing agreements is in the low single digits. During fiscal year 2014, we expensed $125,000 associated with milestone obligations under in-licensing agreements covering bavituximab, which is included in research and development expense in the accompanying consolidated statements of operations and comprehensive loss. We did not incur any milestone related expenses during fiscal years 2015 and 2013.

The following table provides certain information with respect to each of our in-licensing agreements relating to our bavituximab program.

| Licensor | Agreement Date | Total Milestone Obligations Expensed To Date | Potential Future Milestone Obligations (1) |
|---|---|---|---|
| UTSWMC | August 2001 | $ 173,000 | $ 300,000 |
| UTSWMC | August 2005 | 85,000 | 375,000 |
| Lonza | March 2005 | 64,000 | –(2) |
| Avanir | December 2003 | 100,000 | 1,000,000 |
| Genentech | November 2003 | 500,000 | 5,000,000 |
| Total | | $ 922,000 | $ 6,675,000 |

(1) Under our current agreements, potential future milestone obligations are due upon achieving certain clinical and regulatory milestones. Based on the current stage of clinical development for bavituximab, future milestone obligations would be due upon submission of a biologics license application in the U.S. and upon FDA approval, which events are currently uncertain and depend on positive clinical trial results. In addition, potential future milestone obligations vary by license agreement (as defined in each license agreement) and certain agreements depend on a valid patent claim, as defined in each of these underlying agreements, at the time the potential milestone is achieved.

(2) In the event we utilize a third-party contract manufacturer other than Lonza to manufacture bavituximab for commercial purposes, we would owe Lonza 300,000 pounds sterling per year (or approximately $461,000 USD based on the exchange rate at April 30, 2015).

We do not expect to incur any milestone related expenses regarding our bavituximab program during fiscal year 2016. In addition, of the total potential future milestone obligations of $6,675,000, up to $6,400,000 would be due upon the first commercial approval of bavituximab pursuant to these in-licensing agreements. However, given the uncertainty of the drug development and the regulatory approval process, we are unable to predict with any certainty when any of these future milestones will occur, if at all.

*PGN650*

In October 1998, we exclusively in-licensed worldwide rights from UTSWMC, to certain patent families, which was amended in January 2000 to license patents related to PS-targeting conjugates, such as PGN650. Under the October 1998 license agreement, as amended, we are obligated to pay UTSWMC a future milestone payment of $300,000 upon the first commercial sale of a licensed PS-targeting conjugate such as PGN650, plus a low single digit royalty on net sales.

In addition, during fiscal year 2007, we entered into a research collaboration agreement and a development and commercialization agreement with Affitech A/S ("Affitech") regarding the generation and commercialization of a certain number of fully human monoclonal antibodies under our platform technologies to be used as possible future clinical candidates, including the antibody of our imaging agent PGN650. During fiscal year 2013, under the terms of the development and commercialization agreement, we elected to enter into a license agreement for the PS-targeting antibody used to create PGN650, whereby we paid an up-front license fee and are obligated to pay future milestone payments of up to $1,921,000 based on the achievement of certain potential clinical development and regulatory milestones, plus a low single digit royalty on net sales.

During fiscal year 2013, we expensed $50,000 under in-licensing agreements covering PGN650, which is included in research and development expense in the accompanying consolidated statements of operations and comprehensive loss. We did not incur any milestone related expenses during fiscal years 2015 or 2014 covering PGN650. In addition, we do not expect to incur any milestone related expenses regarding our PGN650 program during fiscal year 2016.

*Other In-Licensing Agreement Covering a Third-Party Product Development Program*

During July 2009, we entered into a patent assignment and sublicense with Affitech whereby we out-licensed exclusive worldwide rights to develop and commercialize certain products under our anti-vascular endothelial growth factor ("VEGF") intellectual property portfolio as further described in the "Out-Licensing Collaborations" section below. The underlying technology licensed to Affitech was in-licensed from UTSWMC in August 2001 under an exclusive worldwide license agreement. Under the UTSWMC license agreement, as amended, our aggregate future milestone obligations are $450,000 assuming the achievement of all development milestones by Affitech. We did not incur any milestone related expenses during the three years ended April 30, 2015. In addition, we do not anticipate making any milestone payments for at least the next fiscal year under the UTSWMC license agreement.

*Out-Licensing Agreements*

The following represents a summary of our key out-licensing agreements:

During October 2000, we entered into a licensing agreement with Merck KGaA to out-license a segment of our Tumor Necrosis Therapy technology for use in the application of cytokine fusion proteins. During January 2003, we entered into an amendment to the license agreement, whereby we received an extension to the royalty period from six years to ten years from the date of the first commercial sale. Under the terms of the agreement, we would receive a royalty on net sales if a product is approved under the agreement. Merck KGaA is currently in the clinical development stage of this program.

During July 2009, we entered into a patent assignment and sublicense (collectively, the "Affitech Agreements") with Affitech whereby we licensed exclusive worldwide rights to develop and commercialize certain products under our anti-VEGF intellectual property portfolio, including the fully human antibody AT001/r84. In consideration for the rights granted under our anti-VEGF antibody technology platform, we received non-refundable up-front license fees of $250,000. In addition, we received aggregate milestone payments of $1,000,000 associated with the delivery of two preclinical development packages as defined in the Affitech Agreements. We could also receive up to $16,500,000 in future milestone payments based on the achievement of all clinical and regulatory milestones for product approval by Affitech or an affiliate, plus a royalty on net sales, as defined in the Affitech Agreements. These potential future milestone payments payable under the Affitech Agreements entail no performance obligations on our part and, accordingly, these payments will not be accounted for under the provisions of ASU No. 2010-17. Therefore, we expect to recognize revenue on the future potential milestone payments, if any, in accordance with the authoritative guidance for revenue recognition, either when the milestone is achieved, if our future obligations are considered inconsequential, or recognized as revenue on a straight-line basis over a performance obligation period, if continued performance or future obligations exist. To date, no clinical or regulatory milestones as defined in the Affitech Agreements have been achieved by Affitech or an affiliate. In addition, in the event Affitech enters into a sublicense agreement with a non-affiliate for the anti-VEGF technology platform, we shall receive a percentage of all payments received under any such sublicenses, which percentage is determined based on the clinical development stage of the technology platform at the time of any such sublicenses. In accordance with the authoritative guidance for revenue recognition, the license includes multiple elements that are not separable and, accordingly, were accounted for as a single unit of accounting. In addition, we determined that our obligations would be up to a four-year period and therefore, we recognized the non-refundable up-front license fees of $250,000 and the additional $1,000,000 associated with other deliverables, as defined in the Affitech Agreements, on a straight-line basis over a four-year period through July 2013. We recognized revenue of $37,000, $107,000 and $350,000 during fiscal years 2015, 2014 and 2013, respectively, under the Affitech Agreements, which amounts are included in license revenue in the accompanying consolidated financial statements.

During September 2010, Peregrine and Affitech agreed to amend certain terms of the Affitech Agreements for sublicenses entered into by Affitech with non-affiliates for the territories of Brazil, Russia and other countries of the Commonwealth of Independent States ("CIS") ("September 2010 Amendment"). Under the amended terms, Peregrine agreed to forego its aforementioned sublicense fee equal to forty-five percent (45%) of the payments received by Affitech (after Affitech deducts fifty percent (50%) of its incurred development costs under the program) for the territories of Brazil, Russia, and the CIS, provided however, that Affitech reinvests such sublicense payments toward the further development of AT001/r84 in those territories. In the event Affitech enters into a licensing transaction for AT001/r84 with a non-affiliate in a major pharmaceutical market (defined as U.S., European Union, Switzerland, United Kingdom and/or Japan), Affitech has agreed to reimburse us the aforementioned sublicense fees we agreed to forego that were applied to the AT001/r84 program while Affitech will be eligible to be reimbursed for up to 50% of their development costs in Brazil, Russia and CIS territories. The remaining terms of the Affitech Agreements remain unchanged, including milestone and royalty payments. To date, we have not received any payments from Affitech under the September 2010 Amendment.

## 6. STOCKHOLDERS' EQUITY

*Adoption of a Stockholder Rights Agreement*

On March 16, 2006, our Board of Directors adopted a Stockholder Rights Agreement ("Rights Agreement") that is designed to strengthen the ability of the Board of Directors to protect the interests of our stockholders against potential abusive or coercive takeover tactics and to enable all stockholders the full and fair value of their investment in the event that an unsolicited attempt is made to acquire Peregrine. The adoption of the Rights Agreement is not intended to prevent an offer the Board of Directors concludes is in the best interest of Peregrine and its stockholders.

Under the Rights Agreement, the Board of Directors declared a dividend of one preferred share purchase right (a "Right") for each share of our common stock held by shareholders of record as of the close of business on March 27, 2006. Each Right will entitle holders of each share of our common stock to buy one thousandth (1/1,000th) of a share of Peregrine's Series D Participating Preferred Stock, par value $0.001 per share, at an exercise price of $11.00 per share, subject to adjustment. The Rights are neither exercisable nor traded separately from our common stock. The Rights will become exercisable and will detach from the common shares if a person or group acquires 15% or more of our outstanding common stock, without prior approval from our Board of Directors, or announces a tender or exchange offer that would result in that person or group owning 15% or more of our common stock. Each Right, when exercised, entitles the holder (other than the acquiring person or group) to receive our common stock (or in certain circumstances, voting securities of the acquiring person or group) with a value of twice the Rights' exercise price upon payment of the exercise price of the Rights.

Peregrine will be entitled to redeem the Rights at $0.001 per Right at any time prior to a person or group achieving the 15% threshold. The Rights will expire on March 16, 2016.

*Sales of Common and Preferred Stock*

Our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, issuing additional equity.

During the three fiscal years ended April 30, 2015, we issued common and preferred stock under the following agreements:

*Sale of Common Stock*

*December 2010 AMI Agreement* – On December 29, 2010, we entered into an At Market Sales Issuance Agreement ("December 2010 AMI Agreement") with MLV & Co. LLC ("MLV"), pursuant to which, through MLV, as agent, we were able to sell shares of our common stock, from time to time at market prices, in registered transactions from our shelf registration statement on Form S-3 (File No. 333-171252) which was declared effective by the Securities and Exchange Commission ("SEC") on January 5, 2011 ("January 2011 Shelf"), for aggregate gross proceeds of up to $75,000,000. During fiscal year 2013, we sold 31,863,368 shares of common stock at market prices under the December 2010 AMI Agreement for aggregate gross proceeds of $27,382,000 before deducting commissions and other issuance costs of $895,000. As of April 30, 2013, we had raised the full amount of gross proceeds available to us under the December 2010 AMI Agreement.

*December 2012 AMI Agreement* – On December 27, 2012, we entered into an At Market Sales Issuance Agreement ("December 2012 AMI Agreement") with MLV, pursuant to which, through MLV, as agent, we were able to sell shares of our common stock, from time to time at market prices, in registered transactions from our shelf registration statement on Form S-3 (File No. 333-180028), which was declared effective by the SEC on April 12, 2012 ("April 2012 Shelf"), for aggregate gross proceeds of up to $75,000,000. During fiscal year 2013, we sold 9,320,675 shares of common stock at market prices under the December 2012 AMI Agreement for aggregate gross proceeds of $13,372,000 before deducting commissions and other issuance costs of $337,000. During fiscal year 2014, we sold 33,527,369 shares of common stock at market prices under the December 2012 AMI Agreement for aggregate gross proceeds of $55,424,000 before deducting commissions and other issuance costs of $1,504,000. During fiscal year 2015, we sold 3,983,360 shares of common stock at market prices under the December 2012 AMI Agreement for aggregate gross proceeds of $6,204,000 before deducting commissions and other issuance costs of $161,000. As of April 30, 2015, we had raised the full amount of gross proceeds available to us under the December 2012 AMI Agreement.

*June 2014 AMI Agreement* – On June 13, 2014, we entered into an At Market Issuance Sales Agreement ("June 2014 AMI Agreement"), with MLV, pursuant to which we may sell shares of our common stock through MLV, as agent, for aggregate gross proceeds of up to $25,000,000 in registered transactions from our April 2012 Shelf. On April 13, 2015, we entered into an amendment ("Amendment") to the June 2014 AMI Agreement to substitute registration statements from which shares of our common stock may be offered and sold under the June 2014 AMI Agreement. The Amendment replaced the April 2012 Shelf, which expired on April 12, 2015, with our shelf registration statement on Form S-3 (File No. 333-201245), which was declared effective by the SEC on January 15, 2015. During fiscal year 2015, we sold 9,681,757 shares of common stock at market prices under the June 2014 AMI Agreement, as amended, for aggregate gross proceeds of $13,544,000 before deducting commissions and other issuance costs of $352,000. As of April 30, 2015, aggregate gross proceeds of up to $11,456,000 remained available under the June 2014 AMI Agreement, as amended.

*Sale of Preferred Stock*

*February 2014 Offering* – On February 11, 2014, we entered into an underwriting agreement (the "Underwriting Agreement") with MLV, as representative for the underwriters identified therein (collectively, the "Underwriters"), providing for the offer and sale to the Underwriters in a firm commitment underwritten public offering of 700,000 shares (the "Firm Shares") of our newly designated 10.50% Series E Convertible Preferred Stock, par value $0.001 per share (the "Series E Preferred Stock"), at a public offering price of $25.00 per share (the "Offering"). In addition, pursuant to the Underwriting Agreement, we also granted the Underwriters a 30-day option to purchase up to an additional 105,000 shares of our Series E Preferred Stock under this Offering at the public offering price less the underwriting discount to cover over-allotments, if any ("Overallotment Option").

We completed the sale of the Firm Shares on February 19, 2014 for aggregate gross proceeds of $17,500,000, before deducting underwriting discounts and commissions and other offering expenses payable by us. In addition, on February 27, 2014, the Underwriters purchased an additional 75,000 shares of our Series E Preferred Stock upon partial exercise of the Overallotment Option at the public offering price of $25.00 per share for aggregate gross proceeds of $1,875,000, before deducting underwriting discounts and commissions and other offering related expenses payable by us. The aggregate gross proceeds we received from the Offering, including the partial exercise of the Overallotment Option, was $19,375,000, before deducting aggregate underwriting discounts and commissions and other offering related expenses of $1,458,000.

The Offering was made pursuant to a prospectus supplement filed with the SEC on February 12, 2014 to our shelf registration statement on Form S-3 (File No. 333-193113) which was declared effective by the SEC on January 16, 2014 ("January 2014 Shelf").

*June 2014 Series E AMI Agreement* – On June 13, 2014, we entered into an At Market Issuance Sales Agreement ("Series E AMI Agreement") with MLV, pursuant to which we may issue and sell shares of our Series E Preferred Stock through MLV, as agent, for aggregate gross proceeds of up to $30,000,000, in registered transactions from our January 2014 Shelf. During fiscal year 2015, we sold 799,764 shares of our Series E Preferred Stock at market prices under the Series E AMI Agreement for aggregate gross proceeds of $19,205,000 before deducting commissions and other issuance costs of $1,002,000. As of April 30, 2015, aggregate gross proceeds of up to $10,795,000 remained available under the Series E AMI Agreement.

In addition, the Series E Preferred Stock is classified as permanent equity in accordance with FASB Accounting Standards Codification Topic 480, *Distinguishing Liabilities from Equity*.

*Series E Preferred Stock Rights and Preferences*

On February 12, 2014, we filed with the Secretary of State of the State of Delaware a Certificate of Designations of Rights and Preferences (the "Certificate of Designations") to designate the Series E Preferred Stock. The Certificate of Designations designated 2,000,000 shares of Series E Preferred Stock out of our 5,000,000 shares of authorized but unissued shares of preferred stock. Certain terms of the Series E Preferred Stock include:

(i) The holders are entitled to receive a 10.50% per annum cumulative quarterly dividend, payable in cash, on or about the 1st day of each of January, April, July, and October;

(ii) The dividend may increase to a penalty rate of 12.50% if: (a) we fail to pay dividends for any four consecutive or nonconsecutive quarterly dividend periods, or (b) once the Series E Preferred Stock becomes initially eligible for listing on a national securities exchange, we fail, for 180 or more consecutive days, to maintain such listing;

(iii) Following a change of control of the Company (as defined in the Certificate of Designations) by a person or entity, we (or the acquiring entity) may, at our option, redeem the Series E Preferred Stock, in whole but not in part, within 120 days after the date on which the change of control has occurred for cash, at the redemption price;

(iv) We may not redeem the Series E Preferred Stock prior to February 11, 2017 (except following a change of control) and, on and after February 11, 2017, we may redeem the Series E Preferred Stock for cash at our option, from time to time, in whole or in part, at the redemption price;

(v) The redemption price is $25.00 per share, plus any accrued and unpaid dividends (whether or not earned or declared) to, but excluding, the redemption date;

(vi) The liquidation preference is $25.00 per share, plus any accrued and unpaid dividends (whether or not earned or declared);

(vii) The Series E Preferred Stock has no stated maturity date or mandatory redemption and is senior to all of the Company's other securities;

(viii) There is a general conversion right with respect to the Series E Preferred Stock with an initial conversion price of $3.00, a special conversion right upon a change of control, and a market trigger conversion at our option in the event of Market Trigger (as defined in the Certificate of Designations); and

(ix) The holders of the Series E Preferred Stock have no voting rights, except as defined in the Certificate of Designations.

*Series E Preferred Stock Dividend*

The following table summarizes the Series E Preferred Stock dividend activity from inception of the Series E Preferred Stock offering though April 30, 2015:

| Declaration Date | Dividend Per Share | Annualized Percentage Rate | Liquidation Preference | Accrual Period | Record Date | Payment Date |
|---|---|---|---|---|---|---|
| 3/11/2014 | $0.29890(1) | 10.50% | $25.00 | 2/19/2014 – 3/31/2014 | 3/21/2014 | 4/1/2014 |
| 6/10/2014 | $0.65625 | 10.50% | $25.00 | 4/1/2014 – 6/30/2014 | 6/20/2014 | 7/1/2014 |
| 9/8/2014 | $0.65625 | 10.50% | $25.00 | 7/1/2014 – 9/30/2014 | 9/19/2014 | 10/1/2014 |
| 12/9/2014 | $0.65625 | 10.50% | $25.00 | 10/1/2014 – 12/31/2014 | 12/19/2014 | 1/2/2015 |
| 3/10/2015 | $0.65625 | 10.50% | $25.00 | 1/1/2015 – 3/31/2015 | 3/20/2015 | 4/1/2015 |

(1) Dividend per share was pro-rated for the initial accrual period starting February 19, 2014.

*Shares Of Common Stock Authorized And Reserved For Future Issuance*

We are authorized to issue up to 325,000,000 shares of our common stock. As of April 30, 2015, 193,346,627 shares of our common stock were issued and outstanding. In addition, our common stock outstanding as of April 30, 2015 excluded the following shares of common stock reserved for future issuance:

- 24,880,481 shares of common stock reserved for issuance under outstanding option grants and available for issuance under our stock incentive plans;
- 2,443,056 shares of common stock reserved for and available for issuance under our Employee Stock Purchase Plan;
- 273,280 shares of common stock issuable upon exercise of outstanding warrants; and
- 45,668,156 shares of common stock issuable upon conversion of our outstanding Series E Preferred Stock (1).

(1) The Series E Preferred Stock is convertible into shares of common stock at a conversion price of $3.00 per share. If all outstanding Series E Preferred Stock were converted at the $3.00 per share conversion price, the holders of Series E Preferred Stock would receive an aggregate of 13,123,033 shares of our common stock. However, we have reserved the maximum number of shares of our common stock that could be issued upon a change of control event assuming our shares of common stock are acquired for consideration of $0.855 per share or less. In this scenario, each outstanding share of Series E Preferred Stock could be converted into 29 shares of common stock, representing the Share Cap.

## 7. EQUITY COMPENSATION PLANS

*Stock Incentive Plans*

We currently maintain seven stock incentive plans referred to as the 2011 Plan, the 2010 Plan, the 2009 Plan, the 2005 Plan, the 2003 Plan, the 2002 Plan, and the 1996 Plan (collectively referred to as the "Stock Plans"). The 2011, 2010, 2009, 2005, 2003 and 1996 Plans were approved by our stockholders while the 2002 Plan was not submitted for stockholder approval. The Stock Plans provide for the granting of stock options, restricted stock awards and other forms of share-based awards to purchase shares of our common stock at exercise prices not less than the fair market value of our common stock at the date of grant.

As of April 30, 2015, we had an aggregate of 24,880,481 shares of common stock reserved for issuance under the Stock Plans. Of those shares, 20,708,672 shares were subject to outstanding options and 4,171,809 shares were available for future grants of share-based awards.

*Stock Options* - Stock options granted under our Stock Plans are granted at an exercise price not less than the fair market value of our common stock on the date of grant. The options generally vest over a two to four year period and expire ten years from the date of grant, if unexercised. However, certain option awards provide for accelerated vesting if there is a change in control (as defined in the Stock Plans).

The fair value of each option grant is estimated using the Black-Scholes option valuation model and is amortized as compensation expense on a straight-line basis over the requisite service period of the award, which is generally the vesting period. The use of a valuation model requires us to make certain estimates and assumptions with respect to selected model inputs. The expected volatility is based on the daily historical volatility of our common stock covering the estimated expected term. The expected term of options granted reflects actual historical exercise activity and assumptions regarding future exercise activity of unexercised, outstanding options. The risk-free interest rate is based on U.S. Treasury notes with terms within the contractual life of the option at the time of grant. The expected dividend yield assumption is based on our expectation of future dividend payouts. We have never declared or paid any cash dividends on our common stock and currently do not anticipate paying such cash dividends. In addition, guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The fair value of stock options on the date of grant and the weighted-average assumptions used to estimate the fair value of the stock options using the Black-Scholes option valuation model for fiscal years ended April 30, 2015, 2014 and 2013, were as follows:

| | Year Ended April 30, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Risk-free interest rate | 1.95% | 1.32% | 0.96% |
| Expected life (in years) | 5.74 | 5.84 | 5.85 |
| Expected volatility | 111.78% | 113.92% | 95.87% |
| Expected dividend yield | – | – | – |

The following summarizes our stock option transaction activity for fiscal year ended April 30, 2015:

| **Stock Options** | **Shares** | | **Weighted Average Exercisable Price** | **Weighted Average Remaining Contractual Term (years)** | | **Aggregate Intrinsic Value [1]** |
|---|---|---|---|---|---|---|
| Outstanding, May 1, 2014 | 17,165,333 | $ | 1.58 | | | |
| Granted | 4,550,198 | $ | 1.72 | | | |
| Exercised | (312,893) | $ | 0.96 | | | |
| Canceled or expired | (693,966) | $ | 3.91 | | | |
| Outstanding, April 30, 2015 | 20,708,672 | $ | 1.54 | 7.29 | $ | 3,577,000 |
| | | | | | | |
| Exercisable and expected to vest | 20,626,944 | $ | 1.54 | 7.29 | $ | 3,577,000 |
| Exercisable, April 30, 2015 | 16,954,935 | $ | 1.51 | 6.96 | $ | 3,533,000 |

(1) Aggregate intrinsic value represents the difference between the exercise price of an option and the closing market price of our common stock on April 30, 2015, which was $1.31 per share.

The weighted-average grant date fair value of options granted to employees during the fiscal years ended April 30, 2015, 2014 and 2013 was $1.43, $1.19 and $0.69 per share, respectively.

The aggregate intrinsic value of stock options exercised during the fiscal years ended April 30, 2015, 2014 and 2013 was $192,000, $908,000 and $106,000, respectively. Cash received from stock options exercised during fiscal years ended April 30, 2015, 2014 and 2013, totaled $298,000, $944,000 and $96,000, respectively, net of issuance costs of $3,000, $4,000 and $2,000, respectively.

We issue shares of common stock that are reserved for issuance under the Stock Plans upon the exercise of stock options, and we do not expect to repurchase shares of common stock from any source to satisfy our obligations under our compensation plans.

As of April 30, 2015, the total estimated unrecognized compensation cost related to non-vested employee stock options was $3,671,000. This cost is expected to be recognized over a weighted average vesting period of 1.28 years based on current assumptions.

*Restricted Stock Awards* – Restricted stock awards are grants that entitle the holder to shares of common stock subject to certain terms. The fair value of restricted stock awards is the quoted market price of our stock on the grant date, and is charged to expense over the period of vesting. Restricted stock awards associated with non-performance conditions vest over the requisite service period and restricted stock awards associated with performance conditions are subject to vesting upon completion of the underlying performance condition. Performance based restricted stock awards are subject to forfeiture if the underlying performance condition is not achieved and all restricted stock awards are subject to forfeiture to the extent that the recipient's service is terminated prior to the awards becoming vested.

During fiscal year ended April 30, 2014, the weighted-average grant date fair value of restricted stock awards granted and vested was $1.39 per share with an aggregate fair value of $139,000. No restricted stock awards were granted or vested during fiscal years ended April 30, 2015 and 2013. As of April 30, 2015, there were no restricted stock awards outstanding, and accordingly, there was no remaining unrecognized compensation cost.

*Employee Stock Purchase Plan*

On October 21, 2010, our stockholders approved our 2010 Employee Stock Purchase Plan (the "ESPP"). The ESPP allows eligible employees on a voluntary basis to purchase shares of our common stock directly from the Company. Under the ESPP, we sell shares to participants at a price equal to the lesser of 85% of the fair market value of our common stock at the (i) beginning of a six-month offering period, or (ii) end of the six-month offering period. The ESPP provides for two six-month offering periods each fiscal year; the first offering period begins on the first trading day on or after each November 1; the second offering period begins on the first trading day on or after each May 1.

A total of 5,000,000 shares are reserved for issuance under the ESPP, of which 2,443,056 shares remained available to purchase at April 30, 2015, and are subject to adjustment as provided in the ESPP for stock splits, stock dividends, recapitalizations and other similar events. During the fiscal years ended April 30, 2015, 2014 and 2013, 497,453, 498,050 and 998,556 shares of common stock were purchased, respectively, under the ESPP at a weighted average purchase price per share of $1.22, $1.09 and $0.53, respectively.

The fair value of the shares purchased under the ESPP were determined using a Black-Scholes option pricing model (see explanation of valuation model inputs above under "Stock Options"), and is recognized as expense on a straight-line basis over the requisite service period (or six-month offering period). The weighted average grant date fair value of purchase rights under the ESPP during fiscal years ended April 30, 2015, 2014 and 2013 was $0.56, $0.55 and $0.40, respectively, based on the following Black-Scholes option valuation model inputs:

| | Year Ended April 30, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Risk-free interest rate | 0.06% | 0.08% | 0.15% |
| Expected life (in years) | 0.50 | 0.50 | 0.50 |
| Expected volatility | 63.54% | 93.39% | 167.36% |
| Expected dividend yield | – | – | – |

*Share-based Compensation Expense*

Total share-based compensation expense related to share-based awards issued under our equity compensation plans for the fiscal years ended April 30, 2015, 2014 and 2013 was comprised of the following:

| | **2015** | **2014** | **2013** |
|---|---|---|---|
| Cost of contract manufacturing | $ 59,000 | $ 68,000 | $ 89,000 |
| Research and development | 2,904,000 | 2,804,000 | 1,646,000 |
| Selling, general and administrative | 3,739,000 | 3,335,000 | 1,700,000 |
| Total share-based compensation expense | $ 6,702,000 | $ 6,207,000 | $ 3,435,000 |
| | | | |
| Share-based compensation from: | | | |
| Stock options | $ 6,465,000 | $ 5,803,000 | $ 3,039,000 |
| Restricted stock awards | – | 139,000 | – |
| ESPP | 237,000 | 265,000 | 396,000 |
| | $ 6,702,000 | $ 6,207,000 | $ 3,435,000 |

The cost of non-employee services received in exchange for share-based awards are measured based on either the fair value of the consideration received or the fair value of the share-based award issued, whichever is more reliably measurable. In addition, the authoritative guidance requires share-based compensation related to unvested options and awards issued to non-employees to be recalculated at the end of each reporting period based upon the fair market value on that date until the share-based award has vested, and any adjustment to share-based compensation resulting from the re-measurement is recognized in the current period. Share-based compensation expense recorded during fiscal years ended April 30, 2015, 2014 and 2013 associated with stock options and awards granted to non-employees amounted to $289,000, $391,000 and $320,000, respectively.

As of April 30, 2015, the total estimated unrecognized compensation cost related to non-vested stock options granted to non-employees was $146,000 based on an April 30, 2015 measurement date. This cost is expected to be recognized over a weighted average vesting period of 0.98 years.

Due to our net loss position, no tax benefits have been recognized in the consolidated statements of cash flows.

## 8. WARRANTS

*Issued* - As of April 30, 2015, warrants to purchase 273,280 shares of our common stock at an exercise price of $2.47 were outstanding and are exercisable through August 30, 2018. These warrants were issued in fiscal year 2013 in connection with a loan agreement we entered into during August 2012, which was paid in full during September 2012 (Note 3). There were no warrants issued during fiscal years 2015 and 2014.

*Exercised* - During fiscal year 2013, 118,444 warrants were exercised on a cashless basis in exchange for 46,427 shares of our common stock. These warrants were issued in fiscal year 2009 in connection with a three-year term loan we entered into during December 2008, which was paid in full during December 2011. There were no warrants exercised during fiscal years 2015 and 2014.

## 9. INCOME TAXES

We are primarily subject to U.S. federal and California state jurisdictions. To our knowledge, all tax years remain open to examination by U.S. federal and state authorities.

In addition, in accordance with authoritative guidance, we are required to recognize the impact of an uncertain tax position in the consolidated financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. An uncertain tax position will not be recognized if it has less than a 50% likelihood of being sustained upon examination by the tax authorities. We had no unrecognized tax benefits from uncertain tax positions as of April 30, 2015 and 2014. It is also our policy, in accordance with authoritative guidance, to recognize interest and penalties related to income tax matters in interest and other expense in our consolidated statements of operations and comprehensive loss. We did not recognize interest or penalties related to income taxes for fiscal years ended April 30, 2015, 2014, and 2013, and we did not accrue for interest or penalties as of April 30, 2015 and 2014.

At April 30, 2015, we had total deferred tax assets of $146,524,000. Due to uncertainties surrounding our ability to generate future taxable income to realize these tax assets, a full valuation has been established to offset our total deferred tax assets. Additionally, the future utilization of our net operating loss carry forwards to offset future taxable income may be subject to an annual limitation, pursuant to Internal Revenue Code Section 382, as a result of ownership changes that may have occurred previously or that could occur in the future. A Section 382 analysis was completed as of the fiscal year ended April 30, 2015 and it was determined that no change in ownership had occurred.

At April 30, 2015, we had federal net operating loss carry forwards of approximately $336,914,000. The net operating loss carry forwards expire in fiscal years 2019 through 2035. We also have state net operating loss carry forwards of approximately $246,617,000 at April 30, 2015, which begin to expire in fiscal year 2016. In addition, we have approximately $5,956,000 of net operating loss attributable to excess tax deductions on share-based compensation that when utilized, if any, the tax benefit will be booked to additional paid-in-capital.

The provision for income taxes consists of the following for the three years ended April 30,:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Provision for federal income taxes at statutory rate | $ (17,122,000) | $ (12,023,000) | $ (10,125,000) |
| State income taxes | (4,450,000) | (3,124,000) | (2,631,000) |
| Expiration and adjustments of deferred tax assets | 1,790,000 | 2,751,000 | (95,630,000) |
| Change in valuation allowance | 19,532,000 | 12,153,000 | 108,310,000 |
| Other, net | 250,000 | 243,000 | 76,000 |
| Income tax (expense) benefit | $ – | $ – | $ – |

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of our deferred tax assets at April 30, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| Share-based compensation | $ 7,119,000 | $ 4,716,000 |
| Deferred revenue | 2,840,000 | 2,370,000 |
| Depreciation and amortization | 530,000 | 664,000 |
| Accrued liabilities | 2,235,000 | 1,650,000 |
| Net operating losses | 133,800,000 | 117,592,000 |
| Total deferred tax assets | 146,524,000 | 126,992,000 |
| Less valuation allowance | (146,524,000) | (126,992,000) |
| Net deferred tax assets | $ – | $ – |

## 10. BENEFIT PLAN

During fiscal year 1997, we adopted a 401(k) benefit plan (the "Plan") for all full-time employees who are at least the age of 21 and have three or more months of continuous service. The Plan provides for employee contributions of up to 100% of their compensation on a tax deferred basis up to the maximum amount permitted by the Internal Revenue Code. We are not required to make matching contributions under the Plan and we made no matching contributions to the Plan since its inception through December 2009. Effective January 2010, we voluntarily agreed to match 50% of employee contributions of up to the first 6% of a participant's annual eligible compensation for all Plan contributions, subject to certain IRS limitations. Effective January 2015, we voluntarily agreed to match between 50% and 100% of employee contributions as defined in the Plan amendment (based on years of service with us as summarized below) up to the first 6% of a participant's annual eligible compensation for all Plan contributions, subject to certain IRS limitations.

| Years of Service | Employer Match |
|---|---|
| 1-3 | 50% |
| 4-6 | 65% |
| 7-9 | 80% |
| 10 or more | 100% |

Under the Plan, each participating employee is fully vested in his or her contributions to the Plan and our contributions to the Plan will fully vest after six years of service. The expense related to our matching contributions to the Plan was $454,000, $300,000, and $284,000 for the fiscal years ended April 30, 2015, 2014, and 2013, respectively.

## 11. SEGMENT REPORTING

Our business is organized into two reportable operating segments and both operate in the U.S. Peregrine is engaged in the research and development of monoclonal antibodies for the treatment and diagnosis of cancer. Avid is engaged in providing contract manufacturing services for Peregrine and third-party customers on a fee-for-service basis.

The accounting policies of the operating segments are the same as those described in Note 2. We evaluate the performance of our contract manufacturing services segment based on gross profit or loss from third-party customers. However, our products in the research and development segment are not evaluated based on gross profit or loss, but rather based on scientific progress of the technologies. As such, gross profit or loss is only provided for our contract manufacturing services segment in the below table. All revenues shown below are derived from transactions with third-party customers.

Segment information for the fiscal years ended April 30, 2015, 2014 and 2013 is summarized as follows:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Contract manufacturing services revenue | $ 26,744,000 | $ 22,294,000 | $ 21,333,000 |
| Cost of contract manufacturing services | 15,593,000 | 13,110,000 | 12,595,000 |
| Gross profit | $ 11,151,000 | $ 9,184,000 | $ 8,738,000 |
| | | | |
| Revenue from products in research and development | $ 37,000 | $ 107,000 | $ 350,000 |
| Research and development expense | (42,996,000) | (27,723,000) | (24,306,000) |
| Selling, general and administrative expense | (18,691,000) | (17,274,000) | (13,134,000) |
| Other income (expense), net | 141,000 | 344,000 | 268,000 |
| Loss on early extinguishment of debt | – | – | (1,696,000) |
| Net loss | $ (50,358,000) | $ (35,362,000) | $ (29,780,000) |

Revenue generated from our contract manufacturing services segment during fiscal years ended April 30, 2015, 2014 and 2013 was derived from a limited number of customers. The percentages below represent revenue derived from each customer as a percentage of total contract manufacturing services revenue:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Halozyme Therapeutics, Inc. | 79% | 91% | 81% |
| Customer A | 12 | – | – |
| Customer B | – | 1 | 17 |
| Other customers | 9 | 8 | 2 |
| Total | 100% | 100% | 100% |

In addition, we attribute contract manufacturing services revenue to the individual countries where the customer is headquartered. Contract manufacturing services revenue from customers are summarized by geographic location in the following table:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| U.S. | $ 26,715,000 | $ 22,225,000 | $ 21,176,000 |
| Non-U.S. | 29,000 | 69,000 | 157,000 |
| Total | $ 26,744,000 | $ 22,294,000 | $ 21,333,000 |

Revenue generated from our products in our research and development segment during fiscal years ended April 30, 2015, 2014 and 2013 were directly related to license revenue recognized under licensing agreements with an unrelated entity (Note 5).

Our long-lived assets are located in the U.S. and consist of leasehold improvements, laboratory equipment, furniture and fixtures, office equipment and software, construction-in-progress and are net of accumulated depreciation. Long-lived assets by segment as of April 30, 2015 and 2014 consist of the following:

| | 2015 | 2014 |
|---|---|---|
| **Long-lived Assets, net:** | | |
| Contract manufacturing services | $ 12,800,000 | $ 1,956,000 |
| Products in research and development | 2,324,000 | 491,000 |
| Total | $ 15,124,000 | $ 2,447,000 |

## 12. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly financial information for each of the two most recent fiscal years is as follows:

| | Quarter Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | April 30, 2015 | January 31, 2015 | October 31, 2014 | July 31, 2014 | April 30, 2014 | January 31, 2014 | October 31, 2013 | July 31, 2013 |
| Net revenues | $ 9,308,000 | $ 5,677,000 | $ 6,300,000 | $ 5,496,000 | $ 6,474,000 | $ 3,885,000 | $ 7,354,000 | $ 4,688,000 |
| Gross profit (a) | $ 4,550,000 | $ 2,564,000 | $ 2,124,000 | $ 1,913,000 | $ 2,645,000 | $ 1,469,000 | $ 3,159,000 | $ 1,911,000 |
| Loss from operations | $ (12,169,000) | $ (13,022,000) | $ (12,137,000) | $ (13,171,000) | $ (10,529,000) | $ (9,743,000) | $ (7,814,000) | $ (7,620,000) |
| Net loss | $ (12,135,000) | $ (12,994,000) | $ (12,100,000) | $ (13,129,000) | $ (10,248,000) | $ (9,724,000) | $ (7,790,000) | $ (7,600,000) |
| Series E preferred stock accumulated dividends (b) | $ (1,378,000) | $ (1,033,000) | $ (1,031,000) | $ (1,028,000) | $ (401,000) | $ – | $ – | $ – |
| Net loss attributable to common stockholders | $ (13,513,000) | $ (14,027,000) | $ (13,131,000) | $ (14,157,000) | $ (10,649,000) | $ (9,724,000) | $ (7,790,000) | $ (7,600,000) |
| Basic and diluted loss per common share | $ (0.07) | $ (0.08) | $ (0.07) | $ (0.08) | $ (0.06) | $ (0.06) | $ (0.05) | $ (0. 05) |

(a) Gross profit represents contract manufacturing revenue less cost of contract manufacturing.
(b) Series E preferred stock accumulated dividends include dividends declared for the period (regardless of whether or not the dividends have been paid) and dividends accumulated for the period (regardless of whether or not the dividends have been declared).

## 13. SUBSEQUENT EVENTS

*Sale of Common Stock*

Subsequent to April 30, 2015 and through July 14, 2015, we sold 6,534,400 shares of common stock at market prices under the July 2014 AMI Agreement (Note 6) for aggregate gross proceeds of $8,896,000. As of July 14, 2015, aggregate gross proceeds of $2,560,000 remained available under the July 2014 AMI Agreement.

*Broad Based Annual Grant of Stock Options*

On May 11, 2015, our Compensation Committee of the Board of Directors approved a broad based annual grant of stock options for fiscal year 2016 to substantially all of our employees, our three non-employee directors and one consultant to purchase an aggregate of 3,299,903 shares of common stock at an exercise price of $1.31. These stock options were granted under our 2011 Stock Incentive Plan and vest quarterly in equal installments over a two year period.

*Series E Preferred Stock Dividend*

On June 5, 2015, our Board of Directors declared a quarterly cash dividend of $0.65625 per share on our Series E Preferred Stock. The dividend payment is equivalent to an annualized 10.50% per share, based on the $25.00 per share stated liquidation preference, accruing from April 1, 2015 through June 30, 2015. The cash dividend of $1,033,000 was paid on July 1, 2015 to holders of the Series E Preferred Stock of record on June 19, 2015.

**VALUATION OF QUALIFYING ACCOUNTS**
**FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2015**

| Description | Balance at beginning of period | Additions | Deductions | Balance at end of period |
|---|---|---|---|---|
| **Valuation reserve for trade and other receivables, and unbilled amounts** | | | | |
| Year ended April 30, 2013 | $ 111,000 | $ – | $ (3,000) | $ 108,000 |
| Year ended April 30, 2014 | $ 108,000 | $ – | $ (3,000) | $ 105,000 |
| Year ended April 30, 2015 | $ 105,000 | $ – | $ (8,000) | $ 97,000 |

**EXHIBIT 4.22**

**FIRST AMENDMENT TO THE**
**PEREGRINE PHARMACEUTICALS, INC.**
**2005 STOCK INCENTIVE PLAN**

Peregrine Pharmaceuticals, Inc., a Delaware corporation (the "Company"), previously established the Peregrine Pharmaceuticals, Inc. 2005 Stock Incentive Plan (the "2005 Plan"). The Plan was approved by the Company's stockholders at the Company's 2005 Annual Meeting on October 25, 2005. At a duly noticed meeting held on April 24, 2015, the Board of Directors of the Company, and the Compensation Committee of the Board, approved and adopted the following amendment to the 2005 Plan.

1. Clause C.1.(i) of Section I (OPTION TERMS) of ARTICLE TWO of the 2005 Plan is hereby amended and restated in its entirety to read as follows:

> (i) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option, provided no such option shall be exercisable after the expiration of the option term.

2. Except as amended by this First Amendment, all other terms of the 2005 Plan shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed as of this 24th day of April, 2015.

**THE COMPANY:**

PEREGRINE PHARMACEUTICALS, INC.
a Delaware corporation

By: /s/ Paul Lytle
Name: Paul Lytle
Title: Chief Financial Officer

**EXHIBIT 4.23**

**FIRST AMENDMENT TO THE**
**PEREGRINE PHARMACEUTICALS, INC.**
**2009 STOCK INCENTIVE PLAN**

Peregrine Pharmaceuticals, Inc., a Delaware corporation (the "Company"), previously established the Peregrine Pharmaceuticals, Inc. 2009 Stock Incentive Plan (the "2009 Plan"). The Plan was approved by the Company's stockholders at the Company's 2009 Annual Meeting on October 22, 2009. At a duly noticed meeting held on April 24, 2015, the Board of Directors of the Company, and the Compensation Committee of the Board, approved and adopted the following amendment to the 2009 Plan.

1. Clause C.1.(i) of Section I (OPTION TERMS) of ARTICLE TWO of the 2009 Plan is hereby amended and restated in its entirety to read as follows:

> (i) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option, provided no such option shall be exercisable after the expiration of the option term.

2. Except as amended by this First Amendment, all other terms of the 2009 Plan shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed as of this 24th day of April, 2015.

**THE COMPANY:**

PEREGRINE PHARMACEUTICALS, INC.
a Delaware corporation

By: /s/ Paul Lytle
Name: Paul Lytle
Title: Chief Financial Officer

**EXHIBIT 4.24**

**THIRD AMENDMENT TO THE**
**PEREGRINE PHARMACEUTICALS, INC.**
**2011 STOCK INCENTIVE PLAN**

Peregrine Pharmaceuticals, Inc., a Delaware corporation (the "Company"), previously established the Peregrine Pharmaceuticals, Inc. 2011 Stock Incentive Plan, as amended (the "2011 Plan"). The Plan was approved by the Company's stockholders at the Company's 2011 Annual Meeting on October 20, 2011. At a duly noticed meeting held on April 24, 2015, the Board of Directors of the Company, and the Compensation Committee of the Board, approved and adopted the following amendment to the 2011 Plan.

1. Paragraph (iii) of Section 6.1(f) (Lapse of Option) of ARTICLE 6 of the 2011 Plan is hereby amended and restated in its entirety to read as follows:

(iii) If the Participant has a Termination of Employment (or Service) on account of Disability or death before the Option lapses pursuant to paragraph (i) or (ii) above, the Option shall lapse, unless otherwise exercised, on the earlier of (a) the scheduled expiration date of the Option; or (b), unless otherwise provided in the Award Agreement, 12 months after the date of the Participant's Termination of Employment (or Service) on account of Disability or death. Upon the Participant's Disability or death, any Options exercisable at the Participant's Disability or death may be exercised by the Participant's legal representative or representatives, by the person or persons entitled to do so pursuant to the Participant's last will and testament, or, if the Participant fails to make testamentary disposition of such Option or dies intestate, by the person or persons entitled to receive the Option pursuant to the laws of descent and distribution.

2. Except as amended by this Third Amendment, all other terms of the 2011 Plan shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed as of this 24th day of April, 2015.

**THE COMPANY:**

PEREGRINE PHARMACEUTICALS, INC.
a Delaware corporation

By: /s/ Paul Lytle
Name: Paul Lytle
Title: Chief Financial Officer

**EXHIBIT 4.25**

**FORM OF AMENDMENT TO NON-QUALIFIED STOCK OPTION AGREEMENT**
**UNDER THE PEREGRINE PHARMACEUTICALS, INC.**
**2005 STOCK INCENTIVE PLAN**
**(NON-EMPLOYEE DIRECTORS)**

This Amendment ("Amendment") to Non-Qualified Stock Option Agreement (the "Agreement") dated as of _____, is between Peregrine Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and _____, (the "Optionee").

WHEREAS, on _____, Optionee was awarded an option to purchase _____ shares of the Company's common stock pursuant to the Peregrine Pharmaceuticals, Inc. 2005 Stock Incentive Plan, as amended from time to time (the "Plan"), as set forth in the Award Agreement;

WHEREAS, capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan;

WHEREAS, pursuant to clause C.2.(i) of Section 1 of Article Two of the Plan, the Plan Administrator (which means the Compensation Committee of the Board) has the authority to extend the period of time for which an outstanding option is to remain exercisable following an Optionee's cessation of Service;

WHEREAS, on April 24, 2015, the Compensation Committee of the Company's Board of Directors approved an amendment to all outstanding options to non-employee members of the Company's Board of Directors extending the exercise period following a Termination of Employment (or Service) for any reason to two (2) years (the "Extended Exercise Period"); and

WHEREAS, Company and Optionee desire to enter into this Amendment in order to restate Section 7 of the Agreement to reflect the Extended Exercise Period.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Section 5 of the Agreement is hereby amended and restated in its entirety as follows:

"5. **Termination of Employment; Death**. Upon termination of Optionee's employment with or status as a consultant to, the Company for any reason, the Options will immediately terminate and expire, except as provided in paragraphs (a) or (b) of this Section 5.

(a) If Optionee resigns as an employee of, or consultant to, the Company with the Company's prior written consent, or if the Company terminates Optionee's employment by the Company without Cause (as defined herein), the Option will be exercisable but only to the extent it was exercisable at the time of such termination or resignation and only until the earlier of the expiration date of the Option, determined pursuant to Section 2 of this Agreement, or the expiration of two (2) years following such termination or resignation.

(b) If Optionee dies or becomes Permanently Disabled while employed by, or rendering services as a consultant to, the Company or after Optionee's employment or status as a consultant to the Company terminates but during a period in which the Option is exercisable pursuant to paragraph (a) of this Section 5, the Option will be exercisable but only to the extent it was exercisable at the time of death and only until the earlier of the expiration date of the Option, determined pursuant to Section 2 of this Agreement, or the expiration of two (2) years following the date of Optionee's death or the date Optionee becomes Permanently Disabled."

2. The remaining terms and conditions of the Agreement shall survive this Amendment and will continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date and year first written above.

PEREGRINE PHARMACEUTICALS, INC.

By:_____

OPTIONEE:

_____
Signature

Name:_____

Social Security Number:

_____

**EXHIBIT 4.26**

**FORM OF AMENDMENT TO NON-QUALIFIED STOCK OPTION AGREEMENT**
**UNDER THE PEREGRINE PHARMACEUTICALS, INC.**
**2009 STOCK INCENTIVE PLAN**
**(NON-EMPLOYEE DIRECTORS)**

This Amendment ("Amendment") to Non-Qualified Stock Option Agreement (the "Agreement") dated as of _____, is between Peregrine Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and _____, (the "Optionee").

WHEREAS, on _____, Optionee was awarded an option to purchase _____ shares of the Company's common stock pursuant to the Peregrine Pharmaceuticals, Inc. 2009 Stock Incentive Plan, as amended from time to time (the "Plan"), as set forth in the Award Agreement;

WHEREAS, capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan;

WHEREAS, pursuant to clause C.2.(i) of Section 1 of Article Two of the Plan, the Plan Administrator (which means the Compensation Committee of the Board) has the authority to extend the period of time for which an outstanding option is to remain exercisable following an Optionee's cessation of Service;

WHEREAS, on April 24, 2015, the Compensation Committee of the Company's Board of Directors approved an amendment to all outstanding options to non-employee members of the Company's Board of Directors extending the exercise period following a Termination of Employment (or Service) for any reason to two (2) years (the "Extended Exercise Period"); and

WHEREAS, Company and Optionee desire to enter into this Amendment in order to restate Section 7 of the Agreement to reflect the Extended Exercise Period.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Section 5 of the Agreement is hereby amended and restated in its entirety as follows:

"5. **Termination of Employment; Death**. Upon termination of Optionee's employment with or status as a consultant to, the Company for any reason, the Options will immediately terminate and expire, except as provided in paragraphs (a) or (b) of this Section 5.

(a) If Optionee resigns as an employee of, or consultant to, the Company with the Company's prior written consent, or if the Company terminates Optionee's employment by the Company without Cause (as defined herein), the Option will be exercisable but only to the extent it was exercisable at the time of such termination or resignation and only until the earlier of the expiration date of the Option, determined pursuant to Section 2 of this Agreement, or the expiration of two (2) years following such termination or resignation.

(b) If Optionee dies or becomes Permanently Disabled while employed by, or rendering services as a consultant to, the Company or after Optionee's employment or status as a consultant to the Company terminates but during a period in which the Option is exercisable pursuant to paragraph (a) of this Section 5, the Option will be exercisable but only to the extent it was exercisable at the time of death and only until the earlier of the expiration date of the Option, determined pursuant to Section 2 of this Agreement, or the expiration of two (2) years following the date of Optionee's death or the date Optionee becomes Permanently Disabled."

2. The remaining terms and conditions of the Agreement shall survive this Amendment and will continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date and year first written above.

PEREGRINE PHARMACEUTICALS, INC.

By:_____

OPTIONEE:

_____
Signature

Name:_____

Social Security Number:

_____

**FORM OF AMENDMENT TO STOCK OPTION AWARD AGREEMENT**
**UNDER THE PEREGRINE PHARMACEUTICALS, INC.**
**2011 STOCK INCENTIVE PLAN**
**(NON-EMPLOYEE DIRECTORS)**

This Amendment ("Amendment") to Stock Option Award Agreement ("Award Agreement") is between Peregrine Pharmaceuticals, Inc. ("Company") and _____ (the "Optionee"), and is effective as of the ____ day of _____, 2015.

WHEREAS, on _____, Optionee was awarded an option to purchase _____ shares of the Company's common stock pursuant to the Peregrine Pharmaceuticals, Inc. 2011 Stock Incentive Plan, as amended from time to time (the "Plan"), as set forth in the Award Agreement;

WHEREAS, capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan;

WHEREAS, pursuant to Section 4.2 of the Plan, the Committee has the authority to modify existing Awards;

WHEREAS, on April 24, 2015, the Committee approved an amendment to all outstanding Awards granted to non-employee members of the Company's Board of Directors extending the exercise period following a Termination of Employment (or Service) for any reason to two (2) years (the "Extended Exercise Period"); and

WHEREAS, Company and Optionee desire to enter into this Amendment in order to restate Section 7 of the Award Agreement to reflect the Extended Exercise Period.

NOW, THEREFORE, the parties hereto hereby agree as follows:

**1.** Section 7 of the Award Agreement is hereby amended and restated in its entirety as follows:

"7. ***Termination of Employment (or Service).***

**(a)** If the Optionee has a Termination of Employment (or Service) for any reason other than death or Disability, the Optionee may at any time within the two (2) year period after the date of his or her Termination of Employment (or Service) exercise the Option to the extent that the Optionee was entitled to exercise the Option at the date of Termination of Employment (or Service), provided that in no event shall the Option be exercisable after the Expiration Date.

**(b)** If the Optionee has a Termination of Employment (or Service) by reason of his death or Disability the Option will lapse on the earlier of (i) the Option's expiration date, or (ii) two (2) years after the date Termination of Employment (or Service) on account of Disability or death. The Option may be exercised following the death or Disability of Optionee only if the Option was exercisable by Optionee immediately prior to his or her death or Disability. In no event shall the Option be exercisable after the Expiration Date.

**2.** The remaining terms and conditions of the Award Agreement shall survive this Amendment and will continue in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized representative and Optionee has signed this Amendment, and this Amendment shall be effective as of the day and year first written above.

**Peregrine Pharmaceuticals, Inc.**

By:_____
Name:_____
Title:_____

_____
Date

_____
Optionee

**EXHIBIT 21**

**PEREGRINE PHARMACEUTICALS, INC.**
**Subsidiaries of Registrant**

On August 28, 2006, we established a wholly-owned subsidiary, Peregrine (Beijing) Pharmaceutical Technology Ltd. in the Haidian District, Beijing, People's Republic of China.

During January 2002, we announced the formation of Avid Bioservices, Inc., a wholly-owned subsidiary of Peregrine Pharmaceuticals, Inc.

On April 24, 1997, we acquired our wholly-owned subsidiary, Vascular Targeting Technologies, Inc. (formerly known as Peregrine Pharmaceuticals, Inc.).

**EXHIBIT 23.1**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-192794, 333-185423, 333-178452, 333-171067, 333-164026, 333-130271, 333-121334, 333-106385, 333-57046, and 333-17513; Form S-3 Nos. 333-201245 and 333-193113) of Peregrine Pharmaceuticals, Inc. and in the related Prospectuses of our reports dated July 14, 2015, with respect to the consolidated financial statements and schedule of Peregrine Pharmaceuticals, Inc., and the effectiveness of internal control over financial reporting of Peregrine Pharmaceuticals, Inc., included in this Annual Report (Form 10-K) for the year ended April 30, 2015.

/s/ Ernst & Young LLP

Irvine, California
July 14, 2015

**EXHIBIT 31.1**

**Certification of Chief Executive Officer**

I, Steven W. King, certify that:

1. I have reviewed this annual report on Form 10-K of Peregrine Pharmaceuticals, 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 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 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.

Dated: July 14, 2015

Signed: /s/ Steven W. King
Steven W. King
President and Chief Executive Officer

**EXHIBIT 31.2**

**Certification of Chief Financial Officer**

I, Paul J. Lytle, certify that:

1. I have reviewed this annual report on Form 10-K of Peregrine Pharmaceuticals, 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 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 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.

Dated: July 14, 2015

Signed: /s/ Paul J. Lytle
Paul J. Lytle
Chief Financial Officer

**EXHIBIT 32**

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

I, Steven W. King, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Peregrine Pharmaceuticals, Inc. on Form 10-K for the year ended April 30, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report of Peregrine Pharmaceuticals, Inc. on Form 10-K fairly presents in all material respects the financial condition and results of operations of Peregrine Pharmaceuticals, Inc.

By: /s/ Steven W. King
Name: Steven W. King
Title: President and Chief Executive Officer
Date: July 14, 2015

I, Paul J. Lytle, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Peregrine Pharmaceuticals, Inc. on Form 10-K for the year ended April 30, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report of Peregrine Pharmaceuticals, Inc. on Form 10-K fairly presents in all material respects the financial condition and results of operations of Peregrine Pharmaceuticals, Inc.

By: /s/ Paul J. Lytle
Name: Paul J. Lytle
Title: Chief Financial Officer
Date: July 14, 2015

*A signed original of this written statement required by Section 906 has been provided to Peregrine Pharmaceuticals, Inc. and will be retained by Peregrine Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.*

*This Certification is being furnished pursuant to Rule 15(d) and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. This Certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.*