SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JULY 31, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 0-17085

TECHNICLONE CORPORATION
(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	92780-7017
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

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

NOT APPLICABLE
(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED, SINCE LAST REPORT)

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 X NO .
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APPLICABLE ONLY TO CORPORATE ISSUERS:
(INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE.)

78,355,183 shares of Common Stock
as of August 31, 1999

TECHNICLONE CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JULY 31, 1999

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THE TERMS "WE", "US", "OUR," AND "THE COMPANY" AS USED IN THIS FORM ON 10-Q REFERS TO TECHNICLONE CORPORATION, TECHNICLONE INTERNATIONAL CORPORATION, ITS FORMER SUBSIDIARY, CANCER BIOLOGICS INCORPORATED, WHICH WAS MERGED INTO THE COMPANY ON JULY 26, 1994 AND ITS WHOLLY-OWNED SUBSIDIARY PEREGRINE PHARMACEUTICALS, INC.

PART I FINANCIAL INFORMATION

PART II OTHER INFORMATION

PART I FINANCIAL INFORMATION

A CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS. Except for historical information contained herein, this Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. In light of the important factors that can materially affect results, including those set forth elsewhere in this Form 10-Q, the inclusion of forward-looking information should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. We will encounter competitive, technological, financial and business challenges making it more difficult than expected to continue to develop, market and manufacture our products. Our challenges may include, but are not limited to, competitive conditions within the industry, which may change adversely; upon development of our products, demand for our products may weaken; the market may not accept our products; we may not be able to retain existing key management personnel; our forecasts may not accurately anticipate market demand; and there may be other material adverse changes in our operations or business. In addition, certain important factors affecting the forward-looking statements made herein include, but are not limited to, the risks and uncertainties associated with completing pre-clinical and clinical trials for our technologies; obtaining additional financing to support our operations; obtaining regulatory approval for our technologies; complying with other governmental regulations applicable to our business; obtaining the raw materials necessary in the development of such compounds; consummating collaborative arrangements with corporate partners for product development; achieving milestones under collaborative arrangements with corporate partners; developing the capacity to manufacture, market and sell our products, either directly or indirectly with collaborative partners; developing market demand for and acceptance of such products; competing effectively with other pharmaceutical and biotechnological products; attracting and retaining key personnel; protecting proprietary rights; accurately forecasting operating and capital expenditures, other commitments, or clinical trial costs, general economic conditions and other factors. The assumptions relating to budgeting, marketing, product development and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause us to alter our capital expenditure or other budgets, which may in turn affect our business, financial position and our results of operations.

ITEM 1. FINANCIAL STATEMENTS

TECHNICLONE CORPORATION

CONSOLIDATED BALANCE SHEETS
AS OF JULY 31, 1999 AND APRIL 30, 1999

	JULY 31, 1999	ARRIL 30, 1999
	UNAUDITED	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,632,000	$ 2,385,000
Other receivables, net of allowance for doubtful accounts of $221,000 (July) and $201,000 (April)	303,000	279,000
Inventories	48,000	57,000
Prepaid expenses and other current assets	260,000	280,000
Covenant not-to-compete with former officer	155,000	213,000
Total current assets	2,398,000	3,214,000
PROPERTY:		
Laboratory equipment	2,170,000	2,098,000
Leasehold improvements	73,000	71,000
Furniture, fixtures and computer equipment	840,000	838,000
	3,083,000	3,007,000
Less accumulated depreciation and amortization	(1,193,000)	(1,067,000)
Property, net	1,890,000	1,940,000
OTHER ASSETS:		
Note receivable	1,851,000	1,863,000
Other, net	348,000	353,000
Total other assets	2,199,000	2,216,000
TOTAL ASSETS	$ 6,487,000	$ 7,370,000

TECHNICLONE CORPORATION

CONSOLIDATED BALANCE SHEETS
AS OF JULY 31, 1999 AND APRIL 30, 1999 (CONTINUED)

	JULY 31, 1999	APRIL 30, 1999
	UNAUDITED	
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 969,000	$ 898,000
Deferred license revenue	3,000,000	3,000,000
Accrued clinical trial site fees	628,000	691,000
Notes payable	103,000	106,000
Accrued legal and accounting fees	177,000	314,000
Accrued royalties and license fees	301,000	310,000
Due to former officers under severance agreements	397,000	329,000
Other current liabilities	210,000	357,000
Total current liabilities	5,785,000	6,005,000
NOTES PAYABLE	3,472,000	3,498,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT:		
Preferred stock- $.001 par value; authorized 5,000,000 shares: Class C convertible preferred stock, shares outstanding - 91 shares (July 31, 1999); 121 shares (April 30, 1999); liquidation preference of $91,000 at July 31, 1999	-	-
Common stock-$.001 par value; authorized 120,000,000 shares; outstanding - 76,369,778 shares (July 31, 1999); 73,372,205 shares (April 30, 1999)	76,000	73,000
Additional paid-in capital	93,129,000	90,779,000
Accumulated deficit	(95,668,000)	(92,678,000)
	(2,463,000)	(1,826,000)
Less notes receivable from sale of common stock	(307,000)	(307,000)
Total stockholders' deficit	(2,770,000)	(2,133,000)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 6,487,000	$ 7,370,000

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JULY 31, 1999 AND 1998 (UNAUDITED)

	THREE MONTHS ENDED JULY 31,	
	1999	1998
COSTS AND EXPENSES:		
Research and development	$ 1,984,000	$ 1,851,000
General and administrative	980,000	1,292,000
Interest	88,000	240,000
Total costs and expenses	3,052,000	3,383,000
Interest and other income	63,000	77,000
NET LOSS	$ (2,989,000)	$ (3,306,000)
Net loss before preferred stock accretion and dividends	$ (2,989,000)	$ (3,306,000)
Preferred stock accretion and dividends:		
Imputed dividends on Class C Preferred Stock	(1,000)	(11,000)
Accretion of Class C Preferred Stock discount	-	(531,000)
Net loss applicable to common stock	$ (2,990,000)	$ (3,848,000)
Weighted average shares outstanding	75,002,199	59,746,636
BASIC AND DILUTED LOSS PER SHARE	$ (0.04)	$ (0.06)

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE THREE MONTHS ENDED JULY 31, 1999 (UNAUDITED)

	PREFERRED STOCK SHARES	PREFERRED STOCK AMOUNT	COMMON STOCK SHARES	COMMON STOCK AMOUNT
BALANCES - April 30, 1999	121	$ -	73,372,205	$ 73,000
Accretion of Class C preferred stock dividends				
Common stock issued upon conversion of Class C preferred stock	(30)		50,873	
Common stock issued upon exercise of Class C warrants and Equity Line warrants			54,373	
Common stock issued for cash upon exercise of stock options			203,334	
Common stock issued under the Equity Line for cash			2,688,993	3,000
Stock-based compensation				
Net loss				
BALANCES - July 31, 1999	91	$ -	76,369,778	$ 76,000

(CONTINUED)

	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	NOTES RECEIVABLE FROM SALE OF COMMON STOCK	NET STOCKHOLDERS' DEFICIT
BALANCES - April 30, 1999	$ 90,779,000	$(92,678,000)	$ (307,000)	$ (2,133,000)
Accretion of Class C preferred stock dividends		(1,000)		(1,000)
Common stock issued upon conversion of Class C preferred stock				-
Common stock issued upon exercise of Class C warrants and Equity Line warrants	31,000			31,000
Common stock issued for cash upon exercise of stock options	122,000			122,000
Common stock issued under the Equity Line for cash	2,040,000			2,043,000
Stock-based compensation	157,000			157,000
Net loss		(2,989,000)		(2,989,000)
BALANCES - July 31, 1999	$ 93,129,000	$(95,668,000)	$ (307,000)	$ (2,770,000)

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JULY 31, 1999 AND 1998 (UNAUDITED)

	THREE MONTHS ENDED JULY 31, 1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (2,989,000)	$ (3,306,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	126,000	244,000
Stock-based compensation and common stock issued for interest, services and under severance agreements	157,000	334,000
Severance expense	126,000	234,000
Changes in operating assets and liabilities:		
Other receivables	(23,000)	6,000
Inventories, net	9,000	(19,000)
Prepaid expenses and other current assets	20,000	4,000
Other assets		(6,000)
Accounts payable and accrued legal and accounting fees	(66,000)	212,000
Accrued clinical trial site fees	(63,000)	
Accrued royalties and license termination fees	(9,000)	(12,000)
Other accrued expenses and current liabilities	(147,000)	350,000
Net cash used in operating activities	(2,859,000)	(1,959,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property acquisitions	(76,000)	(166,000)
Decrease in other assets	16,000	5,000
Net cash used in investing activities	(60,000)	(161,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	2,196,000	5,244,000
Proceeds from issuance of Class C Preferred Stock	-	530,000
Principal payments on notes payable	(29,000)	(529,000)
Payment of Class C preferred stock dividends	(1,000)	(4,000)
Net cash provided by financing activities	2,166,000	5,241,000

TECHNICLONE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JULY 31, 1999 AND 1998 (UNAUDITED) (CONTINUED)

	THREE MONTHS ENDED JULY 31, 1999	1998
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (753,000)	$ 3,121,000
CASH AND CASH EQUIVALENTS, beginning of period	2,385,000	1,736,000
CASH AND CASH EQUIVALENTS, end of period	$ 1,632,000	$ 4,857,000
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 88,000	$ 51,000

See accompanying notes to consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION. The accompanying unaudited 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. As shown in the financial statements, the Company experienced losses in fiscal 1999 and during the first three months of fiscal 2000 and has an accumulated deficit of $95,668,000 at July 31, 1999. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

The Company must raise additional funds to sustain research and development, provide for future clinical trials and continue its operations until it is able to generate sufficient additional revenue from the sale and/or licensing of its products. The Company plans to obtain required financing through one or more methods including, obtaining additional equity or debt financing and negotiating additional licensing or collaboration agreements with another company. There can be no assurances that the Company will be successful in raising such funds on terms acceptable to it, or at all, or that sufficient additional capital will be raised to complete the research, development, and clinical testing of the Company's product candidates. The Company's future success is dependent upon raising additional money to provide for the necessary operations of the Company. If the Company is unable to obtain additional financing, there would be a material adverse effect on the Company's business, financial position and results of operations. The Company's continuation as a going concern is dependent on its ability to generate sufficient cash flow to meet its obligations on a timely basis, to obtain additional financing as may be required and, ultimately, to attain successful operations.

At July 31, 1999, the Company had cash and cash equivalents of $1,632,000. During August 1999, the Company exercised its Put option and received gross proceeds of $1,250,000 in exchange for 1,718,750 shares of common stock, including commission shares, pursuant to a Regulation D Common Stock Equity Line Subscription Agreement the (the "Equity Line Agreement") (Note 2). The Company believes it has sufficient cash on hand at August 31, 1999 and available pursuant to the Equity Line Agreement (assuming only one future quarterly draw of $2,250,000) to meet its obligations on a timely basis through November 1999. Management believes that additional capital must be raised to support the Company's continued operations and other short-term cash needs.

The Company's ability to access funds under the Equity Line Agreement is subject to the satisfaction of certain conditions and the failure to satisfy these conditions may limit or preclude the Company's ability to access such funds, which could adversely affect the Company's business, immediate liquidity, financial position and results of operations unless additional financing sources are available (Note 2).

The accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company at July 31, 1999, and the consolidated results of its operations and its consolidated cash flows for the three month periods ended July 31, 1999 and 1998. Although the Company believes that the disclosures in the financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in the consolidated financial statements have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission. The consolidated financial statements included herein should be read in conjunction with the consolidated financial statements of the Company, included in the Company's Annual Report on Form 10-K for the year ended April 30, 1999, filed with the Securities and Exchange Commission on July 28, 1999.

Results of operations for the interim periods covered by this Report may not necessarily be indicative of results of operations for the full fiscal year.

INVENTORIES. Inventories consist of raw materials and supplies and are stated at the lower of first-in, first-out cost or market.

RECLASSIFICATION. Certain reclassifications were made to the prior period balances to conform them to the current period presentation.

NET LOSS PER SHARE. Net loss per share is calculated by adding the net loss for the three month period to the Preferred Stock dividends and Preferred Stock issuance discount accretion on the Class C Preferred Stock during the three month period divided by the weighted average number of shares of common stock outstanding during the three month period. Shares issuable upon the exercise of common stock warrants and options have been excluded from the per share calculation for the three month period ended July 31, 1999 and 1998 because their effect is antidilutive. Accretion of the Class C Preferred Stock dividends and issue discount amounted to $1,000 and $542,000 for the quarter ended July 31, 1999 and 1998, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS. Effective May 1, 1998, the Company adopted SFAS No. 130, Reporting Comprehensive Income, which establishes standards for reporting and displaying comprehensive income and its components in the consolidated financial statements. For the three months ended July 31, 1999 and 1998, the Company did not have any components of comprehensive income as defined in SFAS No. 130.

The Company adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information" on May 1, 1998. SFAS No. 131 established standards of reporting by publicly held businesses and disclosures of information about operating segments in annual financial

statements, and to a lesser extent, in interim financial reports issued to stockholders. The adoption of SFAS No. 131 had no impact on the Company's consolidated financial statements as the Company operates in one industry segment engaged in the research, development and commercialization of targeted cancer therapeutics.

During June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which will be effective for the Company beginning May 1, 2001. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments imbedded in other contracts, and for hedging activities. It requires an entity to recognize all derivatives as either assets or liabilities in the statements of financial position and measure those instruments at fair value. The Company has not determined the impact on the consolidated financial statements, if any, upon adopting SFAS No. 133.

2. STOCKHOLDERS' EQUITY

During June 1998, the Company secured access to $20,000,000 under a Common Stock Equity Line ("Equity Line") with two institutional investors, expiring in June 2001. Under the terms of the Equity Line, the Company may, in its sole discretion, and subject to certain restrictions, periodically sell ("Put") shares of the Company's common stock for up to $20,000,000 upon the effective registration of the Put shares, which occurred on January 15, 1999. After effective registration for the Put shares, unless an increase is otherwise agreed to, $2,250,000 of Puts can be made every quarter, subject to share issuance volume limitations identical to the share resale limitations set forth in Rule 144(e). In addition, if the Company's closing bid price falls below $1.00 on any day during the ten trading days prior to the Put, the Company's ability to access funds under the Equity Line in the Put is limited to 15% of what would otherwise be available. If the closing bid price of the Company's common stock falls below $0.50 or if the Company is delisted from The Nasdaq SmallCap Market, the Company would have no access to funds under the Equity Line.

The Equity Line provided for immediate funding of $3,500,000 in exchange for 2,749,090 shares of common stock, including commission shares. One-half of this amount, or $1,750,000, is subject to adjustment at three months after the effective date of the registration statement registering these shares with the second half subject to adjustment six months after such effective date of the registration of these shares. At each adjustment date, if the market price at the three or six month period ("Adjustment Price") is less than the initial price paid for the common stock, the Company will be required to issue additional shares of its common stock equal to the difference between the amount of shares actually issued and the amount of shares which would have been issued if the purchase price had been the Adjustment Price. On July 15, 1999, the Company issued 179,485 shares of common stock covering the final six-month adjustment date.

Future Puts under the Equity Line are priced at a discount equal to the greater of $0.20 or 17.5% off the lowest closing per share bid price during the ten trading days immediately preceding the date on which such shares are sold to the institutional investors.

At the time of each Put, the investors will be issued warrants, exercisable only on a cashless basis and expiring on December 31, 2004, to purchase up to 10% of the amount of common stock issued to the investor at the same price as the purchase of the shares sold in the Put. During the quarter ended July 31, 1999, the Company issued 250,948 warrants under the Equity Line at an exercise price ranging from $0.61 to $1.24. Also during the quarter ended July 31, 1999, the Company issued 6,411 shares of common stock upon the cashless exercise of 20,172 Equity Line warrants.

In addition, during the quarter ended July 31, 1999, the Company received gross proceeds of $2,250,000 in exchange for 2,509,508 shares of common stock, including commission shares, under the Equity Line Agreement.

If the Company does not exercise the full amount of its Put rights, then the Company will issue Commitment Warrants on the first, second, and third anniversary of the Equity Line. The number of Commitment Warrants to be issued on each anniversary date will be equal to ten percent (10%) of the quotient of the difference of $6,666,666, $13,333,333 and $20,000,000 (Commitment Amounts), respectively, less the actual cumulative total dollar amount of Puts which have been exercised by the Company prior to such anniversary date divided by the market price of the Company's common stock. On June 24, 1999, the first anniversary date of the agreement, the Company issued Commitment Warrants to purchase up to 17,721 shares of the Company's common stock at $1.50 per share, exercisable on a cashless basis only.

3. CONTINGENCY

On March 18, 1999, the Company was served with notice of a lawsuit filed in Orange County Superior Court for the State of California by a former employee alleging a single cause of action for wrongful termination. The Company believes this lawsuit is barred by a severance agreement and release signed by the former employee following his termination and the Company is vigorously defending the action. The Company's motion for summary judgement is currently pending argument. Management does not believe that the outcome of this action will have a material adverse effect upon the financial position or results of operations of the Company.

4. SUBSEQUENT EVENTS

On August 4, 1999, the Company entered into a revised license agreement with Northwestern University for the licensing of Oncolym(R). Under the revised terms, the Company's royalty rate payable to Northwestern University was reduced from 6% of net sales to 3% of net sales generated in the United States including Guam and Puerto Rico. The royalty rate was further reduced to 1.5% of net sales if there is a generic form of the licensed product sold in such territory. In addition, in all other territories, the royalty rate was reduced to 1.5% of net sales and further reduced to 1% of net sales if there is a generic form of the licensed product sold in such territory. The term of the revised license agreement had been reduced from 20 years from the first commercial sale to a fixed date ending in February 2009.

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

GOING CONCERN. The accompanying 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. As shown in the financial statements, we experienced losses in fiscal 1999 and during the first three months of fiscal 2000 and we have an accumulated deficit at July 31, 1999 of $95,668,000. These factors, among others, raise substantial doubt about our ability to continue as a going concern.

We must raise additional funds to sustain research and development, provide for future clinical trials and continue our operations until we are able to achieve profitability based on revenue from the sale and/or licensing of our products. We plan to obtain required financing through one or more methods including, obtaining additional equity or debt financing and negotiating additional licensing or collaboration agreements with another company. There can be no assurance that we will be successful in raising such funds on terms acceptable to us, or at all, or that sufficient additional capital will be raised to complete the research, development, and clinical testing of our product candidates. Our future success is dependent upon raising additional money to provide for the necessary operations of the Company. If we are unable to obtain additional financing, there would be a material adverse effect on the Company's business, financial position and results of operations. Our continuation as a going concern is dependent on our ability to generate sufficient cash flow to meet our obligations on a timely basis, to obtain additional financing as may be required and, ultimately, to attain successful operations.

Management believes that additional capital must be raised to support the Company's continued operations and other short-term cash needs. The Company believes that it has sufficient cash on hand and available pursuant to the financing commitments under the Equity Line of Credit (assuming only one future quarterly draw of $2,250,000) to meet its obligations on a timely basis through November 1999. Our ability to access funds under the Equity Line Agreement is subject to the satisfaction of certain conditions and the failure to satisfy these conditions may limit or preclude the Company's ability to access such funds, which could adversely affect the our business, immediate liquidity, financial position and results of operations unless additional financing sources are available.

COMPANY OVERVIEW. Techniclone Corporation is a biopharmaceutical company engaged in the research, development and commercialization of targeted cancer therapeutics. We develop product candidates based primarily on our proprietary collateral (indirect) tumor targeting technologies for the treatment of solid tumors and a direct tumor targeting agent for the treatment of refractory malignant lymphoma. We have four potential product candidates: two products are in Phase II clinical trials and two products are in preclinical studies.

Collateral (indirect) tumor targeting is the therapeutic strategy of targeting peripheral structures and cell types, other than the viable cancer cells directly, as a means to treat solid tumors. We are currently developing three collateral (indirect) targeting agents for the treatment of solid tumors: Tumor Necrosis Therapy, which is potentially capable of carrying a variety of therapeutic agents to the interior of solid tumors and irradiating the tumor from the inside out; Vasopermeation Enhancement Agents, which potentially increases the permeability of the tumor site and consequently can increase the concentration of killing agents at the core of the tumor; and Vascular Targeting Agents, which potentially creates a blockage within the capillaries and blood vessels that supply solid tumors with nutrients, thus potentially destroying the tumor.

A Phase II clinical trial of our Tumor Necrosis Therapy agent (called Cotara(TM)) for the treatment of malignant glioma (brain cancer) is currently being conducted at The Medical University of South Carolina, University of California at Los Angeles, Temple University, University of Utah-Salt Lake City and Carolina Neurosurgery & Spine Association, with three additional clinical trial sites at various stages of contract negotiation. In addition, our Tumor Necrosis Therapy agent is being used in an equivalent Phase I clinical trial for the treatment of pancreatic, prostrate and liver cancers at a clinical trial site in Mexico City. We are collaborating with outside scientists for preclinical studies on Vasopermeation Enhancement Agents and on Vascular Targeting Agents.

On March 8, 1999, we entered into a license agreement with Schering A.G., Germany, a major multinational pharmaceutical company, with respect to the development, manufacture and marketing of our direct tumor targeting agent candidate, Oncolym(R). At the time we entered into the license agreement with Schering A.G., Germany, Oncolym(R) was in a Phase II/III clinical trial for the treatment of non-Hodgkin's B-cell Lymphoma. Under the agreement, Schering A.G., Germany controls the clinical development program and funds 80% of the clinical trial costs. Recently, Schering A.G., Germany has advised us that they believe the potential success of the Oncolym(R) product may be enhanced via a revision of the current Phase II protocol. In this context, Schering A.G., Germany is analyzing the results of the current Phase II clinical trial and, based on that analysis, may revise the current protocol. As such, the current clinical trial sites will remain open for treating existing patients, however, no new enrollment of patients will be made under the current trial. If a revised protocol is developed by Schering A.G., Germany, it will be submitted to the United States Food and Drug Administration ("FDA") for additional clinical studies. As part of this Oncolym(R) agreement, Schering A.G., Germany and Techniclone are proceeding with negotiations concerning the terms of a possible licensing transaction on the Vascular Targeting Agents technology. We cannot be certain whether we will be successful in entering into a licensing transaction on the Vascular Targeting Agents technology on terms satisfactory to us, if at all.

RESULTS OF OPERATIONS. The Company's net loss of $2,989,000, before preferred stock discount accretion and dividends, for the quarter ended July 31, 1999 represents a decrease in net loss of $317,000 in comparison to the net loss of $3,306,000 for the prior year quarter ended July 31, 1998. This decrease in the net loss for the quarter ended July 31, 1999 is due to a decrease in total costs and expenses of $331,000 offset by a decrease in interest and other income of $14,000.

The Company's total costs and expenses decreased $331,000 during the three months ended July 31, 1999 compared to the three months ended July 31, 1998 due to a decrease in general and administrative expenses of $312,000 and a decrease in interest expense of $152,000 offset by an increase in research and development expenses of $133,000, in comparison to the three months ended July 31, 1998.

The increase in research and development expenses of $133,000 during the three months ended July 31, 1999 compared to the same period in the prior year is primarily due to increased research fees from MDS Nordion associated with the development of a commercial radiolabeling facility. In addition, during the quarter ended July 31, 1999, the Company incurred increased building lease expense related to the sale and subsequent leaseback of the Company's facilities in December 1998 partially offset by a corresponding decrease in depreciation expense on the related building. Also during the current quarter, the Company incurred increased costs associated with the equivalent Phase I study in Mexico City for the treatment of pancreatic, liver, and prostate cancers using Cotara(TM). This was offset by a decrease in the Oncolym(R) clinical trial fees as Schering A.G., Germany

is paying for 80% of the clinical trial expenses as defined in the agreement. In addition, Schering A.G., Germany is analyzing the results of the current Phase II trial and during such time, no new enrollment of patients is being made under the current trial, further lowering the clinical trial costs for the current quarter.

The decrease in general and administrative expenses of $312,000 during the quarter ended July 31, 1999 compared to the quarter ended July 31, 1998 resulted primarily from a decrease in severance expenses associated with the Company's former Chief Executive Officer combined with a decrease in consulting fees.

The decrease in interest expense of $152,000 for the three months ended July 31, 1999 compared to the same period in the prior year is primarily due to a decrease in interest charges related to construction costs incurred in the prior year quarter related to manufacturing facility enhancements combined with a decrease in mortgage interest in the current quarter as the mortgages were paid in full as part of sale of the facilities in December 1998. Such decrease was partially offset by an increase in interest charges on a $3,300,000 note payable to Biotechnology Development Ltd. related to the buyback of the Oncolym(R) rights in March 1999.

The decrease in interest and other income of $14,000 during the three months ended July 31, 1999 compared to the same period in the prior year is primarily due to a decrease in rental income as one of the Company's sub-tenants had completed their lease term in March 1999. The Company does not expect to generate product sales for at least the next year.

Management believes that research and development costs will increase as the Company continues to expand its clinical trial activities and increases production and radiolabeling capabilities for its TNT and Oncolym(R) antibodies.

LIQUIDITY AND CAPITAL RESOURCES. At July 31, 1999, we had $1,632,000 in cash and cash equivalents and a working capital deficit of $3,387,000. We experienced losses in fiscal 1999 and during the first three months of fiscal 2000 and had an accumulated deficit of approximately $95,668,000 at July 31, 1999. During August 1999, the Company exercised its Put option and received gross proceeds of $1,250,000 in exchange for 1,718,750 shares of common stock, including commission shares, pursuant to a Regulation D Common Stock Equity Line Subscription Agreement the (the "Equity Line Agreement"). The Company believes it has sufficient cash on hand at August 31, 1999 and available pursuant to the Equity Line Agreement (assuming only one future quarterly draw of $2,250,000) to meet its obligations on a timely basis through November 1999. Management believes that additional capital must be raised to support the Company's continued operations and other short-term cash needs.

Our ability to access funds under the Equity Line Agreement is subject to the satisfaction of certain conditions and the failure to satisfy these conditions may limit or preclude our ability to access such funds, which could adversely affect the our business, immediate liquidity, financial position and results of operations unless additional financing sources are available.

We have significant commitments to expend additional funds for preclinical development, clinical trials, radiolabeling contracts, license contracts, severance arrangements and consulting. We expect operating expenditures related to clinical trials to increase in the future as our clinical trial activity increases and scale-up for clinical trial production continues. We have experienced negative cash flows from operations since our inception and we expect the negative cash flow from operations to continue

for the foreseeable future. We expect that the monthly negative cash flow will continue for at least the next year as a result of increased activities in connection with the Phase II clinical trials of Cotara(TM) and the equivalent Phase I clinical trials of Cotara(TM) in Mexico and the development costs associated with Vasopermeation Enhancement Agents ("VEAs") and Vascular Targeting Agents ("VTAs"). We believe that it will be necessary for us to raise additional capital to sustain research and development and provide for future clinical trials. Additional funds must be raised to continue our operations until we are able to generate sufficient additional revenue from the sale and/or licensing of our products. There can be no assurance that we will be successful in raising such funds on terms acceptable to us, or at all, or that sufficient capital will be raised to complete the research and development of our product candidates.

COMMITMENTS. At July 31, 1999, we had no material capital commitments, although we have significant obligations, most of which are contingent, for payments to licensors for its technologies and in connection with the acquisition of the Oncolym(R) rights previously owned by Alpha Therapeutic Corporation ("Alpha").

OTHER RISK FACTORS OF OUR COMPANY

IF WE CANNOT OBTAIN ADDITIONAL FUNDING, OUR PRODUCT DEVELOPMENT AND COMMERCIALIZATION EFFORTS MAY BE REDUCED OR DISCONTINUED.

At July 31, 1999, we had $1,632,000 in cash and cash equivalents. We have expended, and will continue to expend, substantial funds on the development of our product candidates and for clinical trials. As a result, we have had negative cash flows from operations since inception and expect the negative cash flows from operations to continue for the foreseeable future. We currently have commitments to expend additional funds for antibody and radioactive isotope combination services, clinical trials, product development contracts, license contracts, severance arrangements, employment agreements, consulting agreements, and for the repurchase of marketing rights to certain product technology. We expect operating expenditures related to clinical trials to increase in the future as clinical trial activity increases and expansion for clinical trial production continues. We also expect that the monthly negative cash flows will continue. We will require additional funding to sustain our research and development efforts, provide for future clinical trials, expand our manufacturing and product commercialization capabilities, and continue our operations until we are able to generate sufficient revenue from the sale and/or licensing of our products.

During June 1998, we secured access to $20,000,000 under a Common Stock Equity Line (Equity Line) with two institutional investors. The Equity Line expires in June 2001. Under the terms of the Equity Line, we may, in our sole discretion, and subject to certain restrictions, periodically sell ("Put") shares of our common stock for up to $20,000,000 upon the effective registration of the Put shares. Up to $2,250,000 of Puts, unless an increase is otherwise agreed to, can be made every quarter, subject to the satisfaction of certain conditions, including share issuance volume limitations identical to the share resale limitations set forth in Rule 144(e). In addition, if the closing bid price of our common stock falls below $1.00 during the ten trading days prior to the call date, then the amount of Puts will be limited to 15% of what would otherwise be available. If the closing bid price of the Company's common stock falls below $0.50 or if the Company is delisted from The Nasdaq SmallCap Market, the Company would have no access to funds under the Equity Line. As of August 31, 1999, we had $10,750,000 available for future Puts under the Equity Line.

We cannot be certain whether we can obtain required additional funding on terms satisfactory to us, if at all. If we do raise additional funds through the issuance of equity or convertible debt securities, these new securities may have rights, preferences or privileges senior to the presently outstanding securities of the Company. If we are unable to raise additional funds when necessary, we may have to reduce or discontinue development, commercialization or clinical testing of some or all of our product candidates or enter into financing arrangements on terms which we would not otherwise accept. Our future success is dependent upon raising additional money to provide for the necessary operations of the Company. If we are unable to obtain additional financing, there would be a material adverse effect on the Company's business, financial position and results of operations.

Without obtaining additional financing or completing a licensing transaction, we believe that we have sufficient cash on hand as of August 31, 1999 and available pursuant to the Equity Line mentioned above, assuming we make one additional quarterly draw of $2,250,000, to meet our obligations on a timely basis through November, 1999.

WE HAVE HAD SIGNIFICANT LOSSES AND ANTICIPATE FUTURE LOSSES.

We have experienced significant losses since inception. As of July 31, 1999, our accumulated deficit was approximately $95,668,000. We expect to incur significant additional operating losses in the future and expect cumulative losses to increase substantially due to expanded research and development efforts, preclinical studies and clinical trials, and expansion of manufacturing and product commercialization capabilities. We also expect losses to fluctuate substantially from quarter to quarter. All of our products are currently in development, preclinical studies or clinical trials, and no revenues have been generated from commercial product sales. To achieve and sustain profitable operations, we must successfully develop and obtain regulatory approval for our products, either alone or with others, and must also manufacture, introduce, market and sell our products. The time frame necessary to achieve market success for our products is long and uncertain. We do not expect to generate significant product revenues for at least the next year. There can be no guarantee that we will ever generate product revenues sufficient to become profitable or to sustain profitability.

PROBLEMS IN PRODUCT DEVELOPMENT MAY CAUSE OUR CASH DEPLETION RATE TO INCREASE.

Our ability to obtain financing and to manage expenses and our cash depletion rate is key to the continued development of product candidates and the completion of ongoing clinical trials. Our cash depletion rate will vary substantially from quarter to quarter as we fund non-recurring items associated with clinical trials, product development, antibody manufacturing and facility expansion and scale-up, patent legal fees and various consulting fees. We have limited experience with clinical trials and if we encounter unexpected difficulties with our operations or clinical trials, we may have to expend additional funds, which would increase our cash depletion rate.

OUR PRODUCT DEVELOPMENT AND COMMERCIALIZATION EFFORTS MAY NOT BE SUCCESSFUL.

Since inception, we have been engaged in the development of drugs and related therapies for the treatment of people with cancer. Our product candidates, which have not received regulatory approval, are generally in the early stages of development. If the initial results from any of the clinical trials are poor, those results will adversely effect our ability to raise additional capital, which will affect our ability to continue full-scale research and development for our antibody technologies. In addition, product candidates resulting from our research and development efforts, if any, are not expected to be available commercially for at least the next year. Our products currently in clinical trials represent a departure from more commonly used methods for cancer treatment. These products, if approved, may experience under-utilization by doctors who are unfamiliar with their application in the treatment of cancer. As with any new drug, doctors may be inclined to continue to treat patients with conventional therapies, in most cases chemotherapy, rather than new alternative therapies. We or our marketing partner may be required to implement an aggressive education and promotion plan with doctors in order to gain market recognition, understanding and acceptance of our products. Market acceptance could also be affected by the availability of third-party reimbursement. Accordingly, we cannot guarantee that our product development efforts, including clinical trials, or commercialization efforts will be successful or that any of our products, if approved, can be successfully marketed.

WE MAY NOT BE ABLE TO EXPAND OUR FACILITIES TO IMPLEMENT COMMERCIAL PRODUCTION OF OUR PRODUCTS.

In order to conduct clinical trials on a timely basis, obtain regulatory approval and be commercially successful, we must expand our manufacturing and product commercialization processes so that our product candidates, if approved, can be manufactured and produced in commercial quantities. To date, we have expended significant funds for the expansion of our antibody manufacturing capabilities for clinical trial requirements for two of our product candidates and for refinement of the production processes. We intend to use existing antibody manufacturing capacity to meet the clinical trial requirements for these two product candidates and to support the initial commercialization of these product candidates, if approved. In order to provide additional capacity, we must successfully negotiate agreements with contract antibody manufacturers to have these products produced, the cost of which is estimated to be several million dollars in start-up costs and additional production costs on a "per run basis". Such contracts would also require an additional investment estimated at five to nine million dollars over the next two years for antibody radiolabeling services and related equipment and related production area enhancements, and for vendor services associated with technology transfer assistance, expansion and production start-up and for regulatory assistance. We have limited manufacturing experience, and cannot make any guarantee as to our ability to expand our manufacturing operations, the suitability of our present facility for clinical trial production or commercial production, our ability to make a successful transition to commercial production or our ability to reach an acceptable agreement with one or more contract manufacturers to produce any of our other product candidates, if approved, in clinical or commercial quantities.

OUR TECHNOLOGY AND PRODUCTS MAY PROVE INEFFECTIVE OR BE TOO EXPENSIVE TO MARKET SUCCESSFULLY.

Our future success is significantly dependent on our ability to develop and test workable products for which we will seek approval from the United States Food and Drug Administration to market to certain defined patient groups. There is a significant risk as to the performance and commercial success of our technology and products. The products we are currently developing will require significant additional laboratory and

clinical testing and investment over the foreseeable future. Our proposed products may not prove to be effective in clinical trials or they may cause harmful side effects during clinical trials. In addition, our product candidates, if approved, may prove impracticable to manufacture in commercial quantities at a reasonable cost and/or with acceptable quality. Any of these factors could negatively affect our financial position and results of operations.

OUR DEPENDENCY ON A LIMITED NUMBER OF SUPPLIERS MAY NEGATIVELY IMPACT OUR ABILITY TO COMPLETE CLINICAL TRIALS AND MARKET OUR PRODUCTS.

We currently procure, and intend in the future to procure, our antibody radioactive isotope combination services ("radiolabeling") under negotiated contracts with two domestic entities, one Canadian entity and one European entity. We cannot guarantee that these suppliers will be able to qualify their facilities or label and supply antibody in a timely manner, if at all. Prior to commercial distribution of any of our products, if approved, we will be required to identify and contract with a commercial company for commercial antibody manufacturing and radioactive isotope combination services. We are presently in discussions with a few companies to provide commercial antibody manufacturing and radioactive isotope combination services. We also currently rely on, and expect in the future to rely on, our current suppliers for all or a significant portion of the raw material requirements for our antibody products. Antibody that has been combined with a radioactive isotope cannot be stockpiled against future shortages. Accordingly, any change in our existing or future contractual relationships with, or an interruption in supply from, any such third-party service provider or antibody supplier could negatively impact our ability to complete ongoing clinical trials and to market our products, if approved.

TERMINATION OF OUR RELATIONSHIP WITH SCHERING A.G., GERMANY COULD ADVERSELY AFFECT OUR BUSINESS.

In March 1999, we entered into a license agreement with Schering A.G., Germany for the worldwide development, marketing and distribution of our direct tumor targeting agent product candidate, Oncolym(R). Under the agreement, Schering A.G., Germany has assumed control of the clinical development program, regulatory approvals in the United States and all foreign countries and handling sales and marketing of this product candidate. Schering A.G., Germany may terminate the agreement under a number of circumstances as defined in the agreement, including thirty days' written notice given at any time prior to receiving regulatory approval. We are relying on Schering A.G., Germany to apply its expertise and know-how through the development, launch and sale of this product candidate. If Schering A.G., Germany decides to discontinue the development of this product candidate and terminates our license agreement, we may have to discontinue development, commercialization and clinical testing of this product candidate, which could negatively affect our operations and financial performance. In connection with our agreement with Schering A.G., Germany for Oncolym(R), Schering A.G., Germany has also agreed to discuss the development and commercialization of our Vascular Targeting Agent technology. If we enter into an agreement with Schering A.G., Germany with respect to our Vascular Targeting Agent technology, we will also rely on Schering A.G., Germany to apply its expertise and know-how through the development, launch and sale of our Vascular Targeting Agent product candidates. We cannot guarantee that Schering A.G., Germany will devote the resources necessary to successfully develop and/or market any product candidate.

WE DO NOT HAVE A SALES FORCE TO MARKET OUR PRODUCTS.

At the present time, we do not have a sales force to market any of our products, if and when they are approved. We intend to sell our products in the United States and internationally in collaboration with one or more marketing partners. If and when we receive approval from the United States Food and Drug Administration for our initial product candidates, the marketing of these products will be contingent upon our ability to either license or enter into a marketing agreement with a large company or our ability to recruit, develop, train and deploy our own sales force. We do not presently possess the resources or experience necessary to market any of our product candidates. Other than an agreement with Schering A.G., Germany with respect to the marketing of our direct tumor targeting agent product candidate, we presently have no agreements for the licensing or marketing of our product candidates, and we cannot assure you that we will be able to enter into any such agreements in a timely manner or on commercially favorable terms, if at all. Development of an effective sales force requires significant financial resources, time and expertise. We cannot assure you that we will be able to obtain the financing necessary to establish such a sales force in a timely or cost effective manner, if at all, or that such a sales force will be capable of generating demand for our product candidates, if and when they are approved.

WE MAINTAIN ONLY LIMITED PRODUCT LIABILITY INSURANCE AND MAY BE EXPOSED TO CLAIMS IF OUR INSURANCE COVERAGE IS INSUFFICIENT.

The manufacture and sale of human therapeutic products involves an inherent risk of product liability claims. We maintain only limited product liability insurance. We cannot assure you that we will be able to maintain existing insurance or obtain additional product liability insurance on acceptable terms or with adequate coverage against potential liabilities. 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.

EARTHQUAKES MAY DAMAGE OUR FACILITIES.

Our corporate and research facilities, where the majority of our research and development activities are conducted, are located near major earthquake faults, which have experienced earthquakes in the past. Although we carry limited earthquake insurance, in the event of a major earthquake or other disaster in or near the greater Southern California area, our facilities may sustain significant damage and our operations could be negatively affected.

THE LIQUIDITY OF OUR COMMON STOCK WILL BE ADVERSELY AFFECTED IF OUR COMMON STOCK IS DELISTED FROM THE NASDAQ SMALLCAP MARKET.

The Common Stock is presently traded on The Nasdaq SmallCap Market. To maintain inclusion on The Nasdaq SmallCap Market, we must continue to have either net tangible assets of at least $2,000,000, market capitalization of at least $35,000,000, or net income (in either our latest fiscal year or in two of our last three fiscal years) of at least $500,000. In addition, we must meet other requirements, including, but not limited to, having a public float of at least 500,000 shares and $1,000,000, a minimum closing bid price of $1.00 per share of Common Stock (without falling below this minimum bid price for a period of 30 consecutive trading days), at least two market makers and at least 300 stockholders, each holding at least

100 shares of Common Stock. At various times, we have failed to maintain a $1.00 minimum closing bid price for extended periods of time and our stock may periodically fall below the minimum $1.00 closing bid price for extended periods of time in the future. If we fail to meet the minimum closing bid price of $1.00 for a period of 30 consecutive trading days, we will be notified by The Nasdaq Stock Market and will then have a period of 90 calendar days from such notification to achieve compliance with the applicable standard by meeting the minimum closing bid price requirement for at least 10 consecutive trading days during such 90 day period. We cannot guarantee that we will be able to maintain these requirements in the future. If we fail to meet any of The Nasdaq SmallCap Market listing requirements, the market value of the Common Stock could fall and holders of Common Stock would likely find it more difficult to dispose of the Common Stock. In addition, if the minimum closing bid price of the Common Stock is not at least $1.00 per share for 10 consecutive trading days before we make a call for proceeds under our Regulation D Common Stock Equity Line Subscription Agreement with two institutional investors or if the Common Stock ceases to be included on The Nasdaq SmallCap Market, we would have limited or no access to funds under the Regulation D Common Stock Equity Line Subscription Agreement. Moreover, should the market price of the Common Stock fall significantly, we would be required to issue to the two institutional investors a much greater number of shares than we would otherwise if the market price were stable or rising, which could cause the market price of the Common Stock to fall further and faster. In addition, we and broker-dealers effecting transactions in the Common Stock may become subject to additional disclosure and reporting requirements applicable to low-priced securities, which may reduce the level of trading activity in the secondary market for the Common Stock and limit or prevent investors from readily selling their shares of Common Stock.

THE SALE OF SUBSTANTIAL SHARES OF OUR COMMON STOCK MAY DEPRESS OUR STOCK PRICE.

As of August 31, 1999, we had approximately 78,355,000 shares of Common Stock outstanding. We are also obligated to issue up to an additional approximately 191,000 shares of Common Stock upon conversion of 91 outstanding shares of our 5% Adjustable Convertible Class C Preferred Stock and exercise of related warrants. Under our Regulation D Common Stock Equity Line Subscription Agreement with two institutional investors, we may issue up to an additional approximately 16,259,000 shares of Common Stock (assuming a market price of our common stock of $1.00 per share), at our sole option, from time to time, in exchange for an aggregate purchase price of $10,750,000, which includes warrants equal to 10% of the shares of Common Stock issued under such agreement, which must be exercised on a cashless basis only. In addition, an additional approximately 16,050,000 shares of Common Stock are issuable upon exercise of outstanding stock options and other warrants at an average exercise price of $1.79. The conversion rate applicable to our Class C Preferred Stock and the purchase price for the shares of Common Stock and warrants to be issued under the Regulation D Common Stock Equity Line Subscription Agreement are at a significant discount to the market price of the Common Stock. The sale and issuance of these shares of Common Stock, as well as subsequent sales of shares of Common Stock in the open market, may cause the market price of the Common Stock to fall and might impair our ability to raise additional capital through sales of equity or equity-related securities, whether under the Regulation D Common Stock Equity Line Subscription Agreement or otherwise.

OUR HIGHLY VOLATILE STOCK PRICE AND TRADING VOLUME MAY ADVERSELY AFFECT THE LIQUIDITY OF THE COMMON STOCK.

The market price of the Common Stock, and the market prices of securities of companies in the biotechnology industry generally, have been highly volatile and is likely to continue to be highly volatile. Also, the trading volume in the Common Stock has been highly volatile, ranging from as few as 44,000 shares per day to as many as 19 million shares per day over the past eighteen months, and is likely to continue to be highly volatile. The market price of the Common Stock may be significantly impacted by many factors, including announcements of technological innovations or new commercial products by us or our competitors, disputes concerning patent or proprietary rights, publicity regarding actual or potential medical results relating to products under development by us or our competitors and regulatory developments and product safety concerns in both the United States and foreign countries. These and other external factors have caused and may continue to cause the market price and demand for the 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 the Common Stock.

WE MAY NOT BE ABLE TO COMPETE WITH OUR COMPETITORS IN THE BIOTECHNOLOGY INDUSTRY.

The biotechnology industry is intensely competitive. It is also subject to rapid change and sensitive to new product introductions or enhancements. We expect to continue to experience significant and increasing levels of competition in the future. Virtually all of our existing competitors 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. Two of our competitors, IDEC Pharmaceuticals Corporation and Coulter Pharmaceuticals, Inc., each has a lymphoma antibody that may compete with our direct tumor targeting agent product, Oncolym(R). IDEC Pharmaceuticals Corporation is currently marketing its lymphoma product for low grade non-Hodgkin's lymphoma and we believe that Coulter Pharmaceuticals, Inc. will be marketing its respective lymphoma product prior to the time our Oncolym(R) product will be submitted to the United States Food and Drug Administration for marketing approval. Coulter Pharmaceuticals, Inc. has also announced that it intends to conduct clinical trials of its antibody treatment for intermediate and/or high-grade non-Hodgkin's lymphomas. 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 which are comparable or superior to our technologies and products. Some or all of these companies may also have greater financial and technical resources than we have. Accordingly, we cannot assure you that we will be able to compete successfully with our existing and future competitors or that competition will not negatively affect our financial position or results of operations in the future.

WE MAY NOT BE SUCCESSFUL IF WE ARE UNABLE TO OBTAIN AND MAINTAIN PATENTS AND LICENSES TO PATENTS.

Our success depends, in large part, on our ability to obtain or maintain a proprietary position in our products through patents, trade secrets and orphan drug designations. We have been granted several United States patents and have submitted several United States patent applications and numerous corresponding foreign patent applications, and have also obtained licenses to patents or patent applications owned by other entities. However, we cannot assure you that any of these patent applications will be granted or that our patent licensors will not terminate any of our patent licenses. We also cannot guarantee that any issued patents will provide competitive advantages for our products or that any issued patents will not be successfully challenged or circumvented by our competitors. Although we believe that our patents and our licensors' patents do not infringe on any

third party's patents, we cannot be certain that we can avoid litigation involving such patents or other proprietary rights. Patent and proprietary rights litigation entails substantial legal and other costs, and we may not have the necessary financial resources to defend or prosecute our rights in connection with any litigation. Responding to, defending or bringing claims related to patents and other intellectual property rights may require our management to redirect our human and monetary resources to address these claims and may take years to resolve.

OUR PRODUCT DEVELOPMENT AND COMMERCIALIZATION EFFORTS MAY BE REDUCED OR DISCONTINUED DUE TO DIFFICULTIES OR DELAYS IN CLINICAL TRIALS.

We may encounter unanticipated problems, including development, manufacturing, distribution, financing and marketing difficulties, during the product development, approval and commercialization process. 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. Delays in patient enrollment will result in increased costs and further delays. If we experience any such difficulties or delays, we may have to reduce or discontinue development, commercialization or clinical testing of some or all of our product candidates. Schering A.G., Germany has recently advised us that it is analyzing the results of the current Phase II clinical development program for our direct tumor targeting agent product candidate and based on that analysis, Schering A.G., Germany may revise the current protocol. As such, the current clinical trial sites will remain open for treating existing patients, however, no new enrollment of patients will be made under the current trial. Schering A.G., Germany has further informed us that if a revised protocol is developed, it will be submitted to the United States Food and Drug Administration for additional clinical trials. If Schering A.G., Germany decides to discontinue the development of this product candidate and terminates our license agreement for the worldwide development, distribution and marketing of this product candidate, we may have to discontinue development, commercialization and clinical testing of this product candidate.

OUR PRODUCT DEVELOPMENT AND COMMERCIALIZATION EFFORTS MAY BE REDUCED OR DISCONTINUED DUE TO DELAYS OR FAILURE IN OBTAINING REGULATORY APPROVALS.

We will need to do substantial additional development and clinical testing prior to seeking any regulatory approval for commercialization of our product candidates. Testing, manufacturing, commercialization, advertising, promotion, export and marketing, among other things, of our proposed products are subject to extensive regulation by governmental authorities in the United States and other countries. The testing and approval process requires substantial time, effort and financial resources and we cannot guarantee that any approval will be granted on a timely basis, if at all. Companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in conducting advanced human clinical trials, even after obtaining promising results in earlier trials. Furthermore, the United States Food and Drug Administration may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Even if regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which it may be marketed. Accordingly, we may experience difficulties and delays in obtaining necessary governmental clearances and approvals to market our products, and we may not be able to obtain all necessary governmental clearances and approvals to market our products. At least initially, we intend, to the extent possible, to rely on licensees to obtain regulatory approval for marketing our products. The failure by us or our licensees to adequately demonstrate the safety and efficacy of any of our product candidates under development could delay, limit or prevent regulatory approval of the product, which may require us to reduce or discontinue development, commercialization or clinical testing of some or all of our product candidates.

OUR PRODUCTS, IF APPROVED, MAY NOT BE COMMERCIALLY VIABLE DUE TO HEALTH CARE REFORM AND THIRD-PARTY REIMBURSEMENT LIMITATIONS.

Recent initiatives to reduce the federal deficit and to reform health care delivery are increasing cost-containment efforts. We anticipate that Congress, state legislatures and the private sector will continue to review and assess alternative benefits, controls on health care spending through limitations on the growth of private health insurance premiums and Medicare and Medicaid spending, price controls on pharmaceuticals and other fundamental changes to the health care delivery system. Legislative debate is expected to continue in the future, and market forces are expected to drive reductions of health care costs. Any such changes could negatively impact the commercial viability of our products, if approved. Our ability to successfully commercialize our product candidates, if and when they are approved, will depend in part on the extent to which appropriate reimbursement codes and authorized cost reimbursement levels of such products and related treatment are obtained from governmental authorities, private health insurers and other organizations, such as health maintenance organizations. In the absence of national Medicare coverage determination, local contractors that administer the Medicare program, within certain guidelines, can make their own coverage decisions. Accordingly, there can be no assurance that any of our product candidates, if approved and when commercially available, will be included within the then, current Medicare coverage determination or the coverage determination of state Medicaid programs, private insurance companies and other health care providers. In addition, third-party payors are increasingly challenging the prices charged for medical products and services. The trend toward managed health care and the growth of health maintenance organizations in the United States may all result in lower prices for our products, if approved and when commercially available, than we currently expect. The cost containment measures that health care payors and providers are instituting and the effect of any health care reform could negatively affect our financial performance, if and when one or more of our products are approved and available for commercial use.

OUR MANUFACTURING AND USE OF HAZARDOUS AND RADIOACTIVE MATERIALS MAY RESULT IN OUR LIABILITY FOR DAMAGES, INCREASED COSTS AND INTERRUPTION OF ANTIBODY SUPPLIES.

The manufacturing and use of our products require the handling and disposal of the radioactive isotope I131. We currently rely on, and intend in the future to rely on, our current contract manufacturers to combine antibodies with radioactive I131 isotope in our products and to comply with various local, state, national or international regulations regarding the handling and use of radioactive materials. Violation of these regulations by these companies or a clinical trial site could significantly delay completion of the trials. Violations of safety regulations could occur with these manufacturers, so there is also a risk of accidental contamination or injury. Accordingly, we could be held liable for any damages that result from an accident, contamination or injury caused by the handling and disposal of these materials, as well as for unexpected remedial costs and penalties that may result from any violation of applicable regulations. In addition, we may incur substantial costs to comply with environmental regulations. In the event of any noncompliance or accident, the supply of antibodies for use in clinical trials or commercial products could also be interrupted.

OUR OPERATIONS AND FINANCIAL PERFORMANCE COULD BE NEGATIVELY AFFECTED IF WE CANNOT ATTRACT AND RETAIN KEY PERSONNEL.

Our success is dependent, in part, upon a limited number of key executive officers and technical personnel remaining employed with us, including Larry O. Bymaster, our President and Chief Executive Officer, Steven C. Burke, our Chief Financial Officer, and Dr. John N. Bonfiglio, our Vice President of Technology and Business Development and interim Vice President of Clinical and Regulatory Affairs. 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 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.

OUR BUSINESS MAY BE ADVERSELY EFFECTED IF OUR COMPUTER SYSTEMS AND THE COMPUTER SYSTEMS OF OUR SUPPLIERS ARE NOT YEAR 2000 COMPLIANT.

We are aware of the issues associated with the programming code in existing computer systems as the year 2000 approaches. The year 2000 problem is pervasive and complex. The issue is whether computer systems will properly recognize date-sensitive information in the year 2000 due to the fact that the programming in most computer systems use a two digit year value, which value will rollover to "00" as of January 1, 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail. We have identified substantially all of our information technology ("IT") and non-IT systems, including major hardware and software platforms in use and we have modified and upgraded our hardware, software of IT and non-IT systems to be year 2000 compliant. We do not presently believe that the year 2000 problem will pose significant operational problems for our internal computer systems or have a negative effect on our operations. However, we cannot assure you that any year 2000 compliance problems of our suppliers will not negatively affect our operations. Because uncertainty exists concerning the potential costs and effects associated with any year 2000 compliance, we intend to continue to make efforts to ensure that third parties with whom we have relationships are year 2000 compliant. We have not incurred significant costs to date associated with year 2000 compliance and presently believe estimated future costs will not be material. However, actual results could differ materially from our expectations due to unanticipated technological difficulties or project delays. If any third parties upon which we rely are unable to address the year 2000 issue in a timely manner, although we are uncertain as to our worst case consequences, it could have an adverse impact on our operations, including delaying our clinical trial programs. In order to minimize this risk, we have developed a contingency plan, the implementation of which should be completed by November 1999, and we intend to devote all resources required to attempt to resolve any significant year 2000 problems in a timely manner.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A significant change in interest rates would not have a material adverse effect on the Company's financial position or results of operations due to the amount of cash on hand at July 31, 1999, which consists of highly liquid investments, and as the Company's debt instruments have fixed interest rates and terms.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On March 18, 1999, the Company was served with notice of a lawsuit filed in Orange County Superior Court for the State of California by a former employee alleging a single cause of action for wrongful termination. The Company believes this lawsuit is barred by a severance agreement and release signed by the former employee following his termination and the Company is vigorously defending the action. The Company's motion for summary judgement is currently pending argument. Management does not believe that the outcome of this action will have a material adverse effect upon the financial position or results of operations of the Company.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

The following is a summary of transactions by the Company during the quarterly period commencing on May 1, 1999 and ending on July 31, 1999 involving issuance and sales of the Company's securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act").

On or about June 16, 1999, the Company issued to one unaffiliated investor an aggregate of 98,835 shares of the Company's Common Stock upon conversion of 30 outstanding shares of the Company's 5% Adjustable Convertible Class C Preferred Stock (the "Class C Stock") and upon the exercise of outstanding warrants to purchase 47,962 shares of Common Stock for total consideration of $31,435. Upon conversion of the 30 shares of Class C Stock, the Company issued warrants to such investor to purchase up to an aggregate of 12,718 shares of the Company's Common Stock at an exercise price of $0.6554 per share, which warrants were exercised and included in the total 47,962 warrants.

On various dates during the quarter ended July 31, 1999, the Company issued an aggregate of 2,509,508 shares of the Company's common Stock to the two institutional investors and the placement agent under the Equity Line, for an aggregate purchase price of $2,250,000, pursuant to an Equity Line draw and also issued warrants to the two institutional investors and placement agent to purchase up to 250,948 shares of Common Stock, which warrants are immediately exercisable on a cashless basis only and expire on December 31, 2004.

The following table provides specific information with respect to securities of Techniclone sold (Put) to the two institutional investors and the placement agent under the Equity Line during the quarter ended July 31, 1999:

Date	Amount Funded	Shares of common stock issued to the Institutional Investors	Shares subject to warrants issued to the Institutional Investors	Shares of common stock issued to the Placement Agent	Shares subject to warrants issued to the Placement Agent
May 10, 1999	$ 337,500	551,020 (1)	55,101 (2)	55,102	5,510 (2)
June 2, 1999	$ 337,500	457,626 (3)	45,762 (4)	45,762	4,576 (4)
June 24, 1999	$ 1,575,000	1,272,726 (5)	127,272 (6)	127,272	12,727 (6)

(1) Purchase price of $0.6125 per share.
(2) Exercise price of $0.6125 per share.
(3) Purchase price of $0.7375 per share.
(4) Exercise price of $0.7375 per share.
(5) Purchase price of $1.2375 per share.
(6) Exercise price of $1.2375 per share.

On July 15, 1999, the Company issued an aggregate of 179,485 shares of the Company's Common Stock to the two institutional investors and placement agent under the Equity Line, for no monetary consideration, as an adjustment to the purchase price of one-half of the initial shares sold to the two institutional investors in June 1998, pursuant to the terms of the Equity Line.

On various dates during the quarter ended July 31, 1999, the Company issued an aggregate of 6,411 shares of the Company's Common Stock to one institutional investor upon the cashless exercise of 20,172 warrants issued under the Equity Line.

Under the Equity Line, if the Company does not exercise the full amount of its Put rights, then the Company will issue Commitment Warrants on the first, second, and third anniversary of the Equity Line. The number of Commitment Warrants to be issued on each anniversary date will be equal to ten percent (10%) of the quotient of the difference of $6,666,666, $13,333,333 and $20,000,000 (Commitment Amounts), respectively, less the actual cumulative total dollar amount of Puts which have been exercised by the Company prior to such anniversary date divided by the market price of the Company's common stock. On June 24, 1999, the first anniversary date of the agreement, the Company issued Commitment Warrants to purchase up to 17,721 shares of the Company's common stock at $1.50 per share, exercisable on a cashless basis only.

The issuances of the securities of the Company in the above transactions were deemed to be exempt from registration under the Securities Act by virtue of Section 4(2) thereof or Regulation D promulgated thereunder, as a transaction by an issuer not involving a public offering. The recipient of such securities either received adequate information about the Company or had access, through employment or other relationships with the Company, to such information.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. None.

ITEM 5. OTHER INFORMATION. None.

ITEM 6. EXHIBITS AND REPORT ON FORM 8-K.

(a) Exhibits:

Exhibit Number	Description
10.57	Patent License Agreement dated October 8, 1998 between Registrant and the Board of Regents of the University of Texas System for patents related to Targeting the Vasculature of Solid Tumors (Vascular Targeting Agent patents).
10.58	Patent License Agreement dated October 8, 1998 between Registrant and the Board of Regents of the University of Texas System for patents related to the Coagulation of the Tumor Vasculature (Vascular Targeting Agent patents).
10.59	License Agreement between Northwestern University and Registrant dated August 4, 1999 covering the LYM-1 and LYM-2 antibodies (Oncolym(R)).
27	Financial Data Schedule.

(b) Reports on Form 8-K: None.

SIGNATURES

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

TECHNICLONE CORPORATION

By: /s/ Steven C. Burke

Chief Financial Officer (signed both as an officer duly authorized to sign on behalf of the Registrant and principal financial officer and chief accounting officer)

EXHIBIT 10.57

PATENT LICENSE AGREEMENT
BETWEEN UNIVERSITY OF TEXAS SYSTEM
AND
TECHNICLONE CORPORATION

THIS PATENT LICENSE AGREEMENT ("LICENSE AGREEMENT") is made by and between the BOARD OF REGENTS (BOARD) OF THE UNIVERSITY OF TEXAS SYSTEM (SYSTEM), an agency of the State of Texas, whose address is 201 West 7th Street, Austin, Texas 78701 and TECHNICLONE CORPORATION (LICENSEE), a Delaware corporation, having its a principal place of business located at 14282 Franklin Avenue, Tustin, CA 92780.

WITNESSETH:

Whereas BOARD and IMPERIAL CANCER RESEARCH TECHNOLOGY, LTD. (ICRT) jointly created certain PATENT RIGHTS and TECHNOLOGY RIGHTS related to LICENSED SUBJECT MATTER, which were developed at The University of Texas Southwestern Medical Center at Dallas (UT SOUTHWESTERN), located at 5323 Harry Hines Boulevard, Dallas, Texas 75235, a component institution of SYSTEM, and ICRT; Whereas ICRT has assigned the necessary rights in PATENT RIGHTS and TECHNOLOGY RIGHTS to BOARD under an Inter-Institutional Intellectual Property Management Agreement under which BOARD assumes ownership and all licensing responsibilities for LICENSED SUBJECT MATTER;

Whereas pursuant to the Inter-Institutional Intellectual Property Management Agreement, BOARD obtained ICRT's assent to the ICRT ASSIGNMENT (as hereinafter defined);

Whereas BOARD and Peregrine Pharmaceuticals, Inc. (PEREGRINE) entered into a patent license agreement dated January 9, 1995 (1995 PATENT LICENSE AGREEMENT) for LICENSED SUBJECT MATTER;

Whereas LICENSEE acquired PEREGRINE in April 1997, and, under Article IX of 1995 PATENT LICENSE AGREEMENT, has obtained assignment of 1995 PATENT LICENSE AGREEMENT from PEREGRINE;

Whereas BOARD and LICENSEE wish to terminate the 1995 PATENT LICENSE AGREEMENT and enter into this LICENSE AGREEMENT simultaneously on the EFFECTIVE DATE of this LICENSE AGREEMENT;

Whereas BOARD desires to have the LICENSED SUBJECT MATTER developed and used for the benefit of LICENSEE, the INVENTORS (as hereinafter defined), BOARD, UT SOUTHWESTERN, ICRT and the public as outlined in the Intellectual Property Policy promulgated by the BOARD; and

Whereas LICENSEE wishes to obtain a license from BOARD to practice LICENSED SUBJECT MATTER;

NOW, THEREFORE, in consideration of the mutual covenants and premises herein contained, the parties hereto agree as follows:

ARTICLE I

TERMINATION OF 1995 PATENT LICENSE AGREEMENT

The parties mutually agree to terminate the 1995 PATENT LICENSE AGREEMENT as of the EFFECTIVE DATE of this LICENSE AGREEMENT.

ARTICLE II

EFFECTIVE DATE

This LICENSE AGREEMENT shall be effective as of the date the last party executes this LICENSE AGREEMENT (EFFECTIVE DATE).

ARTICLE III

DEFINITIONS

As used in this LICENSE AGREEMENT, the following terms shall have the meanings indicated:

3.1 COAGULATION PATENT LICENSE AGREEMENT shall mean that certain COAGULATION PATENT LICENSE AGREEMENT dated as of even date herewith by and between LICENSEE and BOARD pursuant to which BOARD has licensed the COAGULATION PATENT RIGHTS to LICENSEE.

3.2 COAGULATION PATENT RIGHTS shall mean BOARD's rights in information or discoveries covered by the patent applications listed in Appendix I, as well as all divisions, continuations, and continuations-in-part arising from research funded in whole or in part by LICENSEE, or previously by PEREGRINE, as well as reissues, reexamination or extensions thereof.

3.3 COMMERCIAL INTRODUCTION shall mean the date of the first commercial SALE of a LICENSED PRODUCT by LICENSEE or any sublicensee in any country.

3.4 ICRT ASSIGNMENT shall mean that certain assignment executed by ICRT in favor of SYSTEM pursuant to which ICRT assigned its rights in PATENT RIGHTS and TECHNOLOGY RIGHTS to SYSTEM.

3.5 INVENTORS (or singly INVENTOR) shall mean Philip Thorpe, Francis Burrows, Thomas Edgington, Steven W. King and Boning Gao.

3.6 LICENSED FIELD shall mean targeting compounds to or acting on tumor vasculature or any other components of a tumor for therapeutic or diagnostic use.

3.7 LICENSED PRODUCT shall mean any product SOLD by LICENSEE comprising LICENSED SUBJECT MATTER pursuant to this LICENSE AGREEMENT.

3.8 LICENSED SUBJECT MATTER shall mean inventions and discoveries covered by PATENT RIGHTS, LINKER PATENT RIGHTS, LINKER TECHNOLOGY RIGHTS, or TECHNOLOGY RIGHTS within the LICENSED FIELD.

3.9 LICENSED TERRITORY shall mean the world.

3.10 LINKER PATENT RIGHTS shall mean BOARD's rights in information or discoveries covered by the patents listed in Appendix II which relate to the LICENSED FIELD, as well as reissues, reexaminations or extensions thereof.

3.11 LINKER TECHNOLOGY RIGHTS shall mean BOARD's rights in any technical information, know-how, process, procedure, composition, device, method, formula, protocol, technique, software design, drawing, data, biological and other materials developed by Philip Thorpe at UT SOUTHWESTERN and which are useful in targeting therapeutic and diagnostic compounds to tumor vasculature in humans and which are not covered by LINKER PATENT RIGHTS but which are necessary or useful for practicing any inventions at any time covered by LINKER PATENT RIGHTS.

3.12 NET SALES shall mean the gross revenues received by LICENSEE from the SALE of LICENSED PRODUCTS less sales and/or use taxes actually paid, import and/or export duties actually paid, outbound transportation prepaid or allowed, and amounts allowed or credited due to returns (not to exceed the original billing or invoice amount).

3.13 PATENT RIGHTS shall mean BOARD's rights in information or discoveries covered by the patents and/or patent applications listed in Appendix III, whether domestic or foreign, as well as all divisions, continuations and continuations-in-part arising from research funded in whole or in part by LICENSEE, or previously by PEREGRINE, as well as any reissues, reexaminations or extensions thereof. Notwithstanding anything to the contrary in this Section 3.13, it is hereby acknowledged and agreed that PATENT RIGHTS for purposes of this LICENSE AGREEMENT do not include BOARD's rights in COAGULATION PATENT RIGHTS, which are licensed to LICENSEE under the COAGULATION PATENT LICENSE AGREEMENT executed by LICENSEE and BOARD concurrently with the execution of this LICENSE AGREEMENT.

3.14 PHASE I TRIAL INITIATION shall mean the commencement of a Phase I Clinical Trial on a LICENSED PRODUCT.

3.15 PHASE II TRIAL COMPLETION shall mean the submission to the US Food and Drug Administration (FDA) of the final data resulting from completion of a Phase II Clinical Trial on a LICENSED PRODUCT.

3.16 SALE, SELL or SOLD shall mean the transfer or disposition of a LICENSED PRODUCT for value to a party other than LICENSEE or a SUBSIDIARY.

3.17 SUBLICENSEE GROSS REVENUES shall mean the gross revenues and other consideration received by LICENSEE from any sublicensees of LICENSEE incorporating LICENSED SUBJECT MATTER, excluding (a) payments made by any sublicensee in consideration for the issuance of equity or debt securities of LICENSEE, (b) payments made by any sublicensee to support or fund research activities to be undertaken by LICENSEE, (c) up-front payments made in consideration or recognition of prior research and development efforts undertaken by LICENSEE, and (d) payments made by any sublicensee upon the achievement of specified milestones or benchmarks relating to the development of the LICENSED PRODUCTS sublicensed to sublicensee, other than royalty payments. Notwithstanding subpart (d) above, if the royalty rate charged by LICENSEE for sublicensing any LICENSED PRODUCT is less than four percent (4%), then the parties will mutually agree to an equitable sharing arrangement with respect to license fee, milestone, benchmark or other payments. If non-monetary consideration is so received, then a commercially reasonable monetary value will be assigned for purposes of calculating BOARD's share of SUBLICENSEE GROSS REVENUES.

3.18 SUBSIDIARY shall mean any business entity more than fifty percent (50%) owned by LICENSEE, any business entity which owns more than fifty percent (50%) of LICENSEE, or any business entity that is more than fifty percent (50%) owned by a business entity that owns more than fifty percent (50%) of LICENSEE.

3.19 TECHNOLOGY RIGHTS shall mean BOARD's rights in any technical information, know-how, process, procedure, composition, device, method, formula, protocol, technique, software, design, drawing, data, biological and other materials developed by Philip Thorpe at UT SOUTHWESTERN and which are useful in targeting therapeutic and diagnostic compounds to tumor vasculature in humans and which are not covered by PATENT RIGHTS but which are necessary or useful for practicing any inventions at any time covered by PATENT RIGHTS.

ARTICLE IV

WARRANTY; SUPERIOR-RIGHTS

4.1 Except for the rights, if any, of the third parties described in Section 4.3 and Exhibit A attached hereto, BOARD represents and warrants that it is the owner of the entire right, title, and interest in and to the LICENSED SUBJECT MATTER and that it has the sole right to grant licenses thereunder, and that it has not granted licenses thereunder to any other entity that would restrict rights granted hereunder except as stated herein.

4.2 BOARD hereby represents and warrants that Appendix II and Appendix III list the patents and patent applications in the LICENSED FIELD to which the BOARD has rights and which arise from work at UT SOUTHWESTERN involving Philip Thorpe (other than patents and patent applications covered by COAGULATION PATENT RIGHTS), and that each of the patent applications listed in Appendix II and Appendix III was duly filed in the United States on the date indicated therein or was duly filed in such foreign jurisdictions as are listed in Appendix III on the dates indicated therein.

4.3 LICENSEE understands that the LICENSED SUBJECT MATTER has been developed under the funding agreements with the third parties listed on Exhibit A attached hereto and that such parties have the rights relative thereto specified in such Exhibit A. This LICENSE AGREEMENT is explicitly made subject to the rights of such parties, which are described in Exhibit A. To the extent that there is a conflict between the rights set forth on Exhibit A and this LICENSE AGREEMENT, the rights set forth on Exhibit A prevail.

ARTICLE V

LICENSE

5.1 BOARD hereby grants to LICENSEE a royalty-bearing, exclusive license under both PATENT RIGHTS and TECHNOLOGY RIGHTS to manufacture, have manufactured, use, and/or SELL LICENSED PRODUCTS within LICENSED TERRITORY for use within LICENSED FIELD. BOARD also hereby grants to LICENSEE a royalty-bearing, exclusive license under LINKER PATENT RIGHTS and LINKER TECHNOLOGY RIGHTS to manufacture, have manufactured, use, and/or SELL LICENSED PRODUCTS within LICENSED TERRITORY for use within LICENSED FIELD, with the exception of those uses related to immunotoxins directed against neoplastic cells, in which case the license granted to LICENSEE herein shall be non-exclusive. These grants shall be subject to the payment by LICENSEE to BOARD of all consideration as provided in this LICENSE AGREEMENT, and shall be further subject to rights retained by BOARD and ICRT to:

5.1.1 Publish the general scientific findings from research related to LICENSED SUBJECT MATTER; provided, that, in order to avoid possible loss of rights in the PATENT RIGHTS, BOARD hereby agrees to submit any materials relating to a planned publication to LICENSEE at least sixty (60) days prior to the date of planned submission for publication. If, within thirty (30) days of receipt of such materials, LICENSEE notifies BOARD that it desires to file patent applications pertaining to any inventions contained in such materials, BOARD shall defer publication or other disclosure for an additional period, not to exceed ninety (90) days, sufficient to permit such desired patent applications to be filed.

5.1.2 Use LICENSED SUBJECT MATTER for research, teaching and other educationally-related purposes at any institution within the SYSTEM.

5.2 BOARD hereby also grants to LICENSEE a first option to obtain a royalty bearing exclusive license to any inventions in the LICENSED FIELD which arise from work funded by LICENSEE, or previously by PEREGRINE, in which INVENTORS, singly or jointly, participate while affiliated with UT SOUTHWESTERN and which have applications in the LICENSED FIELD (collectively, "IMPROVEMENTS"). The option for any such IMPROVEMENTS shall extend for a period of ninety (90) days from the date LICENSEE receives written notice from BOARD disclosing such IMPROVEMENTS. During such ninety (90) day period, BOARD shall reasonably make available to LICENSEE any other information in its possession or control which would be useful to LICENSEE in evaluating the IMPROVEMENT, subject to such reasonable confidentiality undertakings as BOARD shall require. LICENSEE may exercise its option by informing BOARD in writing during such ninety (90) day period that it intends to commercialize the IMPROVEMENT as soon as

practicable, consistent with sound and reasonable business practice and judgment. Upon exercise of LICENSEE's option, such IMPROVEMENT shall become subject to the terms and conditions of this LICENSE AGREEMENT. In the event that LICENSEE fails to exercise its option with respect to any IMPROVEMENT as provided herein, BOARD shall have the right to enter into license agreements concerning such IMPROVEMENT with third parties provided that the terms and conditions thereof are not more favorable than those terms and conditions provided under this LICENSE AGREEMENT unless BOARD has offered the new terms and conditions to LICENSEE and LICENSEE has refused to accept them.

5.3 BOARD hereby also grants to LICENSEE a first option to negotiate and acquire an exclusive, worldwide, royalty-bearing license to any inventions outside the LICENSED FIELD which arise from work funded by LICENSEE in which INVENTORS, singly or jointly, participate while affiliated with UT SOUTHWESTERN. The option for any such inventions shall extend for a period of ninety (90) days from the date LICENSEE receives written notice from BOARD disclosing such invention. LICENSEE may exercise its option by informing BOARD in writing during such ninety (90) day period that it intends to commercialize the invention as soon as practicable, consistent with sound and reasonable business judgment. Upon exercise of LICENSEE's option, BOARD and LICENSEE shall enter into good faith negotiations regarding the terms and conditions of said license and further agree to negotiate license rates and other payments which are fair and reasonable to both parties. If BOARD and LICENSEE are unable to agree on the terms of a license within ninety (90) days following the exercise of LICENSEE's option, BOARD shall have the right to enter into license agreements concerning the invention with third parties; provided, however, such licensing agreements shall be on terms no less favorable to BOARD than BOARD's final offer to LICENSEE, unless BOARD has offered the new terms and conditions to LICENSEE and LICENSEE has refused to accept them.

5.4 LICENSEE shall have the right to extend the license granted herein to any SUBSIDIARY provided that such SUBSIDIARY consents to be bound by this LICENSE AGREEMENT to the same extent as LICENSEE.

5.5 LICENSEE shall have the right to grant sublicenses in accordance with the terms and conditions of this LICENSE AGREEMENT. LICENSEE agrees to deliver to BOARD a true and correct copy of each sublicense granted by LICENSEE, and any modification or termination thereof, within thirty (30) days after execution, modification, or termination. If any sublicensee fails to pay any royalty payment to LICENSEE on the date provided in such sublicense, LICENSEE shall, within thirty (30) days of such scheduled payment date, take steps to require such sublicensee to cure such default. If such default is not cured by such sublicensee within an additional ninety (90) day period, LICENSEE shall terminate such sublicense. If LICENSEE fails to terminate any sublicense as provided herein, LICENSEE shall be responsible for the payment of royalties owed by such sublicensee under this LICENSE AGREEMENT whether or not paid to LICENSEE by such sublicensee. Upon termination of this LICENSE AGREEMENT, any and all existing sublicenses granted by LICENSEE shall be assigned to BOARD.

5.6 BOARD shall have the right at any time after five (5) years from the EFFECTIVE DATE of this LICENSE AGREEMENT, to terminate the exclusivity of the license granted herein in any national jurisdiction within LICENSED TERRITORY if LICENSEE, within ninety (90) days after written notice from BOARD as to such intended termination of exclusivity, fails to provide written evidence that it has commercialized or is actively attempting to commercialize

an invention licensed hereunder within such jurisdiction. BOARD agrees to negotiate in good faith with LICENSEE for adjusting terms under such a non-exclusive arrangement. BOARD shall have the right at any time after seven (7) years from the EFFECTIVE DATE of this LICENSE AGREEMENT to terminate the license completely in any national jurisdiction if LICENSEE, within ninety (90) days after written notice from BOARD of such intended termination, fails to provide written evidence that it has commercialized or is actively attempting to commercialize an invention licensed hereunder within such jurisdiction. Evidence provided by LICENSEE that it has an ongoing and active research, development, manufacturing, marketing or licensing program as appropriate, directed toward production and SALE of products based on PATENT RIGHTS, LINKER PATENT RIGHTS, TECHNOLOGY RIGHTS or LINKER TECHNOLOGY RIGHTS within such jurisdiction shall be deemed satisfactory evidence.

ARTICLE VI

PAYMENTS AND REPORTS

6.1 Subject to Section 6.1.7 of this LICENSE AGREEMENT, in consideration of rights granted by BOARD to LICENSEE under this LICENSE AGREEMENT, LICENSEE agrees to pay BOARD the following:

6.1.1 A PHASE II TRIAL COMPLETION milestone payment of One Hundred Thousand Dollars ($100,000) payable within thirty (30) days of the earlier of

(a) February 1, 2001 or

(b) Phase II Trial Completion.

6.1.2 A milestone payment for COMMERCIAL INTRODUCTION of each LICENSED PRODUCT in the amount of Three Hundred Thousand Dollars ($300,000) payable to BOARD within thirty (30) days of COMMERCIAL INTRODUCTION of the LICENSED PRODUCT. All COMMERCIAL INTRODUCTION milestone payments shall be credited against royalty payments due under Section 6.1 on a LICENSED PRODUCT-by-LICENSED PRODUCT basis.

6.1.3 A running earned royalty equal to four percent (4%) of NET SALES of LICENSED PRODUCTS incorporating PATENT RIGHTS or LINKER PATENT RIGHTS. In the event any LICENSED PRODUCT incorporating PATENT RIGHTS or LINKER PATENT RIGHTS is SOLD as a component of a combination of active elements, NET SALES for purposes of determining royalty payments on such combination shall be calculated by multiplying NET SALES of such combination by the fraction A over A+B, in which "A" is the gross selling price of the LICENSED PRODUCT portion of the combination when SOLD separately during the accounting period in which the SALE was made, and "B" is the gross selling price of the non-LICENSED PRODUCT portion of the combination SOLD separately during the accounting period in question. In the event that no separate SALE of either such above-designated LICENSED PRODUCT or such above-designated non-LICENSED PRODUCT portion of the combination is made during the accounting period in which the SALE was made, NET SALES shall be calculated by multiplying NET SALES of such combination by the fraction C over C+D, in which "C" is the standard fully-absorbed cost of the LICENSED PRODUCT portion of such combination, and "D" is the standard fully absorbed cost of the other component(s), such costs being arrived at using the standard accounting procedures of LICENSEE which will be in accord with generally accepted accounting practices. Notwithstanding the foregoing, under no circumstances shall the royalty provided for in this Section 6.1.3 be reduced to less than two percent (2%) of NET SALES of LICENSED PRODUCTS incorporating PATENT RIGHTS or LINKER PATENT RIGHTS. No royalties shall be payable to BOARD under this Section 6.1.3 with respect to SALES for which a royalty has been paid under the COAGULATION PATENT LICENSE AGREEMENT.

6.1.4 A running earned royalty equal to one percent (1 %) of NET SALES of LICENSED PRODUCTS covered by TECHNOLOGY RIGHTS or LINKER TECHNOLOGY RIGHTS only. No royalty shall be payable to BOARD under this Section 6.1.4 with respect to SALES for which a royalty has been paid under Section 6.1.3 or under the COAGULATION PATENT LICENSE AGREEMENT.

6.1.5 Twenty percent (20%) of the SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS; provided, however, if a LICENSED PRODUCT is sublicensed and incorporates technology not covered by PATENT RIGHTS or LINKER PATENT RIGHTS, the running royalty to be paid under this Section 6.1.5 shall be reduced to ten percent (10%) of SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS. In the event any LICENSED PRODUCT incorporating PATENT RIGHTS or LINKER PATENT RIGHTS is sublicensed as a component of a combination of active elements, SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS for purposes of determining royalty payments on such combination shall be calculated by multiplying SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS of such combination by the fraction A over A+B, in which "A" is the gross selling price of the LICENSED PRODUCT portion of the combination when SOLD separately during

the accounting period in which the SALE was made, and "B" is the gross selling price of the non-LICENSED PRODUCT portion of the combination SOLD separately during the accounting period in question. In the event that no separate SALE of either such above-designated LICENSED PRODUCT or such above-designated non-LICENSED PRODUCT portion of the combination is made during the accounting period in which the SALE was made, SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS shall be calculated by multiplying SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS of such combination by the fraction C over C+D, in which "C" is the standard fully-absorbed cost of the LICENSED PRODUCT portion of such combination, and "D" is the standard fully absorbed cost of the other component(s), such costs being arrived at using the standard accounting procedures of LICENSEE which will be in accord with generally accepted accounting practices. Notwithstanding the foregoing, under no circumstances shall the royalty provided for in this Section 6.1.5 be reduced to less than ten percent (10%) of SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS incorporating PATENT RIGHTS or LINKER PATENT RIGHTS. No royalties shall be payable to BOARD under this Section 6.1.5 with respect to SALES for which a royalty has been paid under the COAGULATION PATENT LICENSE AGREEMENT.

6.1.6 The parties hereto agree that if economic or political conditions change sufficiently so as to affect the continued applicability of the assumptions made in negotiating the dates of the milestone payments agreed to in Section 6.1, they will negotiate in good faith a reasonable extension of the dates of such milestone payments in accordance with such changed economic or political conditions.

6.1.7 Notwithstanding anything to the contrary in this LICENSE AGREEMENT, it is hereby acknowledged and agreed by the parties hereto that (i) the amount payable by LICENSEE pursuant to Section 6.1.1 of this LICENSE AGREEMENT is a one-time license fee payable by LICENSEE only with respect to the first LICENSED PRODUCT of LICENSEE and (ii) no amounts shall be paid by LICENSEE pursuant to such Sections to the extent that such payments have been made by LICENSEE under the COAGULATION PATENT LICENSE AGREEMENT.

6.2 During the term of this LICENSE AGREEMENT and for one (1) year thereafter, LICENSEE shall keep complete and accurate records of its SALES and NET SALES of LICENSED PRODUCTS and all SUBLICENSEE GROSS REVENUES received by LICENSEE under the license granted in this LICENSE AGREEMENT in sufficient detail to enable the royalties payable hereunder to be determined. LICENSEE shall permit BOARD or its representatives, at BOARD's expense, to periodically examine its books, ledgers, and records during regular business hours for the purposes of and to the extent necessary to verify any report required under this LICENSE AGREEMENT. If any such inspection reveals that the aggregate of royalties paid during any four (4) consecutive calendar quarters was less than the amount that should have been paid under this LICENSE AGREEMENT, LICENSEE shall remit to BOARD the amount of such deficiency; provided, that, if such deficiency is more than five percent (5%) of the amount that should have been paid, LICENSEE shall remit to BOARD, in addition to the amount of such deficiency, the reasonable expenses of the inspection conducted by BOARD. If LICENSEE or BOARD disputes any deficiency or expenses provided in this Section 6.2 the dispute shall be referred to an independent accountant selected by mutual agreement of BOARD and LICENSEE, whose decision will be binding and final on the parties hereto. If a decision is entered against LICENSEE by such independent accountant for the amount of such deficiency or expenses, LICENSEE agrees to remit to BOARD, in addition to any other amounts provided for in this Section 6.2, accrued interest on such deficiency through the date of such decision at the highest allowable rate.

6.3 Within forty-five (45) days after March 31, June 30, September 30, and December 31 of each year, LICENSEE shall deliver to BOARD a true and accurate report which shall describe (a) the quantities of LICENSED SUBJECT MATTER that it has produced; (b) the total SALES; (c) the calculation of royalties thereon; and (d) the total royalties so computed and due. Simultaneously with the delivery of each such report, LICENSEE shall pay to BOARD the amount, if any, due for the period covered by such report. If no payments are due, it shall be so reported.

6.4 Upon the request of BOARD but not more often than once per calendar year, LICENSEE shall deliver to BOARD a written report as to LICENSEE's efforts and accomplishments during the preceding year in commercializing LICENSED SUBJECT MATTER in various parts of the LICENSED TERRITORY and its commercialization plans for the upcoming year.

6.5 All amounts payable hereunder by LICENSEE shall be payable in United States funds without deductions for taxes, assessments, fees, or charges of any kind. Checks shall be made payable to UT SOUTHWESTERN and sent to:

U.T. Southwestern Medical Center
Office for Technology Development
5323 Harry Hines Boulevard
Dallas, Texas 75235-9094
Attn: Ray Wheatley

ARTICLE VII

TERM AND TERMINATION

7.1 The Term of this LICENSE AGREEMENT shall extend from the EFFECTIVE DATE set forth hereinabove to the full end of the term or terms for which PATENT RIGHTS or LINKER PATENT RIGHTS have not expired or if only TECHNOLOGY RIGHTS or LINKER TECHNOLOGY RIGHTS are licensed and no PATENT RIGHTS or LINKER PATENT RIGHTS are applicable, then, on a per-product basis, (i) with respect to LICENSED PRODUCTS which have an FDA-approved therapeutic indication for humans, for a term of seven (7) years from the date of COMMERCIAL INTRODUCTION of any such product and (ii) with respect to LICENSED PRODUCTS which have an FDA-approved diagnostic indication for humans, for a term of seven (7) years from the date of COMMERCIAL INTRODUCTION of such product.

7.2 This LICENSE AGREEMENT will earlier terminate:

7.2.1 upon thirty (30) days written notice if LICENSEE shall default in its obligation to make payments, if any are due, in accordance with Article VI or Article XIV hereunder; provided, however, LICENSEE may avoid such termination if before the end of such notice period LICENSEE cures its default;

7.2.2 automatically if LICENSEE shall become bankrupt or insolvent and/or if the business of LICENSEE shall be placed in the hands of a receiver, assignee, or trustee, whether by voluntary act or LICENSEE or otherwise;

7.2.3 upon ninety (90) days written notice if LICENSEE shall breach or default on any obligation under this LICENSE AGREEMENT except as provided in Article VI or Article XIV; provided, however, LICENSEE may avoid such termination if before the end of such period LICENSEE notifies BOARD that such breach has been cured, states the manner of such cure and in fact the breach has been cured; or

7.2.4 Under the provisions of Section 5.6 if invoked.

7.3 Upon termination of this LICENSE AGREEMENT for any cause, nothing herein shall be construed to release either party of any obligation matured prior to the effective date of such termination. LICENSEE may, after the effective date of such termination, SELL all LICENSED PRODUCT and parts therefor that it may have on hand at the date of termination, provided that it pays running royalty earned thereon as provided in this LICENSE AGREEMENT.

ARTICLE VIII

INFRINGEMENT BY THIRD PARTIES

8.1 Each party shall inform the other promptly in writing of any alleged infringement of the PATENT RIGHTS or LINKER PATENT RIGHTS by a third party, including all details then available. LICENSEE shall have the right, but shall not be obligated, to prosecute at its own expense any such infringements, and BOARD agrees that LICENSEE may join BOARD as a plaintiff at the expense of LICENSEE. In any infringement action commenced or defended solely by LICENSEE, all expenses and all recovery for infringement shall be those of LICENSEE. In any such action by LICENSEE, BOARD shall be entitled to receive an amount equal to the applicable royalties on any recovery of profits and damages that is in excess of LICENSEE's reasonable costs and expenses, including, but not limited to actual costs and expenses paid non-affiliated accountants, lawyers and consultants. No settlement, consent judgment or other voluntary final disposition of the suit may be entered into without BOARD's consent, which consent shall not be unreasonably withheld, delayed or conditioned.

8.2 If LICENSEE has not commenced legal action or been successful in obtaining cessation of the infringement within ninety (90) days of written notification from BOARD of such infringement, or if LICENSEE elects not to continue prosecuting any legal action against an infringer, BOARD shall have the right, but shall not be obligated, to prosecute at its own expense any such infringement. BOARD may join LICENSEE as a plaintiff in any such infringement suit at BOARD's expense. No settlement, consent judgment or other voluntary final disposition of the suit may be entered into without LICENSEE's consent, which consent shall not be unreasonably withheld, delayed or conditioned.

8.3 In the event that LICENSEE and/or BOARD do not file suit against, conclude settlement negotiations with, or grant a license to a substantial infringer of PATENT RIGHTS or LINKER PATENT RIGHTS within one (1) year of knowledge thereof, then the parties will consult with one another in an effort to determine whether a reasonably prudent licensee would institute litigation, conclude settlement negotiations, and/or grant a license within the one (1) year time period described above in order to enforce the patent in question in light of all relevant business and economic factors (including, but not limited to, the projected cost of such litigation, the likelihood of success on the merits, the probable amount of any damage award, the prospects for satisfaction of any judgment against the alleged infringer, the possibility of counterclaims against LICENSEE and BOARD, the diversion of LICENSEE's human and economic resources, the impact of any possible adverse outcome on LICENSEE, and the effect any publicity might have on the respective reputations and goodwill of the parties). If after such consultation, the parties have not reached agreement and LICENSEE does not forthwith file suit against, enter into settlement negotiations with or grant a license to the substantial infringer, then BOARD shall have the right to enforce any PATENT RIGHT or LINKER PATENT RIGHT, licensed hereunder on behalf of itself and LICENSEE (BOARD retaining all recoveries from such enforcement), and BOARD shall have the right to reduce the license granted hereunder to nonexclusive in the national jurisdiction in which suit is brought.

8.4 In any infringement suit that either party brings to enforce the PATENT RIGHTS or LINKER PATENT RIGHTS, the other party shall at the request and expense of the party bringing the suit, cooperate in all reasonable respects, including, to the extent possible, obtaining the testimony of its employees and agents and making available physical evidence in the possession of that party.

ARTICLE IX

ASSIGNMENT

This LICENSE AGREEMENT shall not be assignable or otherwise transferable by LICENSEE without the prior written consent of BOARD, which consent shall not be unreasonably withheld, except that LICENSEE may assign or otherwise transfer its rights under this LICENSE AGREEMENT to the following parties without obtaining BOARD's consent: (i) a successor to LICENSEE's business, or a successor to that portion of LICENSEE's business that pertains to the subject matter of the PATENT RIGHTS or LINKER PATENT RIGHTS or any TECHNOLOGY RIGHTS or LINKER TECHNOLOGY RIGHTS, and (ii) any entities controlled by, controlling, or under common control with LICENSEE.

ARTICLE X

PATENT MARKING

LICENSEE agrees to mark permanently and legibly all products and documentation manufactured or sold by it under this LICENSE AGREEMENT with such patent notice as may be permitted or required under Title 35, United States Code.

ARTICLE XI

INDEMNIFICATION

LICENSEE shall hold harmless and indemnify BOARD, INVENTORS, SYSTEM, UT SOUTHWESTERN, ICRT, and their respective Regents, officers, employees and agents (each, an "INDEMNITEE") from and against any liability, loss or damage they may suffer as a result of claims, demands, or causes of action whatsoever, including without limitation those arising on account of any injury or death of persons or damage to property caused by, or arising out of or resulting from, the exercise or practice of the license granted hereunder by LICENSEE or its officers, employees, agents or representatives; provided, however, that LICENSEE shall not be required to indemnify or hold harmless any INDEMNITEE, from any losses or claims attributable to any infringement or alleged infringement of patents, technology, trade secrets, or confidential or proprietary know-how or information of third parties by the PATENT RIGHTS or LINKER PATENT RIGHTS or the TECHNOLOGY RIGHTS or LINKER TECHNOLOGY RIGHTS. Except as otherwise provided in this LICENSE AGREEMENT, the obligations of LICENSEE under this Section shall apply in full force whether or not the claims and any losses resulted, or are alleged to have resulted, in whole or in part from the acts or omissions of any INDEMNITEE; PROVIDED, HOWEVER, that the foregoing indemnity shall not apply to any claims or losses arising out of any act or omission constituting gross negligence, willful malfeasance, misconduct or bad faith of any INDEMNITEE.

ARTICLE XII

USE OF NAME

LICENSEE shall not use the name of UT SOUTHWESTERN, INVENTORS, SYSTEM, BOARD, ICRT or their respective Regents in any advertising, promotional or sales literature, or in any other form of publicity without prior written consent obtained from each such party in each case. The foregoing notwithstanding, LICENSEE shall have the right to identify such parties and to disclose the terms of this LICENSE AGREEMENT in any prospectus, offering memorandum or other document or filing required by applicable securities laws or other applicable law or regulation, provided that LICENSEE shall have given each such affected party at least ten (10) business days prior written notice of the proposed text of any such identification or disclosure for the purpose of giving each such affected party the opportunity to comment on and suggest amendments to such proposed text.

ARTICLE XIII

CONFIDENTIAL INFORMATION

13.1 BOARD and LICENSEE each agree that all information contained in documents marked "confidential" which are forwarded to one by the other shall be received in strict confidence, used only for the purposes of this LICENSE AGREEMENT, and not disclosed by the recipient party (except as required by law or court order), its agents or employees without the prior written consent of the other party, unless such information (a) was in the public domain at the time of disclosure, (b) later became part of the public domain through no act or omission of the recipient party, its employees, agents, successors or assigns, (c) was lawfully disclosed to the recipient party by a third party having the right to disclose it, (d) was already known by the recipient party at the time of disclosure, (e) was independently developed or (f) is required by law or regulation to be disclosed.

13.2 Each party's obligation of confidence hereunder shall be fulfilled by using at least the same degree of care with the other party's confidential information as it uses to protect its own confidential information. This obligation shall exist while this LICENSE AGREEMENT is in force and for a period of three (3) years thereafter.

ARTICLE XIV

PATENT AND INVENTIONS

14.1 UT SOUTHWESTERN shall be responsible for the preparation, filing, prosecution and maintenance of all patent applications and patents included in PATENT RIGHTS and LINKER PATENT RIGHTS. LICENSEE shall reimburse UT SOUTHWESTERN for all reasonable attorneys' fees (i) incurred by UT SOUTHWESTERN subsequent to the EFFECTIVE DATE, or (ii) incurred by UT SOUTHWESTERN prior to the EFFECTIVE DATE and for which invoices have been submitted to LICENSEE in connection with the preparation, filing and maintenance of all patent applications and patents included in PATENT RIGHTS and LINKER PATENT RIGHTS; provided that patent counsel selected by UT SOUTHWESTERN is reasonably acceptable to LICENSEE. Subsequent to the EFFECTIVE DATE, UT SOUTHWESTERN shall consult with LICENSEE as to the preparation, filing, prosecution and maintenance of all such patent applications and patents in accordance with the procedures set forth on Exhibit B hereto and incorporated herein by reference, and shall furnish to LICENSEE copies of documents relevant to such preparation, filing, prosecution or maintenance, including without limitation invoices providing detailed descriptions of all

costs and expenses incurred by UT SOUTHWESTERN's patent counsel in connection therewith, sufficiently prior to filing such documents or making any payment due thereunder to allow for review and comment by LICENSEE. If, at any time, LICENSEE shall elect not to pay the expenses of any patent application or patent included in PATENT RIGHTS or LINKER PATENT RIGHTS, LICENSEE shall so notify UT SOUTHWESTERN within thirty (30) days of such consultation and shall thereby surrender its rights under such patent application or patent; provided, however, that LICENSEE shall remain obligated to reimburse UT SOUTHWESTERN for any costs incurred with respect to such patent application or patents prior to said election.

14.2 At any time during the term of this LICENSE AGREEMENT, LICENSEE may petition BOARD in writing to transfer prosecution or maintenance of any PATENT RIGHTS licensed hereunder to another law firm. Such petition shall state LICENSEE's reason(s) for its desire to transfer prosecution or maintenance to another law firm and include information about the law firm and individual patent attorneys, patent agents, and/or scientific advisors that may be assigned to the files by the patent firm. BOARD shall first seek to meet the needs of LICENSEE through meeting with existing patent counsel. If the petition is granted by BOARD, LICENSEE or outside counsel shall provide BOARD and UT SOUTHWESTERN with copies of all documents received or filed during prosecution and/or maintenance thereof in a timely manner. In any event, LICENSEE shall consult UT SOUTHWESTERN prior to abandonment of any claims of any patent application for LICENSED SUBJECT MATTER at least sixty (60) days prior to abandonment.

ARTICLE XV

GENERAL

15.1 This LICENSE AGREEMENT and the Exhibits and Appendices attached hereto constitute the entire and only agreement between the parties for LICENSED SUBJECT MATTER and all other prior negotiations, representations, agreements, and understandings are superseded hereby. No agreements altering or supplementing the terms hereof may be made except by means of a written document signed by the duly authorized representatives of the parties.

15.2 Any notice required by this LICENSE AGREEMENT shall be given by facsimile and confirmed by overnight delivery service, addressed in the case of BOARD to:

BOARD OF REGENTS
The University of Texas System
201 West Seventh Street
Austin, Texas 78701
ATTENTION: Office of General Counsel
Telephone: 512/499-4462
Facsimile: 512/499-4523

with copies to:

UT SOUTHWESTERN
Peter H. Fitzgerald, Ph.D.
Executive Vice President for Business Affairs
5323 Harry Hines Boulevard
Dallas, TX 75235-9013
Telephone: 214/648-3572
Facsimile: 214/648-3944

and

UT SOUTHWESTERN
Ray Wheatley
Director, Technology Development
Office for Technology Development
6000 Harry Hines Boulevard, Room NB2.200
Dallas, Texas 75235-9094
Telephone: 214/648-1888
Facsimile: 214/648-1889

or in the case of LICENSEE to:

TECHNICLONE CORPORATION
14282 Franklin Avenue
Tustin, CA 92780
ATTENTION: John N. Bonfiglio, Ph.D.
Telephone: 949/508-6000
Facsimile: 949/838-4094

with copies to:

Stradling Yocca Carlson & Rauth
660 Newport Center Drive
Suite 1600
Newport Beach, California 92660
ATTENTION: R.C. Shepard
Telephone: 949/725-4000
Facsimile: 949/725-4100

or such other address as may be given from time to time under the terms of this notice provision.

15.3 LICENSEE shall comply with all applicable federal, state and local laws, regulations, and ordinances in connection with its activities pursuant to this LICENSE AGREEMENT.

15.4 This LICENSE AGREEMENT shall be construed and enforced in accordance with the laws of the United States of America and of the State of Texas.

15.5 Failure of BOARD to enforce a right under this LICENSE AGREEMENT shall not act as a waiver of that right or the ability to later assert that right relative to the particular situation involved.

15.6 Headings included herein are for convenience only and shall not be used to construe this LICENSE AGREEMENT.

15.7 If any provision of this LICENSE AGREEMENT shall be found by a court to be void, invalid or unenforceable, the same shall be reformed to comply with applicable law or stricken if no so conformable, so as not to affect the validity or enforceability of this LICENSE AGREEMENT.

IN WITNESS WHEREOF, parties hereto have caused their duly authorized representative to execute this LICENSE AGREEMENT.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM	TECHNICLONE CORPORATION
By: /s/ Peter H. Fitzgerald, Ph.D.	By: /s/ John N. Bonfiglio, Ph.D.
Peter H. Fitzgerald, Ph.D.	John N. Bonfiglio, Ph.D.
Executive Vice President for Business Affairs	Vice President, Business Development
UT Southwestern Medical Center at Dallas	
Date: OCT-8 1998	Date: 9/8/98

APPROVED AS TO FORM:

By: /s/ BethLynn Maxwell, Ph.D., J.D.
BethLynn Maxwell, Ph.D., J.D.
Office of General Counsel

Date: 11 Sept., 98

APPROVED AS TO CONTENT:

UT SOUTHWESTERN

By: /s/ Dennis K. Stone, M.D.
Dennis K. Stone, M.D.
Vice President for Technology Development

Date: Sept. 17, 1998

EXHIBIT 10.58

COAGULATION PATENT LICENSE AGREEMENT
BETWEEN UNIVERSITY OF TEXAS SYSTEM
AND
TECHNICLONE CORPORATION

THIS COAGULATION PATENT LICENSE AGREEMENT ("AGREEMENT") is made by and between the BOARD OF REGENTS (BOARD) OF THE UNIVERSITY OF TEXAS SYSTEM (SYSTEM), an agency of the State of Texas, whose address is 201 West 7th Street, Austin, Texas 78701 and TECHNICLONE CORPORATION (LICENSEE), a Delaware corporation, having a principal place of business located at 14282 Franklin Avenue, Tustin, CA 92780.

W I T N E S S E T H:

Whereas BOARD and SCRIPPS RESEARCH INSTITUTE (SCRIPPS) jointly created certain COAGULATION PATENT RIGHTS and COAGULATION TECHNOLOGY RIGHTS related to LICENSED SUBJECT MATTER, which were developed at The University of Texas Southwestern Medical Center at Dallas (UT SOUTHWESTERN), located at 5323 Harry Hines Boulevard, Dallas, Texas 75235, a component institution of SYSTEM;

Whereas BOARD and Peregrine Pharmaceuticals, Inc. (PEREGRINE) entered into a coagulation patent license agreement dated January 9, 1995 (1995 COAGULATION PATENT LICENSE AGREEMENT) for LICENSED SUBJECT MATTER;

Whereas LICENSEE acquired PEREGRINE in April 1997, and under Article IX of 1995 COAGULATION PATENT LICENSE AGREEMENT, has obtained assignment of 1995 COAGULATION PATENT LICENSE AGREEMENT from PEREGRINE;

Whereas BOARD and LICENSEE wish to terminate the 1995 COAGULATION PATENT LICENSE AGREEMENT and enter into this AGREEMENT simultaneously on the EFFECTIVE DATE of this AGREEMENT;

Whereas BOARD desires to have the LICENSED SUBJECT MATTER developed and used for the benefit of LICENSEE, the INVENTORS (as hereinafter defined) BOARD, UT SOUTHWESTERN and the public as outlined in the Intellectual Property Policy promulgated by the BOARD; and

Whereas LICENSEE wishes to obtain a license from BOARD to practice LICENSED SUBJECT MATTER;

NOW, THEREFORE, in consideration of the mutual covenants and premises herein contained, the parties hereto agree as follows:

I. TERMINATION OF 1995 COAGULATION PATENT LICENSE AGREEMENT

The parties mutually agree to terminate the 1995 COAGULATION PATENT LICENSE AGREEMENT as of the EFFECTIVE DATE of this AGREEMENT.

II. EFFECTIVE DATE

This AGREEMENT shall be effective as of the date the last party executes this AGREEMENT (EFFECTIVE DATE).

III. DEFINITIONS

As used in this AGREEMENT, the following terms shall have the meanings indicated:

3.1 COAGULATION PATENT RIGHTS shall mean BOARD's rights in information or discoveries covered by the patent applications listed in Appendix I, as well as all divisions, continuations, and continuations-in-part arising from research funded in whole or in part by LICENSEE, or previously by PEREGRINE, as well as any reissues, reexaminations or extensions thereof.

Notwithstanding anything to the contrary in this Section 3.2, it is hereby acknowledged and agreed that COAGULATION PATENT RIGHTS for purposes of this AGREEMENT do not include BOARD's rights in PATENT RIGHTS, which are licensed to LICENSEE under the PATENT LICENSE AGREEMENT executed by LICENSEE and BOARD concurrently with the execution of this AGREEMENT.

3.2 COAGULATION TECHNOLOGY RIGHTS shall mean BOARD's rights in any technical information, know-how, process, procedure, composition, or device, method, formula, protocol, technique, software, design, drawing, data, biological and other materials developed by Philip Thorpe at UT SOUTHWESTERN and which are useful in targeting therapeutic and diagnostic compounds to tumor vasculature in humans and which are not covered by COAGULATION PATENT RIGHTS but which are necessary or useful for practicing any inventions at any time covered by COAGULATION PATENT RIGHTS.

3.3 COMMERCIAL INTRODUCTION shall mean the date of the first commercial SALE of a LICENSED PRODUCT BY LICENSEE or any sublicensee in any country.

3.4 INVENTORS (or singly INVENTOR) shall mean Philip Thorpe, Francis Burrows, Thomas Edgington, Steven W King and Boning Gao.

3.5 LICENSED FIELD shall mean targeting compounds to or acting on tumor vasculature or any other component of a tumor for therapeutic or diagnostic use.

3.6 LICENSE PRODUCT shall mean any product SOLD by LICENSEE comprising LICENSED SUBJECT MATTER pursuant to this AGREEMENT.

3.7 LICENSED SUBJECT MATTER shall mean inventions and discoveries covered by COAGULATION PATENT RIGHTS or COAGULATION TECHNOLOGY RIGHTS within the LICENSED FIELD.

3.8 LICENSED TERRITORY shall mean the world.

3.9 NET SALES shall mean the gross revenues received by LICENSEE from the SALE of LICENSED PRODUCTS less sales and/or use taxes actually paid, import and/or export duties actually paid, outbound transportation prepaid or allowed, and amounts allowed or credited due to returns (not to exceed the original billing or invoice amount).

3.10 PATENT LICENSE AGREEMENT shall mean that certain PATENT LICENSE AGREEMENT dated as of even date herewith by and between LICENSEE and BOARD pursuant to which BOARD has licensed the PATENT RIGHTS to LICENSEE.

3.11 PATENT RIGHTS shall mean BOARD's rights in information or discoveries covered by the patents and/or patent applications listed in Appendix II whether domestic or foreign, as well as all divisions, continuations and continuations-in-part arising from research funded in whole or in part by LICENSEE, or previously by PEREGRINE, as well as any reissues, reexaminations or extensions thereof.

3.12 PHASE I TRIAL INITIATION shall mean the commencement of a Phase I Clinical Trial on a LICENSED PRODUCT.

3.13 PHASE II TRIAL COMPLETION shall mean the submission to the US Food and Drug Administration (FDA) of the final data resulting from completion of a Phase II Clinical Trial on a LICENSED PRODUCT.

3.14 SALE, SELL or SOLD shall mean the transfer or disposition of a LICENSED PRODUCT for value to a party other than LICENSEE or a SUBSIDIARY.

3.15 SUBLICENSEE GROSS REVENUES shall mean the gross revenues and other consideration received by LICENSEE from any sublicensees of LICENSEE incorporating LICENSED SUBJECT MATTER, excluding (a) payments made by any sublicensee in consideration for the issuance of equity or debt securities of LICENSEE, (b) payments made by any sublicensee to support or fund research activities to be undertaken by LICENSEE, (c) up-front payments made in consideration or recognition of prior research and development efforts undertaken by LICENSEE, and (d) payments made by any sublicensee upon the achievement of specified milestones or benchmarks relating to the development of the LICENSED PRODUCTS sublicensed to sublicensee, other than royalty payments. Notwithstanding subpart (d) above, if the royalty rate charged by LICENSEE for sublicensing any LICENSED PRODUCT is less than four percent (4%), then the parties will mutually agree to an equitable sharing arrangement with respect to license fee, milestone, benchmark or other payments. If non-monetary consideration is so received, then a commercially reasonable monetary value will be assigned for purposes of calculating BOARD's share of SUBLICENSEE GROSS REVENUES.

3.16 SUBSIDIARY shall mean any business entity more than 50% owned by LICENSEE, any business entity which owns more than 50% of LICENSEE, or any business entity that is more than 50% owned by a business entity that owns more than 50% of LICENSEE.

IV. WARRANTY; SUPERIOR RIGHTS

4.1 BOARD represents and warrants that it is the owner of all right, title, and interest in and to LICENSED SUBJECT MATTER, and that it has the sole right to grant licenses thereunder, and that it has not granted licenses thereunder to any other entity that would restrict rights granted hereunder except as stated herein.

4.2 BOARD hereby represents and warrants that Appendix I lists the patents and patent applications in the LICENSED FIELD to which the BOARD has the rights and which arise from work at UT SOUTHWESTERN involving INVENTORS (other than patents and patent applications covered by PATENT RIGHTS), and that the patent applications set forth in Appendix I were duly filed in the United States on the date indicated therein or was duly filed in such foreign jurisdictions as are listed in Appendix I on the dates indicated therein.

V. LICENSE

5.1 BOARD hereby grants to LICENSEE a royalty-bearing, exclusive license under both COAGULATION PATENT RIGHTS and COAGULATION TECHNOLOGY RIGHTS to manufacture, have manufactured, use, and/or SELL LICENSED PRODUCTS within LICENSED TERRITORY for use within LICENSED FIELD. This grant shall be subject to the payment by LICENSEE to BOARD of all consideration as provided in this AGREEMENT, and shall be further subject to rights retained by BOARD to:

(a) Publish the general scientific findings from research related to LICENSED SUBJECT MATTER; PROVIDED, that, in order to avoid possible loss of rights in the COAGULATION PATENT RIGHTS, BOARD hereby agrees to submit any materials relating to a planned publication to LICENSEE at least sixty (60) days prior to the date of planned submission for publication. If, within thirty (30) days of receipt of such materials, LICENSEE notifies BOARD that it desires to file patent applications pertaining to any inventions contained in such materials, BOARD shall defer publication or other disclosure for an additional period, not to exceed ninety (90) days, sufficient to permit such desired patent applications to be filed.

(b) Use LICENSED SUBJECT MATTER for research, teaching and other educationally-related purposes at any institution within the SYSTEM.

5.2 BOARD hereby also grants to LICENSEE a first option to obtain a royalty-bearing exclusive license to any inventions in the LICENSED FIELD which arise from work funded by LICENSEE in which INVENTORS, singly or jointly participate while affiliated with UT SOUTHWESTERN and which have applications in the LICENSED FIELD (collectively, "IMPROVEMENTS"). The option for any such IMPROVEMENTS shall extend for a period of ninety (90) days from the date LICENSEE receives a written notice from BOARD disclosing such IMPROVEMENTS. During such ninety (90) day period, BOARD shall reasonably make available to LICENSEE any other information in its possession or control which would be useful to LICENSEE in evaluating the IMPROVEMENT, subject to such reasonable confidentiality undertakings as BOARD shall require. LICENSEE may exercise its option by informing BOARD in writing during such ninety (90) day period that it intends to commercialize the IMPROVEMENT as soon as practicable, consistent with sound and reasonable business practice and judgment. Upon exercise of LICENSEE's

option, such IMPROVEMENT shall become subject to the terms and conditions of this AGREEMENT. In the event that LICENSEE fails to exercise its option with respect to any IMPROVEMENT as provided herein, BOARD shall have the right to enter into license agreements concerning such IMPROVEMENT with third parties provided the terms and conditions thereof are not, in general, more favorable than those terms and conditions provided under this AGREEMENT, unless BOARD has offered the new terms and conditions to LICENSEE and LICENSEE has refused to accept them.

5.3 BOARD hereby also grants to LICENSEE a first option to negotiate and acquire an exclusive, worldwide, royalty-bearing license to any inventions outside the LICENSED FIELD which arise from work funded by LICENSEE in which INVENTORS, singly or jointly, participate while affiliated with UT SOUTHWESTERN. The option for any such inventions shall extend for a period of ninety (90) days from the date LICENSEE receives written notice from BOARD disclosing such invention. LICENSEE may exercise its option by informing BOARD in writing during such ninety (90) day period that it intends to commercialize the invention as soon as practicable, consistent with sound and reasonable business judgment. Upon exercise of LICENSEE's option, BOARD and LICENSEE shall enter into good faith negotiations regarding the terms and conditions of said license and further agree to negotiate license rates and other payments which are fair and reasonable to both parties. If BOARD and LICENSEE are unable to agree on the terms of a license within ninety (90) days following the exercise of LICENSEE'S option, BOARD shall have the right to enter into license agreements concerning the invention with third parties; PROVIDED, HOWEVER, such licensing agreements shall be on terms no less favorable to BOARD than BOARD's final offer to LICENSEE, unless BOARD has offered the new terms and conditions to LICENSEE and LICENSEE has refused to accept them.

5.4 LICENSEE shall have the right to extend the license granted herein to any SUBSIDIARY provided that such SUBSIDIARY consents to be bound by this AGREEMENT to the same extent as LICENSEE.

5.5 LICENSEE shall have the right to grant sublicenses in accordance with the terms and conditions of this AGREEMENT. LICENSEE agrees to deliver to BOARD a true and correct copy of such sublicense granted by LICENSEE, and any modification or termination thereof, within thirty (30) days after execution, modification, or termination. If any sublicense fails to pay any royalty payment to LICENSEE on the date provided in such sublicense, LICENSEE shall, within thirty (30) days of such scheduled payment date, take steps to require such sublicensee to cure such default. If such default is not cured by such sublicensee within an additional ninety (90) day period, LICENSEE shall terminate such sublicense. If LICENSEE fails to terminate any sublicense as provided herein, LICENSEE shall be responsible for the payment of royalties owed by such sublicensee under this AGREEMENT whether or not paid to LICENSEE by such sublicensee. Upon termination of this AGREEMENT, any and all existing sublicenses granted by LICENSEE shall be assigned to BOARD.

5.6 BOARD shall have the right at any time after five (5) years from the EFFECTIVE DATE of this AGREEMENT, to terminate the exclusivity of the license granted herein in any national jurisdiction within LICENSED TERRITORY if LICENSEE, within ninety (90) days after written notice from BOARD as to such intended termination of exclusivity, fails to provide written evidence that it has commercialized or is actively attempting to commercialize an invention licensed hereunder within such jurisdiction. BOARD agrees to negotiate in good faith with LICENSEE for adjusting terms under such a non-exclusive arrangement. BOARD shall have the right at any time after seven (7) years from the EFFECTIVE

DATE of this AGREEMENT to terminate the license completely in any national jurisdiction if LICENSEE, within ninety (90) days after written notice from BOARD of such intended termination, fails to provide written evidence that it has commercialized or is actively attempting to commercialize an invention licensed hereunder within such jurisdiction. Evidence provided by LICENSEE that it has an ongoing and active research, development, manufacturing, marketing or licensing program as appropriate, directed toward production and SALE of products based on COAGULATION PATENT RIGHTS or COAGULATION TECHNOLOGY RIGHTS within such jurisdiction shall be deemed satisfactory evidence.

VI. PAYMENTS AND REPORTS

6.1 Subject to Section 6.1(g) of this AGREEMENT, in consideration of rights granted by BOARD to LICENSEE under this AGREEMENT, LICENSEE agrees to pay BOARD the following:

(a) A PHASE II TRIAL COMPLETION milestone payment of one hundred thousand dollars ($100,000) payable within thirty (30) days of the earlier of: (i) February 1, 2001, or (ii) PHASE II TRIAL COMPLETION.

(b) A milestone payment for COMMERCIAL INTRODUCTION of each LICENSED PRODUCT in the amount of three hundred thousand dollars ($300,000) payable to BOARD within thirty (30) days of COMMERCIAL INTRODUCTION of the LICENSED PRODUCT. All COMMERCIAL INTRODUCTION milestone payments shall be credited against royalty payments due under Section 6.1 on a LICENSED PRODUCT-by-LICENSED PRODUCT basis.

(c) A running earned royalty equal to four percent (4%) of NET SALES of LICENSED PRODUCTS incorporating COAGULATION PATENT RIGHTS. In the event any LICENSED PRODUCT incorporating COAGULATION PATENT RIGHTS is SOLD as a component of a combination of active elements, NET SALES for purposes of determining royalty payments on such combination shall be calculated by multiplying NET SALES of such combination by the fraction A over A+B, in which "A" is the gross selling price of the LICENSED PRODUCT portion of the combination when SOLD separately during the accounting period in which the SALE was made, and "B" is the gross selling price of the non-LICENSED PRODUCT portion of the combination SOLD separately during the accounting period in question. In the event that no separate SALE of either such above-designated LICENSED PRODUCT or such above-designated non-LICENSED PRODUCT portion of the combination is made during the accounting period in which the SALE was made, NET SALES shall be calculated by multiplying NET SALES of such combination by the fraction C over C+D, in which "C" is the standard fully-absorbed cost of the LICENSED PRODUCT portion of such combination, and "D" is the standard fully absorbed cost of the other component(s), such costs being arrived at using the standard accounting procedures of LICENSEE which will be in accord with generally accepted accounting practices. Notwithstanding the foregoing, under no circumstances shall the royalty provided for in this Section 6.1(c) be reduced to less than two percent (2%) of NET SALES of LICENSED PRODUCTS incorporating COAGULATION PATENT RIGHTS. No royalties shall be payable to BOARD under this Section 6.1(c) with respect to SALES for which a royalty has been paid under the PATENT LICENSE AGREEMENT.

(d) A running earned royalty equal to one percent (1%) of NET SALES of LICENSED PRODUCTS covered by COAGULATION TECHNOLOGY RIGHTS only. No royalty shall be payable to BOARD under this Section 6.1(d) with respect to SALES for which a royalty is has been paid under Section 6.1(c) or under the PATENT LICENSE AGREEMENT.

(e) Twenty percent (20%) of the SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS; provided, however, if a LICENSED PRODUCT is sublicensed and incorporates technology not covered by COAGULATION PATENT RIGHTS, the running royalty to be paid under this Section 6.1(e) shall be reduced to ten percent (10%) of SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS. In the event any LICENSED PRODUCT incorporating COAGULATION PATENT RIGHTS is sublicensed as a component of a combination of active elements, SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS for purposes of determining royalty payments on such combination shall be calculated by multiplying SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS of such combination by the fraction A over A+B, in which "A" is the gross selling price of the LICENSED PRODUCT portion of the combination when SOLD separately during the accounting period in which the SALE was made, and "B" is the gross selling price of the non-LICENSED PRODUCT portion of the combination SOLD separately during the accounting period in question. In the event that no separate SALE of either such above-designated LICENSED PRODUCT or such above-designated non-LICENSED PRODUCT portion of the combination is made during the accounting period in which the SALE was made, SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS shall be calculated by multiplying SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS of such combination by the fraction C over C+D, in which "C" is the standard fully-absorbed cost of the LICENSED PRODUCT

portion of such combination, and "D" is the standard fully absorbed cost of the other component(s), such costs being arrived at using the standard accounting procedures of LICENSEE which will be in accord with generally accepted accounting practices. Notwithstanding the foregoing, under no circumstances shall the royalty provided for in this Section 6.1(e) be reduced to less than ten percent (10%) of SUBLICENSEE GROSS REVENUES of SALES of LICENSED PRODUCTS incorporating COAGULATION PATENT RIGHTS. No royalties shall be payable to BOARD under this Section 6.1(e) with respect to SALES for which a royalty has been paid under the PATENT LICENSE AGREEMENT.

(f) The parties hereto agree that if economic or political conditions change sufficiently so as to affect the continued applicability of the assumptions made in negotiating the dates of the milestone payments agreed to in this Section 6.1, they will negotiate in good faith a reasonable extension of the dates of such milestone payments in accordance with such changed economic or political conditions.

(g) Notwithstanding anything to the contrary in this AGREEMENT, it is hereby acknowledged and agreed by the parties hereto that (i) the amount payable by LICENSEE pursuant to Section 6.1(a) of this AGREEMENT is a one-time license fee payable by LICENSEE only with respect to the first LICENSED PRODUCT of LICENSEE and (ii) no amounts shall be paid by LICENSEE pursuant to such Sections to the extent that such payments have been made by LICENSEE under the PATENT LICENSE AGREEMENT.

6.2 During the term of this AGREEMENT and for one (1) year thereafter, LICENSEE shall keep complete and accurate records of its SALES and NET SALES of LICENSED PRODUCTS and all SUBLICENSEE GROSS REVENUES received by LICENSEE under the license granted in this AGREEMENT in sufficient detail to enable the royalties payable hereunder to be determined. LICENSEE shall permit BOARD or its

representatives, at BOARD's expense, to periodically examine its books, ledgers, and records during regular business hours for the purposes of and to the extent necessary to verify any report required under this AGREEMENT. If any such inspection reveals that the aggregate of royalties paid during any four (4) consecutive calendar quarters was less than the amount that should have been paid under this AGREEMENT, LICENSEE shall remit to BOARD the amount of such deficiency; provided, that, if such deficiency is more than five percent (5%) of the amount that should have been paid, LICENSEE shall remit to BOARD, in addition to the amount of such deficiency, the reasonable expenses of the inspection conducted by BOARD. If LICENSEE or BOARD disputes any deficiency or expenses provided in this Section 6.2, the dispute shall be referred to an independent accountant selected by mutual agreement of BOARD and LICENSEE, whose decision will be binding and final on the parties hereto. If a decision is entered against LICENSEE by such independent accountant for the amount of such deficiency or expenses, LICENSEE agrees to remit to BOARD, in addition to any other amounts provided for in this Section 6.2, accrued interest on such deficiency through the date of such decision at the highest allowable rate.

6.3 Within forty-five (45) days after March 31, June 30, September 30 and December 31 of each year, LICENSEE shall deliver to BOARD a true and accurate report which shall describe (a) the quantities of LICENSED SUBJECT MATTER that it has produced; (b) the total SALES; (c) the calculation of royalties thereon; and (d) the total royalties so computed and due. Simultaneously with the delivery of each such report, LICENSEE shall pay to BOARD the amount, if any, due for the period covered by such report. If no payments are due, it shall be so reported.

6.4 Upon the request of BOARD but not more often than once per calendar year, LICENSEE shall deliver to BOARD a written report as to LICENSEE's efforts and accomplishments during the preceding year in commercializing LICENSED SUBJECT MATTER in various parts of the LICENSED TERRITORY and its commercialization plans for the upcoming year.

6.5 All amounts payable hereunder by LICENSEE shall be payable in United States funds without deductions for taxes, assessments, fees, or charges of any kind. Checks shall be made payable to UT SOUTHWESTERN and sent to:

UT Southwestern Medical Center
Office for Technology Transfer Development
5323 Harry Hines Boulevard
Dallas, Texas 75235-9094
Attn: Ray Wheatley

VII. TERM AND TERMINATION

7.1 The Term of this AGREEMENT shall extend from the EFFECTIVE DATE set forth hereinabove to the full end of the term or terms for which COAGULATION PATENT RIGHTS have not expired and if only COAGULATION TECHNOLOGY RIGHTS are licensed and no COAGULATION PATENT RIGHTS are applicable, then, on a per-product basis, (i) with respect to LICENSED PRODUCTS which have an FDA-approved therapeutic indication for humans, for a term of seven (7) years from the date of COMMERCIAL INTRODUCTION of any such product and (ii) with respect to LICENSED PRODUCTS which have an FDA-approved diagnostic indication for humans, for a term of seven (7) years from the date of COMMERCIAL INTRODUCTION of such product.

7.2 This AGREEMENT will earlier terminate:

(a) upon thirty (30) days written notice if LICENSEE shall default in its obligation to make payments, if any are due, in accordance with Article VI or Article XIV hereunder; provided, however, LICENSEE may avoid such termination if before the end of such notice period LICENSEE cures its default;

(b) automatically if LICENSEE shall become bankrupt or insolvent and/or if the business of LICENSEE shall be placed in the hands of a receiver, assignee, or trustee, whether by voluntary act or LICENSEE or otherwise;

(c) upon ninety (90) days written notice if LICENSEE shall breach or default on any obligation under this AGREEMENT except as provided in Article VI or Article XIV; provided, however, LICENSEE may avoid such termination if before the end of such period LICENSEE notifies BOARD that such breach has been cured, states the manner of such cure and in fact the breach has been cured; or

(d) Under the provisions of Section 5.6 if invoked.

7.3 Upon termination of this AGREEMENT for any cause, nothing herein shall be construed to release either party of any obligation matured prior to the effective date of such termination. LICENSEE may, after the effective date of such termination, SELL all LICENSED PRODUCT and parts therefor that it may have on hand at the date of termination, provided that it pays running royalty earned thereon as provided in this AGREEMENT.

VIII. INFRINGEMENT BY THIRD PARTIES

8.1 Each party shall inform the other promptly in writing of any alleged infringement of the COAGULATION PATENT RIGHTS by a third party, including all details then available. LICENSEE shall have the right, but shall not be obligated, to prosecute at its own expense any such infringements, and BOARD agrees that LICENSEE may join BOARD as a plaintiff at the expense of

LICENSEE. If any infringement action commenced or defended solely by LICENSEE, all expenses and all recovery for infringement shall be those of LICENSEE. In any such action by LICENSEE, BOARD shall be entitled to receive an amount equal to the applicable royalties on any recovery of profits and damages that is in excess of LICENSEE's reasonable costs and expenses, including, but not limited to, actual costs and expenses incurred to non-affiliated accountants, lawyers and consultants. No settlement, consent judgment or other voluntary final disposition of the suit may be entered into without BOARD's consent, which consent shall not be unreasonably withheld, delayed or conditioned.

8.2 If LICENSEE has not commenced legal action or been successful in obtaining cessation of the infringement within ninety (90) days of written notification from BOARD of such infringement, or if LICENSEE elects not to continue prosecuting any legal action against an infringer, BOARD shall have the right, but shall not be obligated, to prosecute at its own expense any such infringement. BOARD may join LICENSEE as a plaintiff in any such infringement suit at BOARD's expense. No settlement, consent judgment or other voluntary final disposition of the suit may be entered into without LICENSEE's consent, which consent shall not be unreasonably withheld, delayed or conditioned.

8.3 In the event that LICENSEE and/or BOARD do not file suit against, conclude settlement negotiations with, or grant a license to a substantial infringer of COAGULATION PATENT RIGHTS within one (1) year of knowledge thereof, then the parties will consult with one another in an effort to determine whether a reasonably prudent licensee would institute litigation, conclude settlement negotiations, and/or grant a license within the one (1) year time period described above in order to enforce the patent in question in light of all relevant business and economic factors (including, but not limited to, the projected cost of such litigation, the likelihood of success on the merits, the probable amount of any damage award, the prospects for satisfaction of any

judgment against the alleged infringer, the possibility of counterclaims against LICENSEE and BOARD, the diversion of LICENSEE's human and economic resources, the impact of any possible adverse outcome on LICENSEE, and the effect any publicity might have on the respective reputations and goodwill of the parties). If after such consultation, the parties have not reached agreement and LICENSEE does not forthwith file suit against, enter into settlement negotiations with or grant a license to the substantial infringer, then BOARD shall have the right to enforce any COAGULATION PATENT RIGHT, licensed hereunder on behalf of itself and LICENSEE (BOARD retaining all recoveries from such enforcement), and BOARD shall have the right to reduce the license granted hereunder to nonexclusive in the national jurisdiction in which suit is brought.

8.4 If any infringement suit that either party brings to enforce the COAGULATION PATENT RIGHTS, the other party shall at the request and expense of the party bringing the suit, cooperate in all reasonable respects, including, to the extent possible, obtaining the testimony of its employees and agents and making available physical evidence in the possession of that party.

IX. ASSIGNMENT

This AGREEMENT shall not be assignable or otherwise transferable by LICENSEE without the prior written consent of BOARD, which consent shall not be unreasonably withheld, except that LICENSEE may assign or otherwise transfer its rights under this AGREEMENT to the following parties without obtaining BOARD's consent: (i) a successor to LICENSEE's business, or a successor to that portion of LICENSEE's business that pertains to the subject matter of the COAGULATION PATENT RIGHTS or any COAGULATION TECHNOLOGY RIGHTS, and (ii) any entities controlled by, controlling, or under common control with LICENSEE.

X. PATENT MARKING

LICENSEE agrees to mark permanently and legibly all products and documentation manufactured or sold by it under this AGREEMENT with such patent notice as may be permitted or required under Title 35, United States Code.

XI. INDEMNIFICATION

LICENSEE shall hold harmless and indemnify BOARD, INVENTORS, SYSTEM, UT SOUTHWESTERN, and their respective Regents, officers, employees and agents (each, an "INDEMNITEE") from and against any liability, loss or damage they may suffer as a result of claims, demands, or causes of action whatsoever, including without limitation those arising on account of any injury or death of persons or damage to property caused by, or arising out of or resulting from, the exercise or practice of the license granted hereunder by LICENSEE or its officers, employees, agents or representatives; PROVIDED, HOWEVER, that LICENSEE shall not be required to indemnify or hold harmless any INDEMNITEE, from any losses or claims attributable to any infringement or alleged infringement of patents, technology, trade secrets, or confidential or proprietary know-how or information of third parties by the COAGULATION PATENT RIGHTS or the COAGULATION TECHNOLOGY RIGHTS. Except as otherwise provided in this AGREEMENT, the obligations of LICENSEE under this Section shall apply in full force whether or not the claims and any losses resulted, or are alleged to have resulted, in whole or in part from the acts or omissions of any INDEMNITEE; PROVIDED, HOWEVER, that the foregoing indemnity shall not apply to any claims or losses arising out of any act or omission constituting gross negligence, willful malfeasance, misconduct or bad faith of any INDEMNITEE.

XII. USE OF NAME

LICENSEE shall not use the name of UT SOUTHWESTERN, INVENTORS, SYSTEM, BOARD or their respective Regents in any advertising, promotional or sales literature, or in any other form of publicity without prior written consent obtained from each such party in each case. The foregoing notwithstanding, LICENSEE shall have the right to identify such parties and to disclose the terms of this AGREEMENT in any prospectus, offering memorandum or other document or filing required by applicable securities laws or other applicable law or regulation, provided that LICENSEE shall have given each such affected party at least ten (10) business days prior written notice of the proposed text of any such identification or disclosure for the purpose of giving each such affected party the opportunity to comment on and suggest amendments to such proposed text.

XIII. CONFIDENTIAL INFORMATION

13.1 BOARD and LICENSEE each agree that all information contained in documents marked "confidential" which are forwarded to one by the other shall be received in strict confidence, used only for the purposes of this AGREEMENT, and not disclosed by the recipient party (except as required by law or court order), its agents or employees without the prior written consent of the other party, unless such information (a) was in the public domain at the time of disclosure, (b) later became part of the public domain through no act or omission of the recipient party, its employees, agents, successors or assigns, (c) was lawfully disclosed to the recipient party by third party having the right to disclose it, (d) was already known by the recipient party at the time of disclosure, (e) was independently developed or (f) is required by law or regulation to be disclosed.

13.2 Each party's obligation of confidence hereunder shall be fulfilled by using the at least same degree of care with the other party's confidential information it uses to protect its own confidential information. This obligation shall exist while this AGREEMENT is in force and for a period of three (3) years thereafter.

XIV. PATENTS AND INVENTIONS

14.1 UT SOUTHWESTERN shall be responsible for the preparation, filing, prosecution and maintenance of all patent applications and patents included in COAGULATION PATENT RIGHTS. LICENSEE shall reimburse UT SOUTHWESTERN for all reasonable attorneys' fees (i) incurred by UT SOUTHWESTERN subsequent to the EFFECTIVE DATE, or (ii) incurred by UT SOUTHWESTERN prior to the EFFECTIVE DATE and for which invoices have been submitted to LICENSEE in connection with the preparation, filing and maintenance of all patent applications and patents included in COAGULATION PATENT RIGHTS; PROVIDED that patent counsel selected by UT SOUTHWESTERN is reasonably acceptable to LICENSEE. Subsequent to the EFFECTIVE DATE, UT SOUTHWESTERN shall consult with LICENSEE as to the preparation, filing, prosecution and maintenance of all such patent applications and patents in accordance with the procedures set forth on EXHIBIT A hereto and incorporated herein by reference, and shall furnish to LICENSEE copies of documents relevant to such preparation, filing, prosecution or maintenance, including without limitation invoices providing detailed descriptions of all costs and expenses incurred by UT SOUTHWESTERN's patent counsel in connection therewith, sufficiently prior to filing such documents or making any payment due thereunder to allow for review and comment by LICENSEE. If, at any time, LICENSEE shall elect not to pay the expenses of any patent application or patent included in COAGULATION PATENT RIGHTS, LICENSEE shall so notify UT SOUTHWESTERN within thirty (30) days of such consultation and shall thereby surrender its rights under such patent application or patent; PROVIDED, HOWEVER, that LICENSEE shall remain obligated to reimburse UT SOUTHWESTERN for any costs incurred with respect to such patent application or patents prior to said election.

14.2 At any time during the term of this AGREEMENT, LICENSEE may petition BOARD in writing to transfer prosecution or maintenance of any PATENT RIGHTS licensed hereunder to another law firm. Such petition shall state LICENSEE's reason(s) for its desire to transfer prosecution or maintenance to another law firm and include information about the law firm and individual patent attorneys, patent agents, and/or scientific advisors that may be assigned to the files by the patent firm. BOARD shall first seek to meet the needs of LICENSEE through meeting with existing patent counsel. If the petition is granted by BOARD, LICENSEE or outside counsel shall provide BOARD and UT SOUTHWESTERN with copies of all documents received or filed during prosecution and/or maintenance thereof in a timely manner. In any event, LICENSEE shall consult UT SOUTHWESTERN prior to abandonment of any claims of any patent application for LICENSED SUBJECT MATTER at least sixty (60) days prior to abandonment.

XV. GENERAL

15.1 This AGREEMENT and the Exhibits and Appendices attached hereto constitute the entire and only agreement between the parties for LICENSED SUBJECT MATTER and all other prior negotiations, representations, agreements, and understandings are superseded hereby. No agreements altering or supplementing the terms hereof may be made except by means of a written document signed by the duly authorized representatives of the parties.

15.2 Any notice required by this AGREEMENT shall be given by facsimile and confirmed by overnight delivery service, addressed in the case of BOARD to:

BOARD OF REGENTS
The University of Texas System
201 West Seventh Street
Austin, Texas 78701
ATTENTION: Office of General Counsel
Ph. 512-499-4462
Fax 512-499-4523

with copies to:

UT SOUTHWESTERN
Peter H. Fitzgerald, Ph.D.
Executive Vice President
for Business Affairs
5323 Harry Hines Boulevard
Dallas, TX 75235-9013
Ph. 214-648-3572
Fax 214-648-3944

and

UT SOUTHWESTERN
Ray Wheatley
Director, Technology Development
Office for Technology Development
6000 Harry Hines Boulevard, Rm NB2200
Dallas, TX 75235-9094
Ph. 214-648-1888
Fax 214-648-1889

or in the case of LICENSEE to:

Techniclone Corporation
14282 Franklin Avenue
Tustin, California 92780
Attention: John N. Bonfiglio, Ph.D.
Ph. (949) 508-6000
Fax (949) 838-4094

with copies to:

Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: R.C. Shepard, Esq.
Ph. (949) 725-4000
Fax (949) 725-4100

or such other address as may be given from time to time under the terms of this notice provision.

15.3 LICENSEE shall comply with all applicable federal, state and local laws, regulations, and ordinances in connection with its activities pursuant to this AGREEMENT.

15.4 This AGREEMENT shall be construed and enforced in accordance with the laws of the United States of America and of the State of Texas.

15.5 Failure of BOARD to enforce a right under this AGREEMENT shall not act as a waiver of that right or the ability to later assert that right relative to the particular situation involved.

15.6 Headings included herein are for convenience only and shall not be used to construe this AGREEMENT.

15.7 If any provision of this AGREEMENT shall be found by a court to be void, invalid or unenforceable, the same shall be reformed to comply with applicable law or stricken if not so confirmable, so as not to affect the validity or enforceability of this AGREEMENT.

IN WITNESS WHEREOF, parties hereto have caused their duly authorized representatives to execute this AGREEMENT.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM	TECHNICLONE CORPORATION
By: /s/ Peter H. Fitzgerald, Ph.D. Peter H. Fitzgerald, Ph.D. Executive Vice President for Business Affairs UT Southwestern Medical Center at Dallas	By: /s/ John N. Bonfiglio, Ph.D. John N. Bonfiglio, Ph.D. Vice President, Business Development
Date: Oct-8, 1998	Date: 9/8/98

APPROVED AS TO FORM:

By: /s / Bethlynn Maxwell, Ph.D., J.D.
Bethlynn Maxwell, Ph.D., J.D.
Office of General Counsel

Date: 11 Sept., 98

APPROVED AS TO CONTENT:

By: /s/ Dennis K. Stone
Dennis K. Stone
Vice President for Technology Development

Date: Sept. 17, 1998

EXHIBIT 10.59

LICENSE AGREEMENT

This License Agreement ("Agreement") effective as of August 4, 1999 (the "Effective Date"), is entered into by and between NORTHWESTERN UNIVERSITY, an Illinois corporation located at 633 Clark Street, Evanston, Illinois 60201 and TECHNICLONE CORPORATION, a Delaware corporation ("TECHNICLONE") located at 14282 Franklin Avenue, Tustin, California 92780-7017.

R E C I T A L S

A. In the course of research conducted at NORTHWESTERN UNIVERSITY, Professor Alan Epstein (the "Inventor") has produced inventions, the titles of which are also listed in Exhibit "A" (the "Inventions").

B. WHEREAS, the Inventions described were made under support from the National Institutes of Health of the Department of Health and Human Services and NORTHWESTERN UNIVERSITY has acquired rights thereto pursuant to P.L. 96-517, and if a conflict arises between the conditions of this Agreement and the rights of the Federal Government, TECHNICLONE's rights would be subordinate to the legitimate rights of the Federal Government, and

C. TECHNICLONE has obtained a license to the Licensed Technology (as hereinafter defined), and NORTHWESTERN UNIVERSITY granted such a license to TECHNICLONE pursuant to that certain License Agreement dated June 12, 1985, as amended pursuant to that certain Amendment effective October, 1987 (the "Prior License Agreement").

D. NORTHWESTERN UNIVERSITY and TECHNICLONE desire to amend and restate that certain Prior License Agreement and desire that this Agreement supercede the Prior License Agreement in its entirety.

NOW, THEREFORE, in consideration of the foregoing, and the covenants and promises contained herein, the sufficiency of which are hereby acknowledged by the parties, NORTHWESTERN UNIVERSITY and TECHNICLONE hereby agree as follows:

ARTICLE I
DEFINITIONS

As used in this Agreement, the following terms shall be defined as set forth below:

1.1 "AFFILIATE" shall mean any person, corporation, partnership, firm, joint venture or other entity which, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, another person, corporation, partnership, firm, joint venture or other entity, as the case may be. As used in this definition, "control" means the possession of power to direct or cause the direction of the management and policies of an entity, whether through the ownership of the outstanding voting securities or by contract or otherwise.

1.2 "IMPROVEMENT(S)" shall mean inventions or other improvements which relate to or are based on the Inventions and which are within the scope of the then existing Licensed Patents. An Improvement shall be within the scope of a Licensed Patent if covered by a claim, either literally or under the doctrine of equivalents.

1.3 "INVENTIONS" shall mean the inventions of the Inventor as described in Exhibit "A" attached hereto and incorporated herein by this reference.

1.4 "LICENSED PATENTS" shall mean all United States and foreign patents and applications for patents owned by NORTHWESTERN UNIVERSITY, and filed prior to the date of or during the term of this Agreement relating to any of the Invention(s), including, in each case, all foreign and domestic patents issuing on any of the foregoing applications, and all reissues, renewals, reexaminations, extensions, continuations, continuations-in-part, provisionals and divisionals of each of the preceding. The Licensed Patents that are pending or issued as of the date of this Agreement are set forth in EXHIBIT "B." For purposes of this Agreement, any United States or foreign patents and/or applications for patents owned by NORTHWESTERN UNIVERSITY relating to an Improvement shall be treated as Licensed Patents for all purposes whatsoever.

1.5 "LICENSED PRODUCTS" shall mean all products derived from a combination of LYM-1 antibody or LYM-2 antibody plus the radioactive Iodine 131 combination.

1.6 "LICENSED TECHNOLOGY" shall mean the Licensed Patents and the Technical Information.

1.7 "NET SALES" shall mean the revenues actually received by Sublicensees generated from the sale of the Licensed Products by such Sublicensees to third parties in Territory A and Territory B; less reasonable and customary deductions applicable to the Licensed Products for: (i) transportation charges and charges such as insurance, relating to transportation paid by the selling party; (ii) sales and excise taxes or customers duties paid by the selling party and any other governmental charges imposed upon the sale of the Licensed Products and paid by the selling party; (iii) distributors' fees, rebates or allowances; (iv) quantity discounts, cash discounts or chargebacks in the ordinary course of business in connection with the sale of the Licensed Products; (v) allowances or credits to customers, not in excess of the selling price of the Licensed Products, on account of governmental requirements, rejection, outdating, recalls or return of the Licensed Products; (vi) costs of customer programs such as cost effectiveness or patient or physician assistance programs designed to aid in patient compliance to maintain medication schedules and which are reasonably required to be carried out in order to effect a sale of the Licensed Products; and (vii) a deduction for actual bad debts no to exceed 1%. Sales of the Licensed Products solely for research or clinical testing purposes shall be excluded from the computation of Net Sales. Licensed Products shall be considered sold when sold or invoiced to a third party, and if not sold or invoiced, when delivered to a third party.

1.8 "QUARTER YEAR" shall mean the three-month periods ending March 31st, June 30th, September 30th and December 31st of each Royalty Year.

1.9 "ROYALTY YEAR" shall mean each twelve-month period commencing January 1st and ending December 31st during the term of this Agreement. For the first year of this Agreement, the Royalty Year shall be the period of time between the signing of this Agreement and December 31st of such year.

1.10 "SUBLICENSEE" shall mean a person or entity to whom TECHNICLONE has granted the right under the Licensed Technology to develop, manufacture, have manufactured, use, market, distribute and/or sell the Licensed Products.

1.11 "TECHNICAL INFORMATION" shall mean NORTHWESTERN UNIVERSITY's technical information and know-how relating to the preparation of Licensed Products including, but not limited to the maintenance of hybridomas, medical diagnostic and therapeutic procedures and methods for characterizing antigenic material utilizing monoclonal antibodies produced from such hybridomas, purification schemes, bioassay and immunoassay procedures and methods of evaluation.

1.12 "TERRITORY A" shall mean the United States of America [, including Guam and Puerto Rico.]

1.13 "TERRITORY B" shall mean all countries, territories and jurisdictions of the world, other than Territory A.

1.14 "VALID CLAIM" shall mean a claim of any issues, unexpired United States or foreign patent, as applicable, which shall not have been withdrawn, canceled or disclaimed or held invalid or unenforceable by a court of competent jurisdiction in an unappealed or unappealable decision.

ARTICLE II
GRANT OF LICENSE

2.1 GRANT. Subject to the terms and conditions of this Agreement, NORTHWESTERN UNIVERSITY hereby grants and TECHNICLONE hereby accepts a worldwide exclusive license under the Licensed Technology, to develop, manufacture, have manufactured, use, market, import, have imported, offer for sale and sell Licensed Products.

2.2 SUBLICENSE. TECHNICLONE shall have the right to further license, sublicense or subcontract all or any part of the rights hereby licensed to it without the prior written consent of NORTHWESTERN UNIVERSITY. TECHNICLONE shall promptly notify NORTHWESTERN UNIVERSITY in writing at the time of each such license, sublicense or subcontract. Notwithstanding the foregoing, NORTHWESTERN UNIVERSITY shall retain the right to approve any complete transfer or assignment of this Agreement by TECHNICLONE prior to such transfer or assignment, which approval shall not unreasonably be withheld or delayed.

2.3 RETENTION OF RIGHTS. NORTHWESTERN UNIVERSITY and its affiliates shall retain the nontransferable right to make, use and practice the Licensed Technology for their own noncommercial purposes. NORTHWESTERN UNIVERSITY may publish and disseminate the Technical Information and may furnish the Licensed Products produced by the hybridomas accepted by TECHNICLONE to third parties for non-commercial research oriented purposes. NORTHWESTERN UNIVERSITY will inform any third party receiving material under this Section that the hybridomas are the property of NORTHWESTERN UNIVERSITY and that they can only be used for non-commercial research and cannot be further distributed without the written permission of NORTHWESTERN UNIVERSITY.

2.4 THIRD PARTY LICENSES. The parties recognize that TECHNICLONE may encounter patents held by third parties and that licenses between NORTHWESTERN UNIVERSITY or TECHNICLONE and such third parties may be necessary in order to enable TECHNICLONE to develop, make or market certain Licensed Products. In that event, TECHNICLONE has the right to enter into licensing agreements with such third parties, provided NORTHWESTERN UNIVERSITY is consulted a reasonable time before hand. In the event that TECHNICLONE is obligated to pay royalties to such a third party and/or other amounts to acquire such a license, TECHNICLONE shall be entitled to credit against the royalties otherwise payable to NORTHWESTERN UNIVERSITY hereunder an amount equal to one-half (1/2) the sum of earned royalties and other amounts paid to such third party(ies) to acquire access to or use of such third party's intellectual property rights.

ARTICLE III
ROYALTIES AND OTHER PAYMENTS

3.1 ROYALTIES. In consideration for the license granted hereunder, during the term of this Agreement, TECHNICLONE shall pay to NORTHWESTERN UNIVERSITY the following royalty amounts with respect to Net Sales:

TERRITORY	DURATION OF ROYALTY PERIOD	ROYALTY AMOUNT
Territory A	Until February 5, 2009; provided, that no royalties are payable if and to the extent TECHNICLONE does not receive any revenue from Net Sales In Territory A	3% of Net Sales; provided, that the royalty shall be 1.5% if there is a generic form of the Licensed Product sold in Territory A

Territory B	Until February 5, 2009; provided, that if any patent filed by NORTHWESTERN is issued after the date of execution of this Agreement for any country in Territory B, the Royalty Period with respect to that particular country will continue until the expiration of such patent; provided, further that no royalties are payable if and to the extent TECHNICLONE does not receive any revenue from Net Sales in any country in Territory B	1% of Net Sales; provided that the royalty shall be 0.5% with respect to a particular country in Territory B if a generic form of the Licensed Product is sold in such country

Notwithstanding the foregoing, the Royalty Amount shall be subject to adjustment if the Licensed Product consists of a LYM-1 antibody or LYM-2 antibody with a non-radiolabeled therapeutic (e.g., alpha interferon or gamma interferon), as follows:

Where:

x = cost of goods sold attributable to the LYM component of the Licensed Product; and

y = cost of goods sold for the entire Licensed Product;

the Royalty Amount shall be equal to the product of (i) the applicable Royalty Amount set forth in the table above, multiplied by (ii) x divided by y.

3.2 PAYMENTS. Royalty payments are nonrefundable and shall be paid in United States dollars at the address designated for NORTHWESTERN UNIVERSITY in Article X of this Agreement or at such other place as NORTHWESTERN UNIVERSITY may reasonably designate and shall be payable on the seventieth (70th) day after each Quarter Year.

ARTICLE IV
REPORTS AND RECORDS

4.1 ROYALTY REPORTS. TECHNICLONE shall deliver to NORTHWESTERN UNIVERSITY true and accurate reports, giving such particulars of the business conducted by TECHNICLONE during the preceding three-month period, under this Agreement, that shall be pertinent to a royalty accounting hereunder. Within seventy (70) days after each Quarter Year, TECHNICLONE shall deliver to NORTHWESTERN UNIVERSITY true and accurate reports, giving such particulars of the business conducted by its Sublicensees during the preceding three-month period, under this Agreement, that shall be pertinent to a royalty accounting hereunder. NORTHWESTERN UNIVERSITY agrees to hold all information in such royalty reports in confidence pursuant to the provisions of SECTION 10.12, except as necessary to communicate and/or investigate TECHNICLONE's non-compliance with this Agreement. With each such report submitted, TECHNICLONE shall pay to NORTHWESTERN UNIVERSITY the royalties due and payable under this Agreement. If no royalties shall be due, TECHNICLONE shall so report.

4.2 RETENTION OF BOOKS AND RECORDS. TECHNICLONE shall make and retain for a period of three (3) years following the period of each report required by this Article true and accurate records, files and books of account containing all the data reasonably required for the full computation and verification of gross sales, gross revenues and other information required in SECTION 4.1. Such books and records shall be in accordance with generally accepted accounting principles consistently applied and shall be kept at TECHNICLONE's principal place of business. TECHNICLONE shall permit the inspection of such records, files and books of account by an independent certified public accountant chosen by NORTHWESTERN UNIVERSITY and reasonably acceptable to TECHNICLONE during regular business hours upon five (5) business days' written notice to TECHNICLONE, to the extent necessary to verify compliance with this Agreement. Such inspection shall not be made more than two times each calendar year or more than once for any period unless an error is discovered, or other good cause. All costs of such inspection and copying shall be paid by NORTHWESTERN UNIVERSITY, provided that if any such inspection shall reveal that an error has been made in the amount equal to 5% or more of such payment, such costs shall be borne by TECHNICLONE.

4.3 PAYMENTS AFTER TERMINATION. If this Agreement should be terminated at any time other than at the end of the Quarter Year or Royalty Year, the last report and payment shall be made within one hundred (100) days after the effective date of such termination on, and shall include any royalties through the date of termination; provided, however, TECHNICLONE shall provide NORTHWESTERN UNIVERSITY with a report setting forth the amount of any inventory of Licensed Products not sold as of the date of termination, and TECHNICLONE shall continue to render royalty reports with respect to Net Revenue actually received by TECHNICLONE from sales of such existing inventory and to make payments in accordance with the terms of this Agreement as though this Agreement were still in effect.

ARTICLE V
PATENT PROSECUTION

5.1 PATENTS.

(a) If during the term of this Agreement NORTHWESTERN UNIVERSITY elects to file patent applications or otherwise obtain patent rights related to the Inventions or Licensed Products as defined in this Agreement, such applications shall become included in the Licensed Patents defined hereunder.

(b) TECHNICLONE shall, upon written request from NORTHWESTERN UNIVERSITY, bear all (100%) of the reasonable costs for the preparation, filing and prosecuting of the United States patent applications included in the Licensed Patents, but in no case beyond an appeal to and a decision by the United States Patent and Trademark Office Board of Appeals, unless TECHNICLONE specifically agrees otherwise in writing.

(c) TECHNICLONE shall indicate to NORTHWESTERN UNIVERSITY in which countries, if any, it wishes NORTHWESTERN UNIVERSITY to file patent applications related to United States patent applications in the Licensed Patents. Such selection of countries will be made in writing by TECHNICLONE to NORTHWESTERN UNIVERSITY within nine (9) months after the filing date of any corresponding U.S. application. Notwithstanding the foregoing, nothing shall prevent or otherwise limit TECHNICLONE and/or its Sublicensees from preparing, filing, prosecuting, maintaining patent applications and patents in such countries other than the United States which TECHNICLONE or its Sublicensees wishes to include under the Licensed Patents of this Agreement.

(d) TECHNICLONE agrees to pay or to cause its Sublicensees to pay for all reasonable fees and expenses for preparation, prosecution, maintenance and taxes relating to the filing and maintenance of patent applications and patents in such countries other than the United States which TECHNICLONE or its Sublicensees wishes to include under the Licensed Patents of this Agreement.

(e) If TECHNICLONE elects to discontinue any patents under this Section for preparation, filing, prosecuting or maintaining any patent application or, patent in any country, the license granted under this Agreement with respect to said patent application or patent in such country shall terminate.

ARTICLE VI
INFRINGEMENT

6.1 NOTICE OF INFRINGEMENT BY THIRD PARTIES. TECHNICLONE shall inform NORTHWESTERN UNIVERSITY promptly in writing of any apparent infringement by a third party discovered by it with respect to any patent issuing from the Licensed Patents and of any available evidence thereof.

6.2 PROSECUTION OF INFRINGEMENT CLAIMS. During the term of this Agreement, NORTHWESTERN UNIVERSITY shall have the right, but shall not be obligated, to prosecute at its own expense all infringements of any patent issuing from the Licensed Patents and, in furtherance of such right, TECHNICLONE hereby agrees that NORTHWESTERN UNIVERSITY may include TECHNICLONE as a party plaintiff (but not as a defendant or respondent or counter claimant) in such suit, without expense to TECHNICLONE. The full cost and expense of any such action so commenced or so defended by NORTHWESTERN UNIVERSITY shall be the responsibility of and paid for by NORTHWESTERN and NORTHWESTERN shall keep any recovery or damages for past infringement derived therefrom. No settlement, consent judgment or other voluntary final disposition of the suit may be entered into without the consent of TECHNICLONE, which consent shall not unreasonably be withheld or delayed. NORTHWESTERN UNIVERSITY shall indemnify TECHNICLONE against any order for costs that may be made against TECHNICLONE in such proceedings.

6.3 TECHNICLONE RIGHT TO PROSECUTE. If within six (6) months after having been notified of any alleged or apparent infringement, NORTHWESTERN UNIVERSITY shall have been unsuccessful in persuading the alleged infringer to cease and desist such alleged infringement and shall not have brought and shall not be diligently prosecuting an infringement action, or if NORTHWESTERN UNIVERSITY shall notify TECHNICLONE at any time prior thereto of its intention not to bring suit against any alleged infringer, then TECHNICLONE shall have the right, but shall not be obligated, to prosecute at its own expense any infringement of any patent issuing from the Licensed Patents and, in furtherance of such right, NORTHWESTERN UNIVERSITY hereby agrees that TECHNICLONE may include NORTHWESTERN UNIVERSITY as a party plaintiff (but not as a defendant or respondent or counter claimant) in such suit; provided, however, that such right to bring such infringement action shall remain in effect only for so long as the license granted herein remains exclusive in accordance with the terms hereof. No settlement, consent judgment or other voluntary final disposition of the suit may be entered into without the consent of NORTHWESTERN UNIVERSITY, which consent shall not unreasonably be withheld or delayed. TECHNICLONE shall indemnify NORTHWESTERN UNIVERSITY against any order for costs that may be made against NORTHWESTERN UNIVERSITY in such proceedings. TECHNICLONE shall keep any recovery or damages for past infringement derived therefrom; provided, however, that such recovery, less expenses (including reasonable attorneys' fees and disbursements) shall be treated as Net Sales for the purpose of calculating royalties under paragraph 3.1 hereof.

6.4 DECLARATORY JUDGMENT ACTION. If a declaratory judgment action alleging invalidity or noninfringement of any patent issuing from the Licensed Patents shall be brought against TECHNICLONE, NORTHWESTERN UNIVERSITY, at its option, shall have the right, within thirty (30) days after it receives notice of the commencement of such action, to intervene and take over the sole defense of the action at its own expense. No settlement, consent judgment or other voluntary final disposition of such action may be entered into without the consent of TECHNICLONE, which consent shall not unreasonably be withheld or delayed. NORTHWESTERN UNIVERSITY shall indemnify TECHNICLONE against any order for costs that may be made against TECHNICLONE in such action or the related proceedings.

6.5 COOPERATION OF THE PARTIES. In any infringement suit or action that either party may institute to enforce the patents issuing from the Licensed Patents pursuant to this Agreement, the other party hereto shall, at the reasonably request and expense of the party initiating such suit, cooperate in all reasonably respects and, to the extent possible, have its employees testify when reasonably requested to do so and make available relevant records, papers, information, samples, specimens and the like, subject to an order or agreement of confidentiality reasonably acceptable to such other party with respect to any such records, papers, information, samples, specimens or the like which are not within the public domain or are not otherwise already generally disclosed or available to the public.

6.6 RIGHT TO LICENSE OR SUBLICENSE TO ALLEGED INFRINGER. TECHNICLONE, during the term of this Agreement, shall have the sole right in accordance with the terms and conditions hereof, to license or sublicense to any alleged infringer for future use of any of the patents issuing from the Licensed Patents. Any upfront fees as part of such a license or sublicense shall be shared equally between TECHNICLONE and NORTHWESTERN UNIVERSITY and any royalties generated from such a license or sublicense shall be treated as Net Sales for the purpose of calculating royalties under paragraph 3.1 hereof.

6.7 RIGHT TO MONITOR PROCEEDINGS. With respect to any suit, action or proceeding which only one of the parties has instituted as provided above in this Article VI, if reasonably requested by the other party, such party shall make available to the other party any documents and materials that are relevant to the other party's interests in such suit, action or proceeding; provided, that the disclosure of such documents and materials to the other party would not impair such party's prosecution of such suit, action or proceeding.

ARTICLE VII
INDEMNIFICATION

TECHNICLONE agrees to indemnify, hold harmless and defend NORTHWESTERN UNIVERSITY, its officers, employees, and agents against any and all claims, suits, losses, damage, costs, fees, and expenses resulting from or arising out of the development, manufacture, use, marketing or sale of the Licensed Products by TECHNICLONE, its Sublicensee(s) and others purchasing and/or receiving the Licensed Product. If any claims is asserted against NORTHWESTERN UNIVERSITY or TECHNICLONE, or any of their respective officers, directors, trustees, employees, agents or representatives, or such person is made a party defendant in any action involving a matter which is the subject of TECHNICLONE's indemnification hereunder, or NORTHWESTERN UNIVERSITY or TECHNICLONE becomes aware of a claim or patent which might provide the basis for a third party's claim of infringement against TECHNICLONE, its Affiliates, Sublicensee(s) or permitted assignees as a result of the development, manufacture, use, marketing or sale of a Licensed Product, then within thirty (30) days of receipt by NORTHWESTERN UNIVERSITY or by TECHNICLONE of notice of any such event, and within ten (10) days of such party's receipt of a written complaint or other formal pleading regarding any such event, such party shall give the other party hereto written notice thereof.

If TECHNICLONE or NORTHWESTERN UNIVERSITY receives notice of a claim or action by a third party alleging infringement of such third party's rights in connection with the development, manufacture, use, marketing or sale of a Licensed Product by TECHNICLONE, its Sublicensees or permitted assignees, TECHNICLONE or its Sublicensees shall have the right to conduct the legal defense, but shall not enter into any settlement, consent judgment or final voluntary disposition that admits that any Licensed Product infringes any third party right, without NORTHWESTERN UNIVERSITY's prior written consent to such disposition, which consent shall not be unreasonably withheld or delayed. All costs of TECHNICLONE's and its Sublicensees' defense, including their respective attorneys' fees and costs, and any damages awarded or amounts paid in settlement in any such claim or action shall be the sole responsibility of TECHNICLONE and such Sublicensees, except to the extent that such damages or amounts relate to the validity of any of the patents issuing from a Licensed Product. NORTHWESTERN UNIVERSITY shall cooperate with TECHNICLONE if requested to do so by TECHNICLONE or its Sublicensees, in its defense of such infringement claim or action, provided that TECHNICLONE or such Sublicensees shall reimburse NORTHWESTERN UNIVERSITY for all out-of-pocket expenses incurred by it in providing such cooperation.

ARTICLE VIII
LAWS AND REGULATIONS

TECHNICLONE shall use commercially reasonable best efforts to comply with all foreign and United States federal, state and local laws, regulations, rules and orders applicable to the testing, production, transportation, packaging, labeling, export, sale and use of the Licensed Products. NORTHWESTERN UNIVERSITY agrees to use reasonable efforts to cooperate with TECHNICLONE at TECHNICLONE's expense, in connection with any filings required by any governmental entity.

ARTICLE IX
TERM OF LICENSE; TERMINATION OF LICENSE

9.1 TERM. Unless sooner terminated according to the provisions of this Agreement, the term of the license granted hereunder shall commence upon the execution hereof, and shall terminate on February 5, 2009; provided, that if any patent filed by NORTHWESTERN is issued after the date of execution of this Agreement for any country in Territory B, the term of the license granted hereunder with respect to that particular country will continue until the expiration of such patent (which shall be deemed to be a Licensed Patent for purposes of this Agreement). Notwithstanding the foregoing, the term of the license granted hereunder shall terminate with respect to a particular country if and to the extent that TECHNICLONE no longer receives Net Sales from sales of the Licensed Products in such country for a period of four (4) consecutive fiscal quarters after commercial sales of such Licensed Product have commenced in such country.

9.2 TERMINATION.

(a) If TECHNICLONE shall become bankrupt or insolvent and/or if the business of TECHNICLONE shall be placed in the hands of a receiver, assignee, or trustee. whether by the voluntary act of TECHNICLONE or otherwise, this License Agreement may be terminated at the option of NORTHWESTERN UNIVERSITY upon written notice to TECHNICLONE; provided, however, that such termination shall not terminate any obligations of TECHNICLONE to NORTHWESTERN UNIVERSITY that may have accrued thereto.

(b) Upon any breach or default under this Agreement by TECHNICLONE, NORTHWESTERN UNIVERSITY may terminate this Agreement by giving ninety (90) days written notice by certified or registered mail, return receipt requested. Said notice shall become effective at the end of said period, unless during said period TECHNICLONE shall cure such breach or default to the reasonable satisfaction of NORTHWESTERN UNIVERSITY.

(c) TECHNICLONE may terminate this Agreement at any time upon ninety (90) days written notice by certified or registered mail, return receipt requested, to NORTHWESTERN UNIVERSITY.

(d) Upon termination of this Agreement for any reason, all rights granted hereunder shall revert to NORTHWESTERN UNIVERSITY for the sole benefit of NORTHWESTERN UNIVERSITY.

(e) TECHNICLONE's obligations and responsibilities to report to NORTHWESTERN UNIVERSITY and pay royalties to NORTHWESTERN UNIVERSITY under this Agreement as a result of activity prior to any termination or expiration hereof shall survive such termination or expiration if and to the extent that TECHNICLONE actually receives Net Sales from sales of the Licensed Products attributable to such activity prior to such termination or expiration.

ARTICLE X
MISCELLANEOUS

10.1 NOTICES. Any notice, demand, report, statement, request or other communication required or permitted to be given hereunder ("NOTICE") by a party to the other parties shall be in writing and shall be either (i) hand-delivered (including delivery by courier), or (ii) mailed by first-class registered or certified mail (airmail if international), return receipt requested, postage prepaid, addressed as follows:

To NORTHWESTERN UNIVERSITY:
Director
Technology Transfer Program
Northwestern University
1801 Maple Avenue
Evanston, IL 60201

If to TECHNICLONE:
Techniclone Corporation
14282 Franklin Avenue
Tustin, CA 92780
Attn: President

Each party may designate by notice in writing a new address or telecopy number to which any Notice, may thereafter be so given, served or sent. Any Notice sent by (a) registered or certified (air)mail shall be deemed to have been given at the time of the receipt thereof by the other party or three (3) calendar days after the time of mailing, whichever is earlier; or (b) hand-delivery (including delivery by courier) shall be deemed to have been given at the time of receipt of same.

10.2 ENTIRE AGREEMENT. This Agreement and the schedules and documents referenced herein and therein) contains the entire agreement with respect to the subject matter hereof and supersedes any and all prior agreements, written or oral, with respect thereto, including, without limitation, the Prior License Agreement.

10.3 WAIVERS AND AMENDMENTS: NON-CONTRACTUAL REMEDIES: PRESERVATION OF REMEDIES. This Agreement shall not be modified or amended except pursuant to an instrument in writing executed by duly authorized representatives of each party and delivered on behalf of each party to be bound. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof. Neither any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege shall preclude any further exercise thereof or the exercise of any other such right, power or privilege unless waived in writing. The rights and remedies hereunder provided are cumulative and except as otherwise provided herein are not exclusive of any rights or remedies that any party may otherwise have at law or in equity.

10.4 BINDING EFFECT; NO ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties named herein and their respective successors and permitted assigns.

10.5 VARIATIONS IN PRONOUNS. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require.

10.6 COUNTERPARTS. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof signed by less than all, but together signed by all of the parties hereto.

10.7 EXHIBITS AND SCHEDULES. The documents referred to herein are a part of this Agreement as if fully set forth herein. All references herein to sections, subsections, clauses, documents and schedules shall be deemed references to such parts of this Agreement, unless the context shall otherwise require.

10.8 HEADINGS. The headings in this Agreement are for reference only, and shall not affect the interpretation of this Agreement.

10.9 SEVERABILITY OF PROVISIONS: REFORMATION. If any term, clause, word, condition, provision or agreement in this Agreement or the application thereof or any portion thereof to any person or circumstance, shall be held illegal, invalid, void or unenforceable, the remainder of the term, clause, word, condition, provision or agreement and the application thereof shall remain in full force and effect, and the illegal, invalid, void or unenforceable term, clause, word, condition, provision or agreement shall be reformed to the extent possible in order to give its intended effect and/or meaning.

10.10 GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the laws of the State of Illinois as applied to contracts that are executed and performed entirely in Illinois.

10.11 CONFIDENTIAL INFORMATION. Except as expressly provided herein, the parties agree that, for the term of this Agreement and for five (5) years thereafter, the receiving party shall keep completely confidential and shall not publish or otherwise disclose and shall not use for any purpose except for the purposes contemplated by this Agreement any Confidential Information furnished to it by the disclosing party hereto pursuant to this Agreement, except to the extent that it can be established by the receiving party by competent proof that such Confidential Information:

(a) was already known to the receiving party, other than under an obligation of confidentiality, at the time of disclosure;

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

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving party in breach of this Agreement;

(d) was independently developed by the receiving party as demonstrated by sufficiently documented evidence prepared contemporaneously with such independent development; or

(e) was subsequently lawfully disclosed to the receiving party by a person other than a party hereto.

Each party hereto may use or disclose information disclosed to it by the other party to the extent such use or disclosure is reasonably necessary in filing or prosecuting patent applications, prosecuting or defending litigation, complying with applicable governmental laws, rules and regulations (including, without limitation, rules and regulations promulgated by the Securities and Exchange Commission) or otherwise submitting information to tax or other governmental authorities, conducting clinical trials, or making a permitted sublicense or otherwise exercising its rights hereunder, provided that if a party is required to make any such disclosure of another party's Confidential Information, other than pursuant to a confidentiality agreement, it will give reasonable advance notice to the latter party of such disclosure and, save to the extent inappropriate in the case of patent applications, will use its best efforts to secure confidential treatment of such information prior to its disclosure (whether through protective orders or otherwise.) Except as expressly provided herein, each party agrees not to disclose any terms of this Agreement to any third party without the consent of the other party; provided disclosures may be made as required by securities or other applicable laws, or to actual or prospective investors or corporate partners, or to a party's accountants, attorneys and other professional advisors. As used herein, "CONFIDENTIAL INFORMATION" shall mean (i) any proprietary or confidential information or material in tangible form disclosed hereunder that is marked as "confidential" at the time it is delivered to the receiving party, and/or (ii) any written reports marked "confidential" furnished by either party to the other pursuant to the terms of this Agreement.

10.12 FURTHER ASSURANCES. Each party to this Agreement shall, at the request of the other, furnish, execute, and deliver such documents, instruments, certificates, notices or other further assurances as the requesting party shall reasonably request as necessary or desirable to effect complete consummation of this Agreement and the transactions contemplated hereby.

10.13 INDEPENDENT CONTRACTORS. The relationship of NORTHWESTERN UNIVERSITY and TECHNICLONE established by this Agreement is that of independent contractors, and nothing contained in this Agreement shall be construed to (i) give either party the power to direct and control the day-to-day activities of the other, or (ii) allow TECHNICLONE to create or assume any obligation on behalf of NORTHWESTERN UNIVERSITY for any purpose whatsoever. All financial obligations associated with TECHNICLONE's business are the sole responsibility of TECHNICLONE. All sales and other agreements between TECHNICLONE and its customers are TECHNICLONE's exclusive responsibility and shall have no effect on NORTHWESTERN UNIVERSITY's obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, as of the date set forth below.

NORTHWESTERN UNIVERSITY: NORTHWESTERN UNIVERSITY

By: /s/ Lydia Ville Kamarolf

Its: AUG - 4 1999

TECHNICLONE: TECHNICLONE CORPORATION,
a Delaware corporation

By: /s/ John N. Bonfiglio

John N. Bonfiglio, Vice President of
Technology and Business Development

EXHIBIT "A"

INVENTIONS

1. "Hybridoma 173-9, Lym-1" (NU 8314-A)

A hybridoma clone, designated Lym-1, was produced from the fusion of primed mouse splenocytes and mouse myeloma NS-a cells. Hybridoma Lym-1 produced a murine IgG2a monoclonal antibody which recognizes a 31, 32, 33 and 35 kilodalton cell surface protein expressed in normal and malignant B lymphocytes. Immunoperoxidase staining of a panel of normal human tissues shows that Lym-1 reacts with germinal center and mantle zone B lymphocytes and interdigitating histiocytes of the lymph node, medullary dendritic cells of the thymus, and weakly with surface epithlium of the colon. A subset of peripheral blood B cells are positive and no reactivity has been observed in human bone marrow by flow cytometric analysis. The antigen recognized by Lym-1 is not shed from the surface of lymphoma cells either in cell culture or in patients and is not modulated after Lym-1 binding. Lym-1 itself has been shown to have high avidity to human lymphoma cells IN VIVO as demonstrated by radionuclide binding studies in lymphoma patients using I-123 conjugates. Binding to normal tissues such as the bone marrow, spleen, lymph node, liver, kidney, lung or central nervous system has not been demonstrated in over 30 patients studied. Lym-1 has further been found to be highly stable to radionuclide conjugation methods and may be prepared as F(ab1)2 or F(ab) fragments without significant loss of antibody activity. Collectively, these data suggest that Lym-1 will be an appropriate reagent for IN VIVO diagnosis and therapy of the human B-cell lymphomas and leukemias.

2. "Hybridoma Clone 1010-9, Lym-2" (NU 8314-B)

A hybridoma clone, designated Lym-2, was produced from the fusion of primed mouse splenocytes and mouse myeloma NS-1 cells. Hybridoma Lym-2 produced a murine IgG1 monoclonal antibody which recognizes a cell surface protein expressed in normal and malignant B lymphocytes. Immunoperoxidase staining of a panel of normal human tissues show that Pym-2 reacts with germinal center and mantle zone B lymphocytes and interdigitating histiocytes of the lymph node. A subset of peripheral blood B cells are positive and no reactivity has been observed in human bone marrow by flow cytometric analysis. Because of the remarkable specificity of Lym-2 for human B-cells and derived malignancies, these data suggest that Lym-2 will be appropriate for reagent for in vivo diagnostic and therapy of the human B-cell lymphomas and leukemias.

3. "Hybridoma Clone 818-18, BM-1" (NU 8216-C)

A hybridoma clone, designated 818-18, was produced from the fusion of primed mouse splenocytes and mouse myeloma NS-1 cells. Clone 818-18 produces a murine IgG1 monoclonal antibody which recognizes a nuclear antigen expressed in human granulocytes and myeloid precursors and acute and chronic myeloid leukemia. Immunoperoxidase staining with 818-18 on B5 fixed, paraffin embedded clot preparations of bone marrow aspirates shows positive nuclear staining of myeloid cells with normal non-specific background staining. The remarkable specificity of this reagent and its ability to stain B5 fixed, paraffin embedded tissues makes it a unique reagent for the diagnosis of myeloid derived leukemias.

EXHIBIT "B"

ISSUED LICENSED PATENTS

United States Patent 4,724,213 issued February 9, 1988; Epstein, "Murine Hybridoma LYM-1 and Diagnostic Antibody Produced Thereby."

United States Patent 4,724,212 issued February 9, 1988; Epstein, "Murine Hybridoma LYM-2 and Diagnostic Antibody Produced Thereby."

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q FOR THE PERIOD ENDED 7/31/99.

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TECHNICLONE CORPORATION
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U.S. DOLLARS

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MAY-01-1999	
JUL-31-1999	
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