

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): APRIL 25, 1997

TECHNICLONE CORPORATION  
(Exact name of Registrant as specified in charter)

DELAWARE (State or other jurisdiction of incorporation)	0-17085 (Commission File Number)	95-3698422 (I.R.S. Employer Identification No.)
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14282 FRANKLIN AVENUE, TUSTIN, CALIFORNIA (Address of principal executive offices)	92780-7017 (Zip code)
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Registrant's telephone number, including area code: (714) 838-0500

NOT APPLICABLE  
(Former name or former address, if changed, since last report)

## ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On April 29, 1997, Techniclone Corporation, a Delaware corporation (the "Company") entered into a First Amendment to Stock Exchange Agreement (the "Amendment") with the stockholders of Peregrine Pharmaceuticals, Inc., a Delaware corporation ("Peregrine"), pursuant to which the Company agreed to amend certain provisions of the Stock Exchange Agreement ("Stock Exchange Agreement") between the Company and the stockholders of Peregrine and to issue an additional 80,000 shares of its Common Stock in exchange for all of the issued and outstanding capital stock of Peregrine as set forth in the Amendment. The Amendment provides that the major stockholders of Peregrine, who all agreed to the amendment on April 24, 1997, will have a one year lock-up of the Techniclone shares issued to them in the exchange except that during the lock-up period the Sanderling entities are permitted to sell up to 275,000 shares, the Saunders entities are permitted to sell up to 275,000 shares, Jennifer Lobo is permitted to sell up to 90,000 shares and Philip Thorpe is permitted to sell up to 50,000 shares. The Amendment also provides that the Company will sell Sanderling \$550,000 worth of its Common Stock on the Closing Date of the transaction contemplated by the Stock Exchange Agreement and the Amendment at a purchase price per share equal to eighty percent (80%) of the average closing price of Techniclone's Common Stock for the five trading days immediately preceding the Closing Date.

As there are no further contingencies, the Agreements have been finalized and all of the preconditions to the closing were met before April 30, 1997, the Company will account for the transaction contemplated by the Stock Exchange Agreement in the year ended April 30, 1997.

The consideration to be paid for the outstanding shares of stock of Peregrine, consisting of 5,080,000 shares of the Company's Common Stock, will be issued upon a determination by the California Commissioner of Corporations that the terms and conditions of the transaction are fair to Peregrine's stockholders or upon the effectiveness of a registration statement filed by the Company relating to the shares of Common Stock to be issued to the Peregrine stockholders.

## ITEM 5 OTHER EVENTS

On April 25, 1997, Techniclone Corporation, a Delaware corporation (the "Registrant" or the "Company") entered into a 5% Preferred Stock Investment Agreement and a Registration Rights Agreement with eleven (11) investors pursuant to which the Company sold 12,000 shares of 5% Adjustable Convertible Class C Preferred Stock (the "Class C Stock") for an aggregate purchase price of \$12,000,000. The Company filed a Certificate of Designation with the Delaware Secretary on April 23, 1997 creating the 5% Adjustable Convertible Class C Preferred Stock. In connection with the issuance of the Class C Stock, the Registrant paid Cappello & Laffer Capital Corp. a non-accountable expense allowance of \$100,000 and a \$720,000 commission representing six percent of the Purchase Price of the Class C Stock and issued a Warrant to purchase 1,200 shares of Class C Stock at \$1,000 per share.

The Class C Stock is convertible at the option of the holder, commencing on the day after the fifth month anniversary of the Closing Date, into a number of shares of Common Stock of the Registrant determined by dividing \$1,000 plus all accrued but unpaid dividends by the Conversion Price. The Conversion Price is the average of the lowest trading price

of Registrant's Common Stock for the five consecutive trading days ending with the trading day prior to the conversion date reduced by 13 percent starting on the 1st day of the 8th month after the Closing Date, 20 percent starting on the 1st day of the 10th month after the Closing Date, 22.5 percent starting on the 1st day of the 12th month after the Closing Date, 25 percent starting on the 1st day of the 14th month after the Closing Date, 27 percent starting on the 1st day of the 16th month after the Closing Date and thereafter. At any time after March 24, 1998, the Conversion Price will be the lower of the Conversion Price as calculated in the preceding sentence or the average of the Closing Price of the Company's Common Stock for the thirty (30) trading days including and immediately preceding March 24, 1998 (the "Conversion Cap"). In addition to the Common Stock issued upon conversion of the Class C Stock, Warrants to purchase one-fourth of the number of shares of Common Stock issued upon the conversion will be issued to the converting investor. The Warrants are exercisable at 110 percent of the Conversion Cap for a period of five years from the closing date.

The Holders of the Class C Stock are entitled to receive dividends at the rate of \$50.00 per share per annum commencing September 30, 1997 and thereafter quarterly. The dividends are to be paid in Class C Stock valued at \$1,000 per share (fractional shares to be paid in cash) or at the option of the Company in cash. The Class C Stock is subject to mandatory redemption upon certain events which are within the Company's control, and mandatory conversion at any time more than twelve (12) months after the closing date, subject to certain conditions as provided in the Certificate of Designation. Except as provided in the Certificate of Designation or by Delaware law, the Class C Stock does not have voting rights.

The Company intends to use the proceeds of the offering to complete the clinical trials of the LYM-1 antibody, to begin clinical trials of the TNT antibody, pre-clinical development of the Company's products, construction of facilities and for general corporate and working capital purposes.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

Listed below are the financial statements, pro forma financial information and exhibits, if any filed as part of this report.

- (a) Financial Statements of Peregrine Pharmaceuticals, Inc. for the years ended December 31, 1995 and 1996 and for the period from September 16, 1993 (date of inception) through December 31, 1996 and Independent Auditors' Report.
- (b) Unaudited Pro Forma Consolidated Balance Sheet as of January 31, 1997 and the Unaudited Pro Forma Consolidated Statements of Operations for the Nine Months Ended January 31, 1997 and Fiscal Year Ended April 30, 1996.

## (c) EXHIBITS

Exhibit No. -----	Description -----
2.1	First Amendment to Stock Exchange Agreement among the stockholders of Peregrine Pharmaceuticals, Inc. and Registrant.
3.1	Certificate of Designation of 5% Adjustable Convertible Class C Preferred Stock as filed with the Delaware Secretary of State on April 23, 1997.
4.1	5% Preferred Stock Investment Agreement between Registrant and the Investors.
4.2	Registration Rights Agreement between the Registrant and the Investors.
4.3	Form of Stock Purchase Warrant, to be issued to the holders of the Class C Preferred Stock upon conversion of the Class C Preferred Stock.

## 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 hereunto duly authorized.

## TECHNICLONE CORPORATION

Date: April 25, 1997

By: /s/ William V. Moding

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William V. Moding, Chief Financial Officer

## EXHIBIT INDEX

Listed below are the financial statements, pro forma financial information and exhibits filed as part of this report.

Exhibit No. -----	Description -----	Sequentially Numbered Page -----
- - -	Unaudited Pro Forma Consolidated Balance Sheet as of January 31, 1997 and the Unaudited Pro Forma Consolidated Statements of Operations for the Nine Months Ended January 31, 1997 and the Fiscal Year Ended April 30, 1996.	6
- - -	Financial Statements of Peregrine Pharmaceuticals, Inc. for the years ended December 31, 1995 and 1996 and for the period from September 16, 1993 (date of inception) through December 31, 1996 and Independent Auditors' Report.	10
2.1	First Amendment to Stock Exchange Agreement among the stockholders of Peregrine Pharmaceuticals, Inc. and Registrant.	25
3.1	Certificate of Designation of 5% Adjustable, Convertible Class C Preferred Stock as filed with the Delaware Secretary of State on April 23, 1997.	34
4.1	5% Preferred Stock Investment Agreement between Registrant and the Investors.	59
4.2	Registration Rights Agreement between the Registrant and the Investors.	79
4.3	Form of Stock Purchase Warrant, to be issued to the holders of the Class C Preferred Stock upon conversion of the Class C Preferred Stock.	97

The following unaudited pro forma consolidated statements of operations for the nine month period ended January 31, 1997 and the fiscal year ended April 30, 1996 and the unaudited pro forma consolidated balance sheet as of January 31, 1997 have been prepared assuming that the acquisition of Peregrine Pharmaceuticals, Inc. (Peregrine) and the issuance of the Series C preferred stock had occurred as of the beginning of the respective periods for the consolidated statements of operations presentation and as of January 31, 1997 for the consolidated balance sheet presentation.

The unaudited pro forma consolidated financial statements are provided for information purposes only and do not purport to present the financial position or results of operations of Techniclone Corporation (Techniclone or the Company) had the acquisition or the issuance of the Series C preferred stock assumed therein occurred on the dates specified. The unaudited pro forma consolidated financial statements are not necessarily indicative of the results of operations that may be expected in the future.

Peregrine is a developmental state enterprise and is engaged in research and development of new technologies for use in the production of therapeutic agents for treatment of cancerous tumors. Therefore, the excess of the purchase price paid by Techniclone over the net tangible assets acquired has been recorded as in-process research and development in the accompanying unaudited pro forma consolidated statements of operations.

TECHNICLONE CORPORATION  
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE NINE MONTHS ENDED JANUARY 31, 1997

	TECHNICLONE NINE MONTHS ENDED JANUARY 31, 1997	PEREGRINE NINE MONTHS ENDED DECEMBER 31, 1996	ACQUISITION ADJUSTMENTS	FINANCING ADJUSTMENTS (4)(5)	CONSOLIDATED
<b>REVENUES:</b>					
Interest income	\$ 198,200	\$ -	\$ -	\$ -	\$ 198,200
Rental income	34,107				34,107
<b>Total revenues</b>	<b>232,307</b>				<b>232,307</b>
<b>COSTS AND EXPENSES:</b>					
Research and development	2,023,381	664,191			2,687,572
General and administrative:					
Unrelated entities	1,387,826	368,165			1,755,991
Affiliates	216,012	9,014			225,026
Stock based compensation	395,832		388,357(2)		784,189
Interest	100,417	36,241	27,624(2)		164,282
In-process research and development			26,632,018(1)		26,632,018
<b>Total costs and expenses</b>	<b>4,123,468</b>	<b>1,077,611</b>	<b>27,047,999</b>		<b>32,249,078</b>
<b>Net loss</b>	<b>\$ (3,891,161)</b>	<b>\$ (1,077,611)</b>	<b>\$ (27,047,999)</b>	<b>\$ -</b>	<b>\$ (32,016,771)</b>
Pro forma weighted average common shares outstanding					26,392,912
Pro forma net loss per common share					\$ (1.21)

See notes to unaudited pro forma consolidated financial statements

TECHNICLONE CORPORATION  
 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS  
 FOR THE FISCAL YEAR ENDED APRIL 30, 1996

	TECHNICLONE FISCAL YEAR ENDED APRIL 30, 1996	PEREGRINE FISCAL YEAR ENDED MARCH 31, 1996	ACQUISITION ADJUSTMENTS	FINANCING ADJUSTMENTS (4)(5)	CONSOLIDATED
<b>REVENUES:</b>					
Product sales	\$ 2,580	\$ -	\$ -	\$ -	\$ 2,580
License agreements	3,002,244				3,002,244
Interest income	138,499				138,499
<b>Total revenues</b>	<b>3,143,323</b>				<b>3,143,323</b>
<b>COSTS AND EXPENSES:</b>					
Cost of sales	2,580				2,580
Research and development	1,679,558	799,921			2,479,479
General and administrative:					
Unrelated entities	947,816	369,964			1,317,780
Affiliates	170,659	88,914			259,573
Stock based compensation			388,357(2)		388,357
Interest	17,412	22,099	27,624(2)		67,135
In-process research and development			26,632,018(1)		26,632,018
<b>Total costs and expenses</b>	<b>2,818,025</b>	<b>1,280,898</b>	<b>27,047,999</b>		<b>31,146,922</b>
<b>Net Income (loss)</b>	<b>\$ 325,298</b>	<b>\$ (1,280,898)</b>	<b>\$ (27,047,999)</b>	<b>\$ -</b>	<b>\$ (28,003,599)</b>
Pro forma weighted average common shares outstanding					23,695,008
Pro forma net loss per common share					\$ (1.18)

See notes to unaudited pro forma consolidated financial statements

TECHNICLONE CORPORATION  
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET  
JANUARY 31, 1997

	TECHNICLONE JANUARY 31, 1997	PEREGRINE DECEMBER 31, 1996	ACQUISITION ADJUSTMENTS	FINANCING ADJUSTMENTS (4)	CONSOLIDATED
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 2,065,587	\$ 15,636	\$ 1,072,376(2)(3)	\$ 11,180,000	\$ 14,333,599
Investments	997,118				997,118
Accounts receivable, net	31,947				31,947
Inventory	275,351				275,351
Prepaid expenses and other current Assets	5,383	6,000	326,700(2)		338,083
<b>Total current assets</b>	<b>3,375,386</b>	<b>21,636</b>	<b>1,399,076</b>	<b>11,180,000</b>	<b>15,976,098</b>
<b>PROPERTY:</b>					
Land	1,050,510				1,050,510
Building and improvements	3,038,994				3,038,994
Laboratory equipment	1,353,135				1,353,135
Office furniture and equipment	219,588				219,588
<b>Total</b>	<b>5,662,227</b>				<b>5,662,227</b>
Less accumulated depreciation	(953,725)				(953,725)
<b>Property, net</b>	<b>4,708,502</b>				<b>4,708,502</b>
<b>OTHER ASSETS:</b>					
Note receivable from shareholder	350,000				350,000
Patents, net	182,150				182,150
<b>Total other assets</b>	<b>532,150</b>				<b>532,150</b>
<b>TOTAL</b>	<b>\$ 8,616,038</b>	<b>\$ 21,636</b>	<b>\$ 1,399,076</b>	<b>\$ 11,180,000</b>	<b>\$ 21,216,750</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 205,685	\$ 38,370	\$ -	\$ -	\$ 244,055
Accrued legal and accounting fees	85,000	249,304			334,304
Accrued payroll and related costs	99,005	41,181			140,186
Accrued license termination fee	100,000				100,000
Accrued license and royalties	81,667	273,211			354,878
Accrued interest	16,476	36,242			52,718
Reserve for contract losses	207,714				207,714
Current portion of long-term debt	72,609				72,609
Other current liabilities	68,663	45,913			114,576
<b>Total current liabilities</b>	<b>936,819</b>	<b>684,221</b>			<b>1,621,040</b>
<b>LONG-TERM DEBT</b>	<b>1,941,271</b>	<b>750,000</b>	<b>(750,000)(2)</b>		<b>1,941,271</b>
<b>COMMITMENTS</b>					
<b>STOCKHOLDERS' EQUITY:</b>					
Preferred Stock, Class A		294,109	(294,109)(2)		
Preferred Stock, Class B	2,200	444,108	(444,108)(2)		2,200
Preferred Stock, Class C		926,071	(926,071)(2)	12	12
Common Stock	25,406,551	62	27,368,447(1)(2)(3)		52,775,060
Additional paid-in capital	2,457,620	142,146	(142,146)(1)(2)	11,179,988	13,637,608
Accumulated Deficit	(21,651,841)	(3,219,081)	(23,412,937)(1)(2)		(48,283,859)
	6,214,530	(1,412,585)	2,149,076	11,180,000	18,131,021
Less notes receivable from sale of common stock	(476,582)				(476,582)
<b>Net stockholders' equity</b>	<b>5,737,948</b>	<b>(1,412,585)</b>	<b>2,149,076</b>	<b>11,180,000</b>	<b>17,654,439</b>
<b>TOTAL</b>	<b>\$ 8,616,038</b>	<b>\$ 21,636</b>	<b>\$ 1,399,076</b>	<b>\$ 11,180,000</b>	<b>\$ 21,216,750</b>





TECHNICLONE CORPORATION  
NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

- (1) Pro forma adjustments to reflect the purchase of net assets of Peregrine (\$186,491) through the issuance of the Company's common stock. The excess purchase price over the fair market value of net assets acquired (\$26,632,018) has been allocated to in-process research and development.
- (2) Pro forma adjustments to reflect transactions by Peregrine including, the issuance of common stock to a key employee and advisor for prior services (valued at \$388,357), the issuance of convertible notes payable for cash and advances receivable (\$876,700), the conversion of preferred stock to common stock (\$1,664,288), the subsequent conversion of notes payable to common stock (\$1,626,700), each of which is to occur prior to or concurrent with the acquisition of Peregrine.
- (3) To reflect the issuance of 148,649 shares of the Company's common stock for \$550,000 as provided for in the acquisition agreement.
- (4) Pro forma adjustments to record the issuance of \$12,000,000 in Series C preferred stock net of issuance costs of \$820,000. As the financing was the sale of an equity security with dividends payable in preferred stock, there is no effect on the pro forma statement of operations for either the nine months ended January 31, 1997 or the fiscal year ended April 30, 1996.
- (5) No pro forma adjustments have been made to reflect pro forma interest income for the nine months ended January 31, 1997 or the fiscal year ended April 30, 1996, due to the insignificance of such amounts.

PEREGRINE PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)

FINANCIAL STATEMENTS FOR  
THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996  
AND INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of  
Peregrine Pharmaceuticals, Inc.:

We have audited the accompanying balance sheets of Peregrine Pharmaceuticals, Inc. (a development stage enterprise) (the Company) as of December 31, 1995 and 1996, and the related statements of operations, stockholders' deficit and cash flows for the years then ended and for the period from September 16, 1993 (date of inception) through December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of Peregrine Pharmaceuticals, Inc. as of December 31, 1995 and 1996, and the results of its operations and its cash flows for the years then ended and for the period from September 16, 1993 (date of inception) through December 31, 1996 in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the financial statements, the Company's recurring losses from operations and its accumulated deficit and working capital deficit raise substantial doubt about its ability to continue as a going concern. Management's plans concerning this matter are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ DELOITTE & TOUCHE, LLP

February 24, 1997, except Note 10  
as to which the date is April 2, 1997

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 PEREGRINE PHARMACEUTICALS, INC.  
 (A DEVELOPMENT STAGE ENTERPRISE)

BALANCE SHEETS  
 AS OF DECEMBER 31, 1995 AND 1996

	1995	1996
	-----	-----
<b>ASSETS</b>		
Cash and cash equivalents	\$ 358,998	\$ 15,636
Prepaid expenses and other current assets		6,000
	-----	-----
	\$ 358,998	\$ 21,636
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Accounts payable	\$ 69,151	\$ 38,370
Accrued research fees	108,792	129,461
Accrued license fees	75,000	143,750
Accrued legal fees	72,544	249,304
Accrued payroll and consulting fees	85,930	41,181
Accrued interest payable to stockholders (Note 3)		36,242
Advances payable to stockholders (Note 3)		45,913
	-----	-----
Total current liabilities	411,417	684,221
CONVERTIBLE NOTES PAYABLE TO STOCKHOLDERS (Note 3)		750,000
COMMITMENTS (Notes 4 and 5)		
STOCKHOLDERS' DEFICIT (Notes 3, 5, 6, 7 and 10):		
Preferred stock, \$.0001 par value; 859,260 shares authorized:		
Class A convertible preferred stock, 150,000 shares outstanding, 1995 and 1996 (liquidation preference of \$300,000)	294,109	294,109
Class B convertible preferred stock, 100,000 shares outstanding, 1995 and 1996 (liquidation preference of \$450,000)	444,108	444,108
Class C convertible preferred stock, 179,630 shares outstanding, 1995 and 1996 (liquidation preference of \$970,000)	926,071	926,071
Common stock, \$.0001 par value; 1,500,000 shares authorized; 616,612 shares (1995) and 624,833 shares (1996) outstanding	62	62
Additional paid-in capital	100,646	142,146
Deficit accumulated during development stage	(1,817,415)	(3,219,081)
	-----	-----
Net stockholders' deficit	(52,419)	(1,412,585)
	-----	-----
	\$ 358,998	\$ 21,636
	=====	=====

See independent auditors' report and notes to financial statements.

PEREGRINE PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996

	1995	1996	SEPTEMBER 16, 1993 (DATE OF INCEPTION) THROUGH DECEMBER 31, 1996
COSTS AND EXPENSES (Notes 2, 3, 5, 6, 7, 8 and 9):			
Research fees	\$ 236,457	\$ 340,000	\$ 598,842
License fees	173,558	162,500	343,750
Payroll	198,118	362,272	648,390
Advisor fees	161,239	121,894	374,616
Legal fees	279,788	220,170	545,556
General and administrative:			
Unrelated entities	78,613	149,575	361,706
Affiliates	118,552	9,014	287,881
Interest (primarily to stockholders)	22,099	36,241	58,340
	-----	-----	-----
NET LOSS	\$(1,268,424)	\$(1,401,666)	\$(3,219,081)
	=====	=====	=====
NET LOSS PER COMMON SHARE (Note 2)	\$ (2.48)	\$ (2.26)	\$ (5.98)
	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note 2)	510,466	620,756	538,500
	=====	=====	=====

See independent auditors' report and notes to financial statements.

PEREGRINE PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF STOCKHOLDERS' DEFICIT  
FOR THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996

	PREFERRED STOCK		COMMON STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT
BALANCES, September 16, 1993 (date of inception)	-	\$ -	-	\$ -
Common stock issued for cash			2,457,143	246
Recapitalization and reverse stock split			(2,457,143)	(246)
Common stock issued for cash and services			503,250	51
Net loss for period from September 16, 1993 through December 31, 1994				
BALANCES, December 31, 1994			503,250	51
Common stock issued for cash			100,000	10
Preferred stock issued for cash and conversion of debt, net of offering costs of \$55,714	429,630	1,664,288		
Common stock issued in exchange for services			13,362	1
Net loss				
BALANCES, December 31, 1995	429,630	1,664,288	616,612	62
Common stock issued in exchange for services			8,221	
Net loss				
BALANCES, December 31, 1996	429,630	\$ 1,664,288	624,833	\$ 62

	ADDITIONAL PAID-IN CAPITAL	LOSS DURING DEVELOPMENT STAGE	NET STOCKHOLDERS' DEFICIT
BALANCES, September 16, 1993 (date of inception)	\$ -	\$ -	\$ -
Common stock issued for cash			
Recapitalization and reverse stock split			
Common stock issued for cash and services	3,000		3,051
Net loss for period from September 16, 1993 through December 31, 1994		(548,991)	(548,991)
BALANCES, December 31, 1994	3,000	(548,991)	(545,940)
Common stock issued for cash	29,990		30,000
Preferred stock issued for cash and conversion of debt, net of offering costs of \$55,714	12,657		1,676,945
Common stock issued in exchange for services	54,999		55,000
Net loss		(1,268,424)	(1,268,424)
BALANCES, December 31, 1995	100,646	(1,817,415)	(52,419)
Common stock issued in exchange for services	41,500		41,500
Net loss		(1,401,666)	(1,401,666)
BALANCES, December 31, 1996	\$ 142,146	\$ (3,219,081)	\$ (1,412,585)

See independent auditors' report and notes to financial statements.



PEREGRINE PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996

	1995	1996	SEPTEMBER 16, 1993 (DATE OF INCEPTION) THROUGH DECEMBER 31, 1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$(1,268,424)	\$(1,401,666)	\$(3,219,081)
Adjustments to reconcile net loss to net cash used in operating activities:			
Common stock issued in exchange for services	55,000	41,500	99,500
Preferred stock issued in exchange for accrued interest	12,657		12,657
Changes in operating assets and liabilities:			
Prepaid expenses and other assets	11,264	(6,000)	(6,000)
Accounts payable	54,905	(30,781)	38,370
Accrued research fees	92,125	20,669	129,461
Accrued license fees	67,308	68,750	143,750
Accrued legal fees	38,554	176,760	249,304
Accrued payroll and consulting fees	(24,851)	(44,749)	41,181
Accrued interest payable to stockholders		36,242	36,242
	-----	-----	-----
Net cash used in operating activities	(961,462)	(1,139,275)	(2,474,616)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net proceeds from sale of preferred stock	667,288		1,165,788
Proceeds from issuance of common stock	30,051		30,051
Proceeds from issuance of notes and advances payable to stockholders	498,500	795,913	1,294,413
	-----	-----	-----
Net cash provided by financing activities	1,195,839	795,913	2,490,252
	-----	-----	-----

See independent auditors' report and notes to financial statements.

PEREGRINE PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996 (CONTINUED)

	1995	1996	SEPTEMBER 16, 1993 (DATE OF INCEPTION) THROUGH DECEMBER 31, 1996
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$234,377	\$(343,362)	\$ 15,636
CASH AND CASH EQUIVALENTS, beginning of period	124,621	358,998	-----
CASH AND CASH EQUIVALENTS, end of period	\$358,998 =====	\$ 15,636 =====	\$ 15,636 =====
SUPPLEMENTAL INFORMATION:			
Interest paid	\$ 9,424	\$ --	\$ 9,424
Income taxes paid	\$ --	\$ --	\$ --
NONCASH INVESTING AND FINANCING ACTIVITIES - Preferred stock issued upon conversion of note payable and accrued interest to stockholders	\$512,657	\$ --	\$512,657

See independent auditors' report and notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996

## 1. GENERAL AND NATURE OF OPERATIONS

Nature of Operations - Peregrine Pharmaceuticals, Inc. (the Company) was incorporated on September 16, 1993 under the laws of the State of Delaware. The Company is considered to be in the development stage as defined under Statement of Financial Accounting Standards (SFAS) No. 7, Accounting and Reporting by Development Stage Enterprises. The Company is engaged in research and development of new technologies for use in the production of therapeutic agents for treatment of cancerous tumors.

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, the Company has incurred losses since inception and has an accumulated deficit at December 31, 1996. Historically, the Company has relied on third parties and investors to fund its operations, and management expects to either receive additional funds in the future or consummate a merger transaction with an unrelated entity. There can be no assurances that this funding will be received. If the Company does not receive additional funding or if the merger is not completed, it will be forced to scale back operations, which could have a material adverse effect on the Company. 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.

In February and March 1997, the Company issued an additional \$550,000 in convertible notes payable, the proceeds from which were used to reduce certain short-term liabilities and to fund very near-term operations. Additionally, as of February 24, 1997, the Company was negotiating a potential merger with an unaffiliated entity, Techniclone International Corporation (Techniclone). The merger, if consummated, would provide for the issuance of approximately 5,080,000 shares of Techniclone common stock and the assumption of net liabilities of approximately \$400,000 in exchange for all of the outstanding shares of the Company's stock. In conjunction with the merger, certain notes payable and preferred stock will be converted into common stock of the Company (Note 10).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents - The Company considers all highly-liquid, short-term investments with an initial maturity of three months or less to be cash equivalents.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from these estimates.

Research and License Fees - Fees from research and license arrangements involving new technologies which provide for specified minimum fees to be paid by the Company and do not include cancellation clauses are expensed upon the earlier of payment of the funding for research or when the obligation is incurred. Fees from research and license arrangements with cancellation clauses are expensed as incurred. Contingent fees related to these agreements are expensed when the contingency is resolved.

Stock Compensation - The Company periodically issues common stock for services and grants options to purchase the Company's common stock at specified prices. The Company accounts for stock-based compensation issued to employees under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and for stock-based compensation issued to others under SFAS No. 123, Accounting for Stock-Based Compensation.

The Company measures compensation expense for stock granted for services based on the fair value of the common stock at the date of issuance. The fair value is determined based on the more readily determinable of the value of the service provided or the fair market value of the common stock as determined on a periodic basis by the Company's Board of Directors. Compensation expense for options granted to employees is measured based on the difference between the fair market value of the stock on the date of grant and the option price and is amortized over the related vesting period on a straight-line basis. Compensation expense for options granted to nonemployees is measured based on the difference between the fair value of the option utilizing a Black Scholes formula and the option price and is amortized over the vesting period.

Income Taxes - The Company accounts for income taxes in accordance with the standards specified in SFAS No. 109, Accounting for Income Taxes.

Net Loss per Common Share - Net loss per share is calculated by dividing the net loss by the weighted average common shares outstanding. The weighted average common shares outstanding have been computed assuming the recapitalization and reverse stock splits occurred at the date of inception of the Company (Note 6). The effects of possible conversion of preferred stock and/or the exercise of outstanding options and warrants have not been considered, as their effect would be antidilutive.

NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996

Pro Forma Financial Information - The pro forma financial information assumes the conversion of the \$750,000 in notes payable to shares of common stock at \$5.40 per share, excluding payment of accrued interest, which will occur concurrent with the closing of the merger transaction (Note 10).

Fair Value of Financial Instruments - At December 31, 1996, the Company's financial instruments consist of accounts payable, accrued liabilities, advances to stockholders and convertible notes payable to stockholders. The Company believes the historical value of all financial instruments, except the convertible notes payable to stockholders, approximates the fair market value due to the short-term nature of the related instruments. The fair market value of the convertible notes payable to stockholders approximates \$743,500, which reflects a discount on the notes payable for the difference in the interest rate on the notes payable and an estimated interest rate for debt instruments with similar terms.

## 3. ADVANCES AND NOTES PAYABLE TO STOCKHOLDERS

The advances to stockholders represent funds advanced for expenses, were noninterest-bearing and were due on demand. The advances were repaid through the issuance of convertible notes payable in January 1997 (Note 10).

In August 1995, the Company issued \$500,000 in convertible notes payable to a primary stockholder. The notes bore interest at 8.25% per annum, were convertible into Series C preferred stock and were due on February 29, 1996. The notes payable and accrued interest of \$12,657 were converted into Series C preferred stock at \$5.40 per share on December 18, 1995. The effect on the statement of operations for the year ended December 31, 1995 had the notes been converted as of the issuance date would not have been material.

In May and June 1996, the Company issued \$750,000 in convertible notes payable to three primary stockholders. The notes bear interest at 8.25% per annum, are due on February 28, 1997, but may be extended with the consent of the noteholders through July 31, 1997, and are convertible into Series D preferred stock at a price to be determined at the time of a subsequent financing. Under the terms of the note agreement, the noteholders received warrants to purchase shares of the future series of preferred stock of the Company equal to the note value divided by the lesser of \$6.75 per share or the value of the preferred stock established in the next subsequent financing. The warrants expire in May 2000.

NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996

Interest expense related to the notes payable to stockholders amounted to \$12,657, \$36,242 and \$48,899 for the years ended December 31, 1995 and 1996 and the period from September 16, 1993 through December 31, 1996, respectively.

In conjunction with the acquisition of the Company by Techniclone, the notes payable will be converted into shares of the Company's common stock at \$5.40 per share (Note 10). As such, the notes have been classified as noncurrent liabilities in the accompanying financial statements.

## 4. COMMITMENTS

The Company has an employment agreement with an officer of the Company, which expires in December 1997. Under the terms of the agreement, upon termination of employment of the officer, the Company would be required to issue 15,000 shares of the Company's common stock and pay certain severance costs aggregating \$153,000. The total future commitment under this agreement, assuming no termination of the employee, amounted to \$225,000 at December 31, 1996.

The Company has entered into consulting agreements with various scientific advisors; such agreements expire through August 1997. The agreements provide that the Company pay fixed fees or issue common stock of the Company in exchange for consulting services. Of the amounts expensed, \$55,000, \$33,000 and \$91,000 were paid through the issuance of common stock for the years ended December 31, 1995 and 1996 and the period from September 13, 1996 through December 31, 1996, respectively. At December 31, 1996, future commitments related to these agreements amounted to \$33,250, due in 1997.

## 5. LICENSE AND RESEARCH AND DEVELOPMENT AGREEMENTS

The Company has entered into several license, sublicense and research and development agreements with various entities. The license agreements provide for exclusive, worldwide licensing rights to certain patents and technology in exchange for certain fixed and contingent payments and royalties ranging between 2% and 4% of net sales of the related products. The agreements also provide for reduced royalty payments if the technology is sublicensed or if products incorporate both the licensed technology and another technology. Certain of the agreements are terminable at the discretion of the Company and others are cancelable through 2001. Amounts expensed in conjunction with these agreements amounted to \$173,558 in 1995, \$162,500 in 1996 and \$343,750 for the period from September 16, 1993 through December 31, 1996. Total future fixed commitments, exclusive of royalties, under these agreements are \$181,250 for the year ending December 31, 1997 and \$100,000 for the year ending December 31, 2000.

NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996

Contingent future commitments, exclusive of royalties, are as follows:

Payments due upon completion of Phase I clinical trials .....	\$ 37,500
Annual payments upon patent issuance and until royalties begin .....	50,000
Payments due upon initiation of Phase II clinical trials .....	175,000
Payments due upon completion of Phase II clinical trials .....	50,000
Payments upon commercial introduction of the related product or new drug or product license application .....	375,000
Payments upon commercial introduction for each additional new product encompassing related technology .....	300,000

During 1994 and 1995, the Company entered into sponsored research agreements with academic medical institutions affiliated with stockholders of the Company. These agreements expire in 1997. Scheduled payments of approximately \$316,000 are required under these agreements during the year ending December 31, 1997.

Certain of the Company's scientific advisory board members are affiliated with these academic institutions.

## 6. STOCKHOLDERS' DEFICIT

During 1995 and 1996, the Company issued stock for services performed by employees and consultants. Amounts expensed for such exchanges amounted to \$55,000, \$41,500 and \$99,500 for the years ended December 31, 1995 and 1996 and the period from September 13, 1996 through December 31, 1996, respectively, and were based on the more readily determinable value of the service performed or the fair market value of the common stock at the date of issuance.

During 1995 and 1996, the Company issued various series of preferred stock. The preferred stock is voting stock and includes provisions for: preferences in liquidation; antidilution protection; dividends, when and if declared; conversion into common stock at any time at the option of the holder and automatically at the time of an initial public offering of the Company's common stock for proceeds in excess of specified amounts and redemption at the option of the Company after January 1, 2002 for Series A and Series B.

NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996

Terms specific to each series of preferred stock as are follows:

SERIES -----	DATE ----	LIQUIDATION AND CONVERSION VALUE -----	REDEMPTION VALUE -----
Series A	June 1, 1995	\$2.00 per share	\$2.20 per share
Series B	June 1, 1995	\$4.50 per share	\$4.95 per share
Series C	December 18, 1995	\$5.40 per share	None

Prior to 1995, the Company issued common stock to various individuals for \$246. In conjunction with a recapitalization agreement, the initial stockholders agreed to sell their shares back to the Company for the initial purchase price. Concurrent with the recapitalization, the Company declared a 6.1429 to 1 reverse stock split. All per share amounts and weighted average shares outstanding have been adjusted to reflect the recapitalization and reverse stock split as if it had occurred as of September 16, 1993.

## 7. STOCK OPTIONS AND STOCK WARRANTS

In December 1995, the Company approved a stock incentive plan. The plan provides for the issuance of statutory and nonstatutory options to purchase up to 130,000 shares of the Company's common stock at prices to be determined at the discretion of the Board of Directors. During the years ended December 31, 1995 and 1996, the Company granted options to an employee to purchase 4,000 and 2,500 shares, respectively, of the Company's common stock at \$0.30 per share. These options were valued at \$0.30 per share. The difference between the fair value market value of the stock and the options exercise price has been recorded as being amortized over the vesting period of four years on a straight-line basis.

In conjunction with the issuance of the \$750,000 notes payable, the Company issued warrants to purchase a future series of preferred stock. The number of shares the noteholders would be entitled to purchase was to be determined by dividing the sum of the outstanding note payable balance by the lesser of the price of the subsequent Series D preferred stock price or \$6.75 per share. The warrants were scheduled to expire in May 2000; however, they will be canceled upon the closing date of the potential merger transaction with Techniclone (Note 10). The warrants were valued at \$9,844, which represents the difference between the amount of interest to be paid under the terms of the related note agreement and the estimated interest that would have been charged on a similar debt instrument at the date of issuance. The value of the warrant is being amortized using the interest method over the term of the related note agreement.



NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996

## 8. INCOME TAXES

The Company accounts for income taxes under SFAS No. 109, which requires the recognition of deferred tax liabilities and assets for the future consequences of events that have been recognized in the Company's financial statements or tax returns. In the event the future consequences of differences between financial reporting bases and tax bases of the Company's assets and liabilities result in a deferred tax asset, SFAS No. 109 requires an evaluation of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The valuation allowance increased \$501,739 and \$569,948 in 1995 and 1996, respectively.

Net deferred tax assets are comprised of the following at December 31:

	1996 ----	1995 ----
Net operating loss carryforwards	\$ 997,609	\$ 539,199
General business and research and development credits	40,987	16,368
Accounts payable and other accrued costs	251,486	164,567
	-----	-----
	1,290,082	720,134
Less valuation allowance	(1,290,082)	(720,134)
	-----	-----
Net deferred taxes	\$ --	\$ --
	=====	=====

The Company has net operating loss carryforwards of approximately \$2,494,000 at December 31, 1996, which are available to offset future taxable income. These loss carryforwards begin to expire in the year 2008. In addition, the Company has research and development tax credits of approximately \$41,000, which are available for future use through the year 2008.

The items reconciling income taxes applied at the federal statutory rate to the income tax provision recorded for each of the years ended December 31, 1995 and 1996 and the period from September 16, 1993 through December 31, 1996 are primarily net operating loss carryforwards, changes in valuation allowance of deferred tax assets and state taxes (benefit), net of federal effect.

NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1996  
AND THE PERIOD FROM SEPTEMBER 16, 1993  
(DATE OF INCEPTION) THROUGH DECEMBER 31, 1996

## 9. RELATED PARTY TRANSACTIONS

The Company paid certain fees to a stockholder of the Company in exchange for consulting and research and development services provided by this stockholder. Consulting fees to the stockholder charged to operations amounted to \$172,000 and \$242,800 for the year ended December 31, 1995 and the period from September 16, 1993 through December 31, 1996, respectively.

In addition, the Company paid certain fees to an entity owned by a stockholder in exchange for administrative services. These amounts totaled \$118,552, \$9,014 and \$193,354 for the years ended December 31, 1995 and 1996 and the period from September 16, 1993 through December 31, 1996, respectively.

## 10. SUBSEQUENT EVENTS

On January 28, 1997, the Company issued \$550,000 in convertible notes payable to three primary stockholders and one outside investor group. The notes bear interest at 8.25% per annum, are due on February 28, 1997, but may be extended with the consent of the noteholders through May 1, 1997. The notes are convertible into shares of the Company's common stock at \$9.00 per share concurrent with the closing of a potential merger transaction with Techniclone or if the merger transaction is not completed, then into shares of Series D preferred stock at a price to be determined at a future date and at the time of a subsequent financing.

On April 2, 1997, the Board of Directors and stockholders reached an agreement to merge the Company with Techniclone. Under the terms of the agreement, the stockholders of the Company will receive approximately 5,080,000 shares of Techniclone's common stock, and Techniclone will assume net liabilities of approximately \$400,000 in exchange for all of the outstanding stock of the Company.

In conjunction with the merger, the convertible notes payable of \$750,000 will be converted at \$5.40 per share and the notes payable of \$550,000 will be converted at \$9.00 per share immediately prior to the closing of the transaction. Accrued interest on these notes as of the merger closing date will be paid in cash. In addition, an employee will be granted an additional 420,000 shares of the Company's common stock just prior to closing of the transaction, and the warrants on the \$750,000 notes payable will be canceled.

In conjunction with the merger, certain notes payable and preferred stock will be converted into common stock of the Company. On a pro forma basis, the number of common shares of the Company outstanding just prior to the merger would be 1,185,131.

## EXHIBIT 2.1

FIRST AMENDMENT TO  
STOCK EXCHANGE AGREEMENT

This FIRST AMENDMENT TO STOCK EXCHANGE AGREEMENT (the "Amendment"), is made as of the \_\_\_\_\_ day of April, 1997, by and among PEREGRINE PHARMACEUTICALS, INC., a Delaware corporation (The "Company"), those Stockholders of the Company who have executed that certain Stock Exchange Agreement dated January 15, 1997 (the "Agreement") and this Amendment, TECHNICLONE CORPORATION, a Delaware corporation ("Techniclone") the successor in interest to TECHNICLONE INTERNATIONAL CORPORATION, a California corporation which was merged into and with Techniclone on March \_\_, 1997, PHILIP E. THORPE, Ph.D. ("Thorpe"), SANDERLING VENTURE PARTNERS III, L.P., SANDERLING III LIMITED PARTNERSHIP, SANDERLING III BIOMEDICAL, L.P. and SANDERLING VENTURE MANAGEMENT (collectively, "Sanderling"), S.K. PARTNERS, L.P. ("Saunders"), JENNIFER H. LOBO ("Jennifer") and BIOTECHNOLOGY FINANCIAL CORP. PROFIT SHARING PLAN ("BFC"). Jennifer and BFC are collectively referred to in this Amendment as "Lobo" and Lobo, Thorpe, Sanderling and Saunders are sometimes collectively referred to herein as the "Major Stockholders." Any other Stockholder of the Company that entered into the Agreement and enters into this Amendment shall be referred to herein individually as a "Minor Stockholder" and collectively as the "Minor Stockholders." The Major Stockholders and the Minor Stockholders shall sometimes be referred to herein collectively or jointly as the "Stockholders." Except as otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Agreement.

## R E C I T A L S

A. Pursuant to the terms of the Agreement, Techniclone has agreed to issue shares of its Common Stock (the "Techniclone Shares") to the Stockholders in exchange for shares of capital stock of the Company held by the Stockholders.

B. Subsequent to the date of the Agreement, disputes have arisen among Techniclone, certain of the Major Stockholders and the Company, which disputes relate to the interpretation of the terms of the Agreement by such parties.

C. The parties hereto desire to resolve their disputes and to amend certain of the terms of the Agreement as such provisions apply to them and to the other Stockholders.

D. The Company's Board of Directors agreed to permit the conversion of the Seven Hundred Fifty Thousand Dollar (\$750,000) Note at Five Dollars Forty Cents (\$5.40) per share and the Stockholders by executing this Amendment will approve such conversion

## A G R E E M E N T

NOW, THEREFORE, in consideration of the mutual promises of the parties contained herein, and with the intent to be legally bound hereby, the parties hereto agree as follows:

1. CONVERSION OF NOTE. The Stockholders agree that the Seven Hundred Fifty Thousand Dollar (\$750,000) Note shall be converted into One Hundred Thirty Eight Thousand Eight Hundred Eighty-Nine (138,889) shares of the Company's Common Stock.

2. AMENDMENT OF AGREEMENT. The parties hereto agree that Section 1.2 of the Agreement is hereby amended to provide that, in connection with the consummation of the transactions contemplated in the Agreement, Techniclone shall increase the aggregate number of Techniclone Shares that it will issue to the Stockholders, in the amounts and to the Stockholders set forth on EXHIBIT A hereto. Except as expressly set forth herein and on EXHIBIT A hereto, the Agreement shall continue to be in full force and effect as otherwise existing.

3. LIMITATION ON SANDERLING LIABILITY. Sanderling makes no representation or warranty as to the following:

1. "Section 2.3 Licenses and Permits." to the extent that such section can be read to imply that Peregrine has received any governmental approvals to develop, market or commercialize its products, such as any required approvals from the United States Federal Food and Drug Administration;

2. "Section 2.11 Intangible Personal Property." and Section 2.13 Title to and Adequacy of Assets." to the extent that such sections involve any representation that the Peregrine technology may be commercialized by Techniclone without infringement or license of patent rights held by or obtained by third parties;

3. "Section 2.27 Disclosure." to the extent that the Schedules attached to the Agreement do not contain any statement of a material fact that was untrue when made or omit any material fact necessary to make the information contained therein not misleading.

4. Restriction on Sale. Section 5.10 of the Agreement shall be amended to read as follows:

5.10 Restriction on Sale of Techniclone Shares. Except as provided below in this Section, for a period of (i) one year following the closing date if the Techniclone Shares become freely tradable as a result of being issued under an exemption from registration under the Securities Act, or (ii) if the Techniclone Shares are not freely tradable as a result of (i) above, then 120 days from the date on which a registration statement covering the Techniclone Shares is filed with the Securities and Exchange Commission, no Major Stockholder may sell any Techniclone Shares.

## 4. INDEMNIFICATION.

4.1 Limitation. Techniclone hereby confirms that Section 9.1.3 is in full force and effect that no indemnification within the scope of Sections 9.1.1 and 9.1.2 in the Agreement shall be due unless and to the extent that such indemnification shall individually or in the aggregate exceed the sum of \$100,000. In no event, however, shall any Major Stockholder be obligated to indemnify Techniclone for the amount of any Loss or expense suffered or incurred by Techniclone, net of any reimbursements by insurance (net of the premiums, if any, paid by Techniclone or Company attributable to a period after the Closing for the insurance policy under which the claim is paid), which exceed the lesser of (i) fair market value of the Techniclone Shares issued to such Major Stockholder hereunder, at the time such indemnification is sought; or (ii) the fair market value of the Techniclone Shares issued to such Major Stockholder as determined by calculating the average of the last reported sales price of the Techniclone Common Stock over the ten (10) trading days immediately prior to that date that the transaction is publicly announced. The Major Stockholders shall be entitled, at their option, to satisfy any claim through the delivery of the Techniclone Shares valued at their applicable fair market value at any time that such shares can not be readily sold by the Major Stockholders in the public market.

4.2 Pro Rata Claims. Techniclone agrees that to the extent it asserts any claim for indemnification under the Agreement that it will assert and diligently pursue against all of the Major Shareholders its claim for indemnification. For purposes of this amendment the pro rata portion of any Major Stockholder indemnification shall be calculated as follows:

the amount to be indemnified shall be the product of the total amount to be indemnified multiplied by a fraction, the numerator of which that number of Techniclone Shares delivered to such indemnifying Stockholder pursuant to the Exchange Agreement and denominator of which is the total number of all Techniclone Shares delivered to all Peregrine Stockholders pursuant to the Exchange Agreement.

4.3 Time Limitation. Section 9.4 of the Agreement shall be amended to read as follows:

9.4 Time Limitations on Assertion of Claims. Techniclone shall give notice to the Major Stockholders of any claim for indemnification pursuant to Section 9.1 within twelve (12) months after the Closing Date, except that notices of claims (i) relating to tax deficiencies pursuant to Section 9.1.4 may be given within the applicable periods of the statutes of limitations for the assertion of such claims against Company or Techniclone, (ii) relating to Sections 2.1, 2.4, 2.5 and 2.8 may be given at any time, (iii) relating to Section 2.11, any time within the ten (10) year period commencing on the Closing Date and (iv) relating to Sections 2.16 and 2.18, may be given as long as the applicable statute of limitations for the assertion of such claims against Company or Techniclone.

5. UNPROVEN TECHNOLOGY. Techniclone acknowledges that the Peregrine technology is as yet unproven and recognizes that the Major Stockholders make no representations that such technology can be developed, marketed or commercialized by Techniclone in a timely or cost-effective matter or at all. Techniclone acknowledges that it has conducted substantial due diligence into Peregrine's product development and had been afforded an opportunity to review the status of Peregrine's technology. Techniclone assumes the risks of further technology development.

6. LOCK-UP PROVISIONS. The Major Stockholders agree they will not offer, sell, contract to sell, grant any option to purchase, make any short sale or otherwise dispose of or make a distribution of any Common Stock of the Company (including, without limitation, Common Stock of the Company which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission) for a period of one year after the Closing Date of the transactions contemplated by the Agreement (the "Lock-Up Period"). Notwithstanding anything to the contrary in the foregoing, during the Lock-Up Period each of the Major Stockholders may sell or otherwise transfer that number of Shares of the Company's Common Stock which is set forth next to their name below:

MAJOR STOCKHOLDER -----	NUMBER OF SHARES WHICH ----- MAY BE SOLD DURING THE ----- LOCK-UP PERIOD -----
Sanderling	275,000
Saunders	275,000
Lobo	90,000
Thorpe	50,000

The Major Stockholders agree that this provision is irrevocable and shall be binding upon each of them and their heirs, legal representatives, successors and assigns. The Major Stockholders agree and consent to the entry of stop transfer instructions with the Company's transfer agent against the transfer of securities held by the Major Stockholders, except in compliance with this Amendment.

7. MUTUAL RELEASE. In consideration for Techniclone agreeing to increase the number of Techniclone Shares to be issued to the Stockholders, as provided in Section 2 above, each of the Stockholders and Company agree to, and do hereby, waive, release and discharge each of the other Stockholders, the officers, directors and agents of the Company, and the Company, as well as their respective officers, directors, shareholders and agents, from any and all claims including, without limitation, any claims to additional shares of Company or Techniclone Stock by reason of exercise of warrants, conversion of notes or otherwise, demands, costs, contracts, liabilities, objections, rights, damages, expenses, compensation and actions and causes of action of every nature, whether in law or in equity, known or unknown, or suspected or unsuspected, which such Stockholders ever had or now have against each other, the Company, or the Company's Officers, Directors or Agents, which relate to (i) their positions or actions at the Company, (ii) the negotiation, execution and performance of the terms of the Agreement, this Amendment or (iii) their investment in the Company.

8. WAIVER OF CIVIL CODE SECTION 1542. The Major Stockholders hereto each expressly waive and relinquish any and all rights that they may have under the provisions of Section 1542 of the California Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

9. SALE OF ADDITIONAL SHARES TO SANDERLING. Techniclone agrees to sell to Sanderling \$550,000 of its Common Stock on the Closing Date of the transactions contemplated by the Agreement (the "Closing Date") at a purchase price equal to eighty percent (80%) of the average of the Closing Price, as that term is defined below, of Techniclone's Common Stock for the five (5) trading days immediately preceding the Closing Date. For purposes hereof the "Closing Price" shall be the Closing Price on the NASDAQ Small Cap Market or if the Company's Common Stock is then traded on a national securities exchange or NASDAQ National Market System the Closing Price shall be the Closing Price of the Company's Common Stock on the principal national securities exchange. Sanderling (i) agrees to enter into a Purchaser Representation and Subscription Agreement with respect to the purchase of the shares of Common Stock pursuant to this Section 9 and (ii) understands and agrees that the shares of Common Stock to be issued pursuant to this Section 9 will be "restricted shares" as that term is defined in Rule 144 promulgated under the Securities Act of 1933.

10. EFFECTIVE DATE. The parties to this Amendment agree that this Amendment and the release contained herein shall only be effective upon the closing of the Agreement.

11. COMPREHENSION OF DOCUMENTS. In entering into this Amendment, the parties represent that they relied upon the legal advice of their respective attorneys, who are the attorneys of their own choice, and that the terms of this Amendment are fully understood and voluntarily accepted by the parties without duress or coercion, economic or otherwise.

12. MUTUAL DRAFTING. Each party hereto has cooperated in the negotiation, drafting and preparation of this Amendment. Therefore, this Amendment shall not be construed against any party, but shall be construed to have been drafted jointly by each of the parties.

13. AUTHORITY TO EXECUTE AMENDMENT. Each party or responsible officer thereof has read this Amendment and understands the contents hereof. Each party or responsible officer thereof executing this Amendment is empowered to do so and thereby binds himself, herself or the party for whom he or she signs.

14. COUNTERPART EXECUTION. This Amendment may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same original.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the day and year first above written.

TECHNICLONE CORPORATION

PEREGRINE PHARMACEUTICALS, INC.

By: \_\_\_\_\_  
Lon H. Stone, Chairman and  
CEO

By: \_\_\_\_\_  
Jennifer H. Lobo, President

\_\_\_\_\_  
Jennifer H. Lobo

\_\_\_\_\_  
Philip E. Thorpe, Ph.D.

SANDERLING VENTURES  
MANAGEMENT

By: \_\_\_\_\_

Its: \_\_\_\_\_



SANDERLING VENTURE  
PARTNERS III, L.P.

By: \_\_\_\_\_

Its: \_\_\_\_\_

SANDERLING III LIMITED  
PARTNERSHIP

By: \_\_\_\_\_

Its: \_\_\_\_\_

SANDERLING III BIOMEDICAL,  
L.P.

By: \_\_\_\_\_

Its: \_\_\_\_\_

BIOTECHNOLOGY FINANCIAL  
CORP. PROFIT SHARING PLAN

By: \_\_\_\_\_  
Jennifer Lobo

Its: \_\_\_\_\_

S.K. PARTNERS, L.P.

By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
Marc E. Lippman, M.D.

\_\_\_\_\_  
Phyllis Rand

\_\_\_\_\_  
Thomas Maciag, Ph.D.

\_\_\_\_\_  
Stuart A. Aaronson, M.D.

\_\_\_\_\_  
Merton Bernfield, M.D.

\_\_\_\_\_  
Harold F. Dvorak, M.D.

\_\_\_\_\_  
Rakesh K. Jain, Ph.D.

\_\_\_\_\_  
Michael Klagsbrun, Ph.D.

\_\_\_\_\_  
Christina L. Schumacher

\_\_\_\_\_  
Steven King

BETH ISRAEL HOSPITAL

By: \_\_\_\_\_

Its: \_\_\_\_\_

AMENDED TERMS FOR THE  
ISSUANCE OF TECHNICLONE SHARES

	SANDERLING	SAUNDERS/ KARP	THORPE	LOBO	OTHERS	TOTAL
	-----	-----	-----	-----	-----	-----
Existing Stock	279,630	350,000	80,000	270,000	96,332	1,075,962
Add: Conversion of \$550,000 Note at \$9.00 per share	16,215	16,215		16,215	12,466	61,111
Conversion of \$326,700 Note at \$9.00 per share	12,100	12,100		12,100		36,300
Conversion of \$750,000 Note at \$5.40 per share	92,592	37,037		9,260		138,889
Thorpe Adjustment			56,918			52,885
	400,537	415,352	136,918	307,575	108,798	1,369,180
Conversion Factor	3.6518207	3.6518207	3.6518207	3.6518207	3.6518207	3.6518207
Techniclone Shares	1,462,689	1,516,791	500,000	1,123,209	397,311	5,000,000
Techniclone Contribution	50,000			13,000	17,000	80,000
	1,512,689					
Total Shares	1,512,689(A)	1,516,791	500,000	1,136,209	414,311	5,080,000

Conversion Factor:

$$\frac{5,000,000}{1,369,180} = 3.6518207$$

(A) Techniclone will enter into a side agreement to sell, and will sell to, Sanderling \$550,000 of Techniclone Common Stock at 80% of the average of the Closing Price of the Techniclone Common Stock on the NASDAQ Small Cap Market for the five trading days preceding the Closing Date of the Agreement per share at the closing.

## EXHIBIT 3.1

CERTIFICATE OF DESIGNATION  
OF  
5% ADJUSTABLE CONVERTIBLE CLASS C PREFERRED STOCK  
OF  
TECHNICLONE CORPORATION  
A DELAWARE CORPORATION

(Pursuant to Section 151 of the General Corporation  
Law of the State of Delaware)

Techniclone Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), hereby certifies that, pursuant to the authority contained in its Certificate of Incorporation, and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, its Board of Directors has adopted the following resolution creating a series of its Preferred Stock designated as 5% Adjustable Convertible Class C Preferred Stock:

"BE IT RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by the Certificate of Incorporation, the Board of Directors does hereby provide for the issue of a series of Preferred Stock, \$.001 par value per share, in connection with those certain 5% Preferred Stock Investment Agreements dated April 24, 1997 by and among the Corporation and certain investors (the "Securities Purchase Agreements"), there shall be a series of shares of the Preferred Stock of the Corporation designated "5% Adjustable Convertible Class "C" Preferred Stock"; that the number of shares of such series shall be 17,200 and that the rights and preferences of such series (referred to herein as the "5% Preferred" or "Shares") and the limitations or restrictions thereon, and the rights and terms of the stock purchase warrants ("Warrants") issuable upon conversion of the 5% Preferred, shall be as follows (as used herein, unless the context otherwise requires, shares of 5% Preferred shall include shares of 5% Preferred issuable as dividends on shares of 5% Preferred and Warrants shall include warrants issuable upon conversion of the 5% Preferred):

RESOLVED that, in connection with those certain 5% Preferred Stock Investment Agreements dated April 24, 1997 by and among the Corporation and certain investors (the "Securities Purchase Agreements"), there shall be a series of shares of the Preferred Stock of the Corporation designated "5% Adjustable Convertible Class "C" Preferred Stock"; that the number of shares of such series shall be 17,200 and that the rights and preferences of such series (referred to herein as the "5% Preferred" or "Shares") and the limitations or restrictions thereon, and the rights and terms of the stock purchase warrants ("Warrants") issuable upon conversion of the 5% Preferred, shall be as follows (as used herein, unless the context otherwise requires, shares of 5% Preferred shall include shares of 5% Preferred issuable as dividends on shares of 5% Preferred and Warrants shall include warrants issuable upon conversion of the 5% Preferred):

1. DIVIDENDS.

(a) The holders of the 5% Preferred shall be entitled to receive out of any assets legally available therefor cumulative dividends at the rate of \$50 per share per annum, payable

commencing September 30, 1997 and thereafter quarterly on December 31, March 31, June 30 and September 30 of each year, when and as declared by the Board of Directors, in preference and priority to any payment of any dividend on the common stock of the Corporation, par value \$.001 per share ("Common Stock") or any other class or series of stock of the Corporation ranking junior to the 5% Preferred. Such dividends shall accrue on any given share from the day of original issuance of such share and shall accrue from day to day whether or not earned or declared. If at any time dividends on the outstanding 5% Preferred at the rate set forth above shall not have been paid or declared and set apart for payment with respect to all preceding periods, the amount of the deficiency shall be fully paid or declared and set apart for payment, but without interest, before any distribution, whether by way of dividend or otherwise, shall be declared or paid upon or set apart for the shares of any other class or series of stock of the Corporation except a class or series which is entitled to priority as to dividends over the 5% Preferred.

(b) Dividends shall be paid in shares of 5% Preferred valued at \$1000 per share (fractional Shares to be paid in cash) or, at the option of the Corporation upon 10 days advance notice to the holders of the 5% Preferred, in cash.

(c) If on any dividend payment date all the shares of Common Stock issuable upon conversion of the 5% Preferred then outstanding and to be issued as a dividend on such dividend payment date and upon exercise of the Warrants whether outstanding or issuable upon conversion thereof are not registered under the Securities Act of 1933 or if there is not then available for delivery upon resale of such shares of Common Stock a prospectus meeting the requirements of said Act and the rules thereunder or if the Common Stock is not listed or designated for quotation for trading on at least one of the NASDAQ Small Cap Market (the "NSCM"), the NASDAQ National Market (the "NNM"), the New York Stock Exchange (the "NYSE") or the American Stock Exchange (the "AMEX") or any such shares of Common Stock are not authorized for trading thereon, or if the Common Stock is not then registered under Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934, then such dividend may only be paid in cash.

## 2. LIQUIDATION PREFERENCE AND CERTAIN REDEMPTIONS.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the holders of the 5% Preferred shall be entitled to receive, prior and in preference to any distribution of any assets of the Corporation to the holders of the Common Stock or any other class or series of shares except any class or series which is entitled to priority as to liquidation payments over the 5% Preferred, the amount of \$1000 per share plus any accrued but unpaid dividends, whether or not declared (the "Liquidation Preference").

(b)(i) In the event (each of the events described in clauses (A)-(F) below after expiration of the applicable cure period (if any) being a "REDEMPTION EVENT"):

(A) the Common Stock is suspended from trading on any of, or is not listed or designated for quotation (and authorized) for trading on at least one of, the NYSE, the AMEX, the NNM or the NSCM for an aggregate of ten (10) trading days in any nine (9) month period,

(B) the registration statement required to be filed  
by the Corporation

pursuant to Section 2(a) or 3(b) of the Registration Rights Agreement, dated as of April 24, 1997, by and among the Corporation and the other signatories thereto (the "REGISTRATION RIGHTS AGREEMENT"), has not been declared effective by the 180th day following the Closing Date (as defined in the Securities Purchase Agreements) or any such registration statement, after being declared effective, cannot be utilized by the holders of 5% Preferred for the resale of all of their Registrable Securities (as defined in the Registration Rights Agreement) for an aggregate of more than thirty (30) days in any twelve month period,

(C) the Corporation fails, and any such failure continues uncured for five (5) business days after the Corporation has been notified thereof in writing by the holder, to remove any restrictive legend on any certificate or any shares of Common Stock issued to the holders of 5% Preferred upon conversion of the 5% Preferred as and when required by the terms of these 5% Preferred, the Securities Purchase Agreements or the Registration Rights Agreement or any certificate or any shares of Common Stock issued to the holders of the Warrants upon exercise of the Warrants as and when required by the terms of the Warrants, the Securities Purchase Agreement or the Registration Rights Agreement,

(D) the Corporation fails to issue shares of Common Stock to any holder of 5% Preferred upon conversion in accordance with the terms of these 5% Preferred or to any holders of Warrants upon exercise in accordance with the terms of such Warrants or provides notice to any holder of 5% Preferred or Warrants, including by way of public announcement, at any time, of its intention not to issue shares of Common Stock to any holder of 5% Preferred upon conversion in accordance with the terms of these 5% Preferred or to any holder of Warrants upon exercise of such Warrants (other than due to the circumstances contemplated by Section 4(i) hereof, for which the holders shall have the remedies set forth in such Section),

(E) Mr. Lon H. Stone shall cease to be an officer or director of the Corporation within 18 months of the Closing Date, or

(F) 50% or more of the Common Stock is directly or indirectly owned or controlled by a single individual or entity or their affiliates,

then, upon the occurrence of each and any such Redemption Event, the Corporation shall promptly provide each holder of shares of 5% Preferred with written notice of the occurrence of such Redemption Event, which notice shall contain the Corporation's irrevocable election as to whether it will exercise its right to issue Common Stock in lieu of any redemption provided for in this Section 2. From and after the date of the Redemption Event (whether or not the Corporation has complied with the notice requirements set forth above) each holder of shares of 5% Preferred shall have the option, exercisable in whole or in part at any time and from time to time by delivery of a Redemption Notice (as defined in Paragraph (iii) below) to the Corporation (which notice may be revoked by any holder if the Corporation elects to issue Common Stock with respect thereto pursuant to paragraph (iv) below), to require the Corporation to purchase any or all of the then outstanding shares of 5% Preferred held by such holder for an amount in cash per share equal to the Redemption Amount (as defined in Paragraph (ii) below) in effect at the time of the redemption hereunder, subject, however, to the extent permitted by Paragraph (iv) below, to the right of the Corporation to instead convert each share of 5% Preferred specified in such Conversion Notice into a number of shares of Common Stock equal to the Redemption Number (as defined in Paragraph (i) below) in effect at the time of such conversion. For the avoidance of doubt, the

occurrence of any event described in clauses (A), (B), (D), (E) or (F) above shall immediately constitute a Redemption Event and there shall be no cure period.

(ii) Definition of Redemption Amount and Number. The "REDEMPTION AMOUNT" with respect to a share of 5% Preferred means an amount equal to:

$$\frac{1,000 + P}{C P} \times M$$

The "REDEMPTION NUMBER" with respect to a share of 5% Preferred means:

$$\frac{1,000 + P}{L C P}$$

where:

"P" means the accrued dividends, whether or not declared, on such share of 5% Preferred through the date of redemption or conversion, as the case may be (assuming such dividends would be paid in cash);

"CP" means the Conversion Price (as herein defined) in effect on the date of the Redemption Notice;

"LCP" means lowest Conversion Price (using an Applicable Percentage (as herein defined) of 27%) during the period beginning on the date of the Redemption Notice and ending on the date of redemption or conversion, as the case may be, or, if then in effect and lower, the Conversion Cap (as herein defined); and

"M" means the highest closing bid price (as herein defined) of the Corporation's Common Stock during the period beginning on the date of the Redemption Notice and ending on the date of the redemption or conversion, as the case may be.

(iii) Redemption Defaults. If the Corporation fails to pay any holder the Redemption Amount with respect to any share of 5% Preferred within five (5) business days of its receipt of a notice requiring such redemption (a "REDEMPTION NOTICE"), then the holder of 5% Preferred delivering such Redemption Notice (x) shall be entitled to interest on the Redemption Amount at a per annum rate equal to the lower of twenty-four percent (24%) or the highest rate permitted by applicable law from the date of the Redemption Notice until the date of redemption hereunder, and (y) shall have the right, at any time and from time to time, to require the Corporation, upon written notice, to immediately convert (in accordance with the terms of Section 4 hereof) all or any portion of the Redemption Amount, plus interest as aforesaid, into shares of Common Stock at the lowest Conversion Price in effect during the period beginning on the date of the Redemption Notice and ending on the Conversion Date with respect to the conversion of such Redemption Amount.

(iv) Within five (5) business days after its receipt of a Redemption Notice and subject to the limitations of Section 10 hereof, the Corporation may, in lieu of the redemption required pursuant to Section 2(b)(i), issue Common Stock with respect to shares of 5% Preferred

sought to be redeemed pursuant to Section 2(b)(i) with respect to the Redemption Events specified in paragraphs A, B (only where the delay or inability to use is caused by a stop order threatened or issued, or other similar action taken, by the SEC or its staff), E and F above. Notwithstanding the foregoing, the Corporation may not elect to use Common Stock to effect such a redemption unless the notice requirements of paragraph (i) above have been complied with, unless all holders of 5% Preferred electing to be redeemed pursuant to paragraph (i) above receive the Common Stock with respect to such Redemption Event, unless all shares of Common Stock issuable upon conversion of the 5% Preferred and upon exercise of the Warrants whether outstanding or issuable upon conversion thereof are registered under the Securities Act of 1933, unless there is available for delivery upon resale of such shares of Common Stock a prospectus meeting the requirements of said Act and the rules thereunder, unless all such shares are eligible to be traded on either the NNM, NSCM, the NYSE or the AMEX and unless the Common Stock is then registered under Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934. In the event the Corporation elects to issue Common Stock in accordance with the foregoing, the restrictions on the sale of Common Stock contained in Section 3.3 of the Securities Purchase Agreements shall be of no further force or effect. If the limitations contained in Section 10 hereof apply, then the Corporation shall not be required to pay any cash in respect of a redemption of shares of 5% Preferred which are not converted as a result of such limitation.

(v) In the event the Corporation is not at any time able to redeem all of the shares of 5% Preferred subject to Redemption Notices, the Corporation shall redeem shares of 5% Preferred from each holder pro rata, based on the total number of shares of 5% Preferred in all of the Redemption Notices.

### 3. MANDATORY CONVERSION.

(a) Subject to the limitations of Section 10 hereof and the remaining provisions of this Section 3(a), at any time more than 12 months after the closing date, the Corporation may require that all of the shares of 5% Preferred be converted (a "Required Conversion") by irrevocably giving notice ("Notice of Required Conversion") to the holders of the 5% Preferred specifying the date of required conversion (the "Required Conversion Date") and the place for delivery of certificates upon conversion. Such Notice shall comply with the requirements of paragraph (i) of this Section 3(a) and shall be mailed, first class postage prepaid, by the Corporation to each holder of record of the 5% Preferred at the address last shown on the records of the Corporation for such holder and shall be transmitted by telecopy (facsimile) transmission at least 20 trading days and no more than 30 trading days in advance of the Required Conversion Date.

(i) A Notice of Required Conversion may not be given unless Common Stock equal to 150% of the number of shares of Common Stock issuable upon conversion of the 5% Preferred and upon exercise of the Warrants whether outstanding or issuable upon conversion thereof are reserved for issuance to holders of the 5% Preferred and are registered for resale by the holders (determined separately for each holder) under the Act, and there is available for delivery upon resale of such shares of Common Stock a prospectus meeting the requirements of said Act and the rules thereunder and such shares are eligible to be traded on either the NNM, the NSCM, the NYSE or the AMEX and the Common Stock is then registered under Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934.



(ii) The Conversion Price upon Required Conversion shall be 73% of the average of the low trading prices on the five trading days immediately preceding the Required Conversion Date or, if in effect and lower, the Conversion Cap; provided, that if the Required Conversion Date is within 10 trading days after an underwritten public offering of equity securities of the Corporation, the Conversion Price shall be determined as of the Required Conversion Date in accordance with Section 4(d) and (e) below. The terms "low trading price" and "trading day" have the meanings given them in Section 4(d) hereof.

(iii) Not later than the Required Conversion Date each holder of 5% Preferred shall surrender to the Corporation the certificate or certificates representing the shares of 5% Preferred held by such holder at the place designated by the Corporation in the Notice of Required Conversion, and the Corporation shall deliver to such holder within two business day thereafter (three business days if the address for delivery is an offshore address) the certificates representing the Common Stock and Warrants to which such holder is entitled upon conversion, subject, however, to receipt of duly endorsed certificates for the shares of 5% Preferred being so converted.

(iv) After receipt of a Notice of Required Conversion and prior to the Required Conversion Date holders shall be free to convert their shares of 5% Preferred in accordance with the optional conversion provisions of Section 4 hereof with the Conversion Price determined at an Applicable Percentage of 27.0% or, if lower, at the Conversion Cap.

(v) From and after delivery by the Corporation of a Notice of Required Conversion, the sales limitations contained in Section 3.3 of the Securities Purchase Agreements shall be of no further force and effect.

(b) On the fifth anniversary of the closing date, all then outstanding shares of 5% Preferred shall be automatically converted at the Conversion Price on such anniversary date and otherwise pursuant to the applicable provisions set forth in Section 4(c) and (d) and (e) hereof at an Applicable Percentage of 27.0% or, if lower, at a Conversion Price equal to the Conversion Cap; provided, however, that the holders of such 5% Preferred are not required to deliver a Notice of Required Conversion or any other notice to the Corporation.

4. CONVERSION. The holders of the 5% Preferred shall have optional conversion rights as follows:

(a) Commencement of Conversion Rights. Commencing on the day after the fifth month anniversary of the closing date, the shares of 5% Preferred shall become convertible.

(b) Right to Convert.

(i) At and after the time it has become convertible, each share of 5% Preferred shall be convertible, at the option of the holder thereof, into (A) such number of fully paid and nonassessable shares of Common Stock as is determined by dividing (1) the Liquidation Preference of such 5% Preferred share determined pursuant to Section 2 hereof on the date the notice of conversion is given, by (2) the Conversion Price determined as hereinafter provided in effect on said date; and, in addition to such shares of Common Stock, (B) Warrants to purchase one-fourth of the number of shares of Common Stock determined pursuant to the foregoing clause (A).

(ii) Notwithstanding anything to the contrary contained herein, the Shares shall not be convertible by a holder hereof to the extent (but only to the extent) that, if convertible by such holder, such holder would beneficially own in excess of 4.9% of the outstanding shares of Common Stock (or such other percentage indicated on the signature page to, or otherwise applicable to such holder pursuant to, the Securities Purchase Agreements). To the extent the above limitation applies, the determination of whether Shares shall be convertible (vis-a-vis other securities owned by such holder) and of which Shares shall be convertible shall be in the sole discretion of the holder thereof and submission of shares of 5% Preferred for conversion shall be deemed to be the holder's determination of whether such Shares are convertible and of which Shares are convertible, subject to such aggregate percentage limitation. No prior inability to convert Shares pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of convertibility. For the purposes of this provision, beneficial ownership and all calculations, including without limitation, with respect to calculations of percentage ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13 D and G thereunder (collectively "Section 13(d)"). The provisions of this Section may be waived and/or implemented in a manner otherwise than strictly in conformity with the foregoing provisions of this Section 4(b)(ii) with the approval of the Board of Directors of the Corporation and the holders of three quarters in interest in the then outstanding Shares and Warrants (voting together as a single class): (i) with respect to any matter to cure any ambiguity herein, to correct this Section (or any portion hereof) which may be defective or inconsistent with the intended 4.9% beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such 4.9% limitation; and (ii) with respect to any other matter, with the further consent of the holders of a majority of the then outstanding shares of Common Stock. The limitations contained in this paragraph shall apply to a successor holder of Shares if, and to the extent, elected by such successor holder concurrently with its acquisition of such Shares, such election to be promptly confirmed in writing to the Corporation (provided no transfer or series of transfers to a successor holder or holders shall be used by a holder to evade the limitations contained in this paragraph).

(c) Mechanics of Conversion. To convert shares of 5% Preferred into shares of Common Stock and Warrants, the holder shall give written notice to the Corporation in the form of the Notice of Conversion attached to the Securities Purchase Agreements (which notice may be given by facsimile transmission) that such holder elects to convert the same and shall state therein the number of Shares to be converted and the name or names in which such holder wishes the certificate or certificates for shares of Common Stock and Warrants to be issued. Promptly thereafter the holder shall surrender the certificate or certificates representing the Shares to be converted, duly endorsed (with signatures guaranteed in case of transfer to another name), at the office of the transfer agent for the shares of Common Stock, or at such other reasonable place as may be designated in writing by the Corporation. Upon receipt by the Corporation of a facsimile copy of such notice of conversion from a holder of shares of 5% Preferred, the Corporation shall forthwith send, via facsimile, a confirmation of receipt of such Notice of Conversion to such holder, which shall specify that the Notice of Conversion has been received and the name and telephone number of a contact person at the Corporation whom the holder should contact regarding information related to such conversion. In the case of a dispute as to the calculation of the Conversion Price, the Corporation shall promptly issue to the holder the number of shares of Common Stock that is not disputed and shall submit the disputed calculations to its outside accountant via facsimile within two (2) days of receipt of such Notice of Conversion. The

Corporation shall cause the accountant to perform the calculations and notify the Corporation and the holder of the results no later than forty-eight (48) hours from the time it receives the disputed calculations. Such accountant's calculation shall be deemed conclusive absent manifest error. The Corporation shall, immediately upon receipt of such facsimile Notice of Conversion, cause to be prepared for issue and delivery to or upon the order of such holder, against delivery of the certificates representing the Shares which have been converted, a certificate or certificates for the number of shares of Common Stock, and the Warrant certificate to which such holder shall be entitled. Upon delivery of such duly endorsed Share certificates, the Corporation shall effect such issuance immediately and shall on the same day (if such duly endorsed certificate is delivered by 12:00 noon Pacific Time) or the next business day (if such duly endorsed certificate is delivered after 12:00 noon Pacific Time) transmit the certificates by messenger or nationally (or internationally, as the case may be) recognized overnight delivery service to reach the address designated by such holder within one business day (two business days for addresses outside of the United States) (such time for delivery of share certificates being the "Delivery Period"). Facsimile Notice of Conversion may be given by a holder at any time of day up to 11:59 PM Pacific time, and such conversion shall be deemed to have been made immediately prior to the close of business on the date such Notice of Conversion is given (the "Conversion Date"). The person or persons entitled to receive the shares of Common Stock and Warrants issuable upon such conversion shall be treated for all purposes as the record holder or holders of such securities at the close of business on the Conversion Date.

(d) Determination of Conversion Price.

(i) Subject to paragraph (iii) below, on any Conversion Date, the Conversion Price shall be the average of the low trading price of the Common Stock for the five consecutive trading days (the "Lookback Period") ending with the trading day prior to the Conversion Date, reduced by the Applicable Percentage (as defined below) in effect on the Conversion Date.

(ii) The Applicable Percentage shall escalate and be as follows:

0.0%	Starting on the 1st day of the 6th month after the closing date
13%	Starting on the 1st day of the 8th month after the closing date
20%	Starting on the 1st day of the 10th month after the closing date
22.5%	Starting on the 1st day of the 12th month after the closing date
25%	Starting on the 1st day of the 14th month after the closing date
27%	Starting on the 1st day of the 16th month after the closing date, and thereafter

For purposes of this resolution, the term "months" means calendar months, and when months are measured after the closing date, each such month shall end on a monthly anniversary of the closing date. For example, if the closing date were April 10, 1997, the fifth month after the closing date would end on and would include September 10, 1997, the sixth month after the closing date would commence on September 11, 1997 and end on October 10, 1997, and the twelfth month after the closing date would commence on March 11, 1998 and would end on April 10, 1998.

(iii) At any date after March 24, 1998, the Conversion Price shall be the lower of (x) the Conversion Price calculated in accordance with paragraphs (i) and (ii) above and

(y) the average of the closing prices of the Common Stock for the thirty (30) trading days including and immediately preceding March 24, 1998 (such average being the "Conversion Cap").

(iv) The terms "low trading price", "last sale price" and "closing bid price" of the Common Stock on any day shall mean, respectively, (A) the lowest reported sale price, the last reported sale price and the last reported bid price of the Common Stock on the principal stock exchange on which the Common Stock is listed, or (B) if the Common Stock is not listed on a stock exchange, the lowest reported sale price, the last reported sale price and the last reported bid price of the Common Stock on the principal automated securities price quotation system on which sale prices of the Common Stock are reported, or (c) if the Common Stock is not listed on a stock exchange and sale prices of the Common Stock are not reported on an automated quotation system, the lowest bid price, the last bid price and the last bid price for the Common Stock as reported by National Quotation Bureau Incorporated if at least two securities dealers have inserted both bid and asked quotations for the Common Stock on at least five of the ten preceding trading days. If none of the foregoing provisions are applicable, the "low trading price", "last sale price" and the "closing bid price" of the Common Stock on a day will be the fair market value of the Common Stock on that day as determined by a member firm of the New York Stock Exchange, Inc., selected by the Board of Directors of the Corporation and reasonably acceptable to the holders of the majority of the 5% Preferred. The term "trading day" means (x) if the Common Stock is listed on at least one stock exchange, a day on which there is trading on the principal stock exchange on which the Common Stock is listed, (y) if the Common Stock is not listed on a stock exchange but sale prices of the Common Stock are reported on an automated quotation system, a day on which trading is reported on the principal automated quotation system on which sales of the Common Stock are reported, or (z) if the foregoing provisions are inapplicable, a day on which quotations are reported by National Quotation Bureau Incorporated. The "closing price" of the Common Stock on any day means the "last sale price" as defined above.

(v) In the event that during any period of consecutive trading days provided for above, the Corporation shall declare or pay any dividend on the Common Stock payable in Common Stock or in rights to acquire Common Stock, or shall effect a stock split or reverse stock split, or a combination, consolidation or reclassification of the Common Stock, then the Conversion Price and (if such event occurs during the thirty (30) trading days referred to in paragraph (iii) next above) the Conversion Cap shall be proportionately decreased or increased, as appropriate, to give effect to such event. If such an event occurs after March 24, 1998, the Conversion Cap shall be proportionately decreased or increased to give effect to such event.

(e) Certain Adjustments. (i) If the Corporation shall declare or make any distribution of its assets (or rights to acquire its assets) to holders of Common Stock as a partial liquidating dividend, by way of return of capital or otherwise (including any dividend or distribution to the Corporation's shareholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary (i.e. a spin-off)) (a "Distribution"), then the holders of 5% Preferred shall also be entitled, upon any conversion of shares of 5% Preferred after the date of record for determining shareholders entitled to such Distribution, to receive the kind and amount of such assets which would have been payable to the holder with respect to the shares of Common Stock issuable upon such conversion (without giving effect to any of the provisions contained herein or in the Securities Purchase Agreement which limit or restrict conversion of Shares) had such holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such Distribution.

(ii) In the event the Corporation (i) makes a public announcement that it intends to consolidate or merge with any other entity (other than a merger in which the Corporation is the surviving or continuing entity and its capital stock is unchanged and there is no distribution thereof) or to sell or transfer all or substantially all of the assets of the Corporation or (ii) any person, group or entity (including the Corporation) publicly announces a tender offer to purchase 50% or more of the Common Stock (the date of the announcement referred to in clause (i) or (ii) of this paragraph (ii) is hereinafter referred to as the "Announcement Date"), then the Conversion Price shall, effective upon the Announcement Date and continuing through the consummation of the proposed tender offer or transaction or the Abandonment Date (as defined below), be equal to the lower of (x) the Conversion Price calculated in the manner provided in Section 4(d) and 4(e), and (y) the Conversion Price which would have been applicable for an Optional Conversion occurring on the Announcement Date. From and after the Abandonment Date, as the case may be, the Conversion Price shall be determined as set forth in Sections 4(d) and 4(e) hereof. "Abandonment Date" means with respect to any proposed transaction or tender offer for which a public announcement as contemplated by this paragraph (ii) has been made, the date which is seven trading days after the date upon which the Corporation (in the case of clause (i) above) or the person, group or entity (in the case of clause (ii) above) publicly announces the termination or abandonment of the proposed transaction or tender offer which causes this paragraph to become operative. Without implication that the contrary would otherwise be true, the provisions of this paragraph (ii) shall not apply with respect to that certain share exchange involving Peregrine Pharmaceutical Inc. as described in the Securities Purchase Agreements.

(f) Certificates as to Adjustments. Upon the occurrence of any adjustment or readjustment of the Conversion Price or the Conversion Cap pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and cause independent public accountants selected by the Corporation to verify such computation and prepare and furnish to each holder of 5% Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of 5% Preferred, furnish or cause to be furnished to such holder a like certificate prepared by the Corporation setting forth (i) such adjustments and readjustments, and (ii) the number of other securities and the amount, if any, of other property which at the time would be received upon the conversion of 5% Preferred with respect to each share of Common Stock received upon such conversion.

(g) Notice of Record Date. In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a non-extraordinary cash dividend) or other distribution, any security or right convertible into or entitling the holder thereof to receive additional shares of Common Stock, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall mail to each holder of 5% Preferred at least 10 days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution, security or right and the amount and character of such dividend, distribution, security or right.

(h) Issue Taxes. The Corporation shall pay any and all issue and other taxes,

excluding any income, franchise or similar taxes, that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of shares of 5% Preferred pursuant hereto; provided, however, that the Corporation shall not be obligated to pay any transfer taxes resulting from any transfer requested by any holder in connection with any such conversion.

(i) Reservation of Stock Issuable Upon Conversion. (A) The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purposes of effecting the conversion of the shares of the 5% Preferred and allowing the exercise of the Warrants, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all shares of the 5% Preferred (including shares of 5% Preferred issuable as dividends on shares of 5% Preferred) and the exercise of the Warrants (including Warrants issuable upon conversion of the 5% Preferred) (the "Reserved Amount"), and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient for such purposes, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite Board of Directors and shareholder approval. The Reserved Amount shall be allocated to the holders of 5% Preferred as provided in this paragraph (i).

(B) Upon adoption of this Certificate of Designation by the Corporation's Board of Directors, the Corporation shall have reserved 15,500,000 (the "Initial Reserved Amount") authorized but unissued shares of Common Stock for issuance upon conversion of the 5% Preferred and exercise of the Warrants issuable upon conversion thereof. Subject to paragraphs (A) and (C) of this paragraph (i), the Initial Reserved Amount shall be reduced to the extent that the total amount of Common Stock issuable upon conversion of the Shares or the exercise of the Warrants (including Warrants issuable upon conversion of 5% Preferred) is reduced by the exercise or conversion, as the case may be, of such securities.

(C) Without limiting any of the foregoing, commencing October 1, 1997, if the Reserved Amount for any three (3) consecutive trading days (the last of such three (3) trading days being the "Authorization Trigger Date") shall be less than 150% of the number of shares of Common Stock issuable upon conversion of all shares of 5% Preferred (including shares of 5% Preferred which are issued as dividends on shares of 5% Preferred and shares of 5% Preferred issuable with respect to then accrued and unpaid dividends) and the exercise of all Warrants (including Warrants to be issuable upon conversion of the 5% Preferred) on such trading days, the Corporation shall immediately notify the holders of 5% Preferred and the Warrants of such occurrence and shall take immediate action (including seeking shareholder approval to authorize the issuance of additional shares of Common Stock) to increase the Reserved Amount to 150% of such number of shares of Common Stock. In the event the Corporation fails to so increase the Reserved Amount within ninety (90) days after an Authorization Trigger Date, each holder of 5% Preferred Stock shall thereafter have the option, exercisable in whole or in part at any time and from time to time by delivery of a Redemption Notice (as defined in Section 2(b)) to the Corporation, to require the Corporation to purchase for cash, in accordance with Section 2(b) as if the service of such Redemption Notice constituted a Redemption Event with respect to the Shares required to be purchased hereunder and as to which the Corporation could elect to make the required redemption with Common Stock under such Section 2(b), a portion of the holder's 5% Preferred such that, after giving effect to such purchase, the holder's allocated portion of the

Reserved Amount exceeds 150% of such total number of shares of Common Stock allocable to such holder. If the Corporation fails to redeem any of such Shares within five (5) business days after its receipt of a Redemption Notice, then such holder shall be entitled to the remedies provided in Section 2(b)(iii) as if such failure constituted a Redemption Default.

(D) The Initial Reserved Amount, the Reserved Amount and each increase to the Reserved Amount shall be allocated pro rata among the holders of 5% Preferred based on the number of shares of 5% Preferred and Warrants held by each holder at the time of the establishment of or increase in the Initial Reserved Amount or Reserved Amount, as the case may be. In the event a holder shall sell or otherwise transfer any of such holders shares of 5% Preferred or Warrants, each transferee shall be allocated a pro rata portion of such transferor's Initial Reserved Amount or Reserved Amount. Any portion of the Initial Reserved Amount or Reserved Amount which remains allocated to any person or entity which does not hold any 5% Preferred Stock or Warrants shall be allocated to the remaining holders of shares of 5% Preferred Stock and Warrants, pro rata on the number of shares of 5% Preferred and Warrants then held by such holders.

(j) Fractional Shares. No fractional shares or fractional Warrants shall be issued upon the conversion of any share or shares of 5% Preferred. All shares of Common Stock and Warrants (including fractions thereof) issuable upon conversion of more than one share of 5% Preferred by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of a fraction of a share of Common Stock or a fractional Warrant, the Corporation shall, in lieu of issuing any such fraction, pay the holder otherwise entitled to such fraction a sum in cash equal to the fair market value of such fraction on the date of conversion (as determined in good faith by the Board of Directors of the Corporation).

(k) Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be effective (a) upon hand delivery or delivery by telecopy or facsimile at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be the addresses set forth for the applicable party in the Securities Purchase Agreements. Any party entitled to notice hereunder may from time to time change its address for notices by giving at least 10 days' written notice of such changed address to the other parties subject to the notice provisions hereof. This paragraph shall not affect the provisions of Section 4 hereof with respect to conversion and the mechanics thereof.

(l) Reorganization or Merger. In case of any reorganization or any reclassification of the capital stock of the Corporation or any consolidation or merger of the Corporation with or into any other corporation or corporations or a sale of all or substantially all of the assets of the Corporation to any other person, then, as part of such reorganization, consolidation, merger or sale, provision shall be made so that each share of 5% Preferred shall thereafter be convertible into the number of shares of stock or other securities or property (including cash) to which a holder of the number of shares of Common Stock issuable upon

conversion of such share of 5% Preferred (including shares of Common Stock issuable upon exercise of Warrants issuable upon conversion of such share of 5% Preferred) would have been entitled upon the record date of (or date of, if no record date is fixed) such event (without giving effect to any of the provisions contained herein or in the Securities Purchase Agreement or the Warrants which limit or restrict conversion of Shares or exercise of Warrants) and, in any case, appropriate adjustment (as determined by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to the rights and interests thereafter of the holders of the 5% Preferred, to the end that the provisions set forth herein shall thereafter be applicable, as nearly as equivalent as is practicable, in relation to any shares of stock or the securities or property (including cash) thereafter deliverable upon the conversion of the shares of 5% Preferred.

(m) Conversion Default Payments. If, at any time, (x) a holder of shares of 5% Preferred submits a Notice of Conversion and the Corporation fails for any reason (other than because such issuance would exceed such holder's allocated portion of the Reserved Amount, for which failure the holders shall have the remedies set forth in Section 4(i)) to deliver, on or prior to the fourth business day following the expiration of the Delivery Period for such conversion, the shares of Common Stock to which such holder is entitled upon such conversion, or (y) the Corporation provides notice to any holder of 5% Preferred at any time of its intention not to issue shares of Common Stock upon exercise by any holder of its conversion rights in accordance with the terms of these 5% Preferred other than because such issuance would exceed such holder's allocated portion of the Reserved Amount (each of (x) and (y) being a "Conversion Default"), then the Corporation shall pay to the affected holder, in the case of a Conversion Default described in clause (x) above, and to all holders of 5% Preferred, in the case of a Conversion Default described in clause (y) above, payments for the first ten (10) business days following the expiration of the Delivery Period, in the case of a Conversion Default described in clause (x), and for the first ten (10) business days of any other Conversion Default, an amount equal to \$1,000 per day. In the event any Conversion Default continues beyond such ten (10) business day period, the Corporation shall pay to the applicable holder(s) (consistent with the foregoing) an additional cash amount equal to one percent (1%) per day of the liquidation preference on the Shares submitted for conversion in the case of clause (x) above and of the holder's outstanding shares of 5% Preferred in the case of clause (y) above. In addition, notwithstanding anything to the contrary set forth herein, in the event of a Conversion Default, the Conversion Price with respect to each share of 5% Preferred shall be equal to the lowest Conversion Price (assuming an Applicable Percentage of 27% and, without implication that the contrary would otherwise be true, giving effect to the Conversion Cap, if applicable) on any date from the commencement of such Conversion Default through the date on which such share is actually converted.

(n) Retention of Rights as Holder of Shares of 5% Preferred. If a holder has not received certificates for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Delivery Period with respect to a conversion of shares of 5% Preferred for any reason, then the Corporation shall, as soon as practicable, return such unconverted shares of 5% Preferred Stock to the holder and (unless the holder otherwise elects to retain its status as a holder of Common Stock) the holder shall be deemed to retain the rights of a holder of shares of 5% Preferred with respect to such Shares. In all cases, the holder shall retain all of its rights and remedies (including, without limitation, the right to receive Conversion Default payments pursuant to paragraph 4(m) above to the extent required thereby as a result of such Conversion Default and any subsequent Conversion Default).



5. OTHER PROVISIONS. For all purposes of this Resolution, the terms "date of issuance" and "closing date" shall mean the day on which shares of the 5% Preferred are first issued by the Corporation, and the terms "trading price", "low trading price", "closing price", "last trade price", and "trading days" shall have the meanings given them in Section 4(d) hereof. Any provision herein which conflicts with or violates any applicable usury law shall be deemed modified to the extent necessary to avoid such conflict or violation.

6. RESTRICTIONS AND LIMITATIONS. So long as any shares of 5% Preferred Stock are outstanding, the Corporation shall not, without first obtaining the prior approval of the holders of at least two-thirds of the then outstanding shares of 5% Preferred:

(a) alter or change the rights preferences or privileges of the 5% Preferred;

(b) alter or change the rights, preferences or privileges of any capital stock of the Corporation so as to affect adversely the 5% Preferred;

(c) create any new class or series of capital stock on parity with or having a preference over the 5% Preferred as to dividends or as to distribution of assets upon liquidation, dissolution or winding up of the Corporation;

(d) increase the authorized number of shares of 5% Preferred;

(e) issue any shares of 5% Preferred other than pursuant to the Securities Purchase Agreements;

(f) redeem or declare or pay any dividend or distribution with respect to the Corporation's Common Stock during the first two years following the closing date or redeem, or declare or pay any cash dividend or distribution on, any capital stock of the Corporation ranking junior to the 5% Preferred as to dividends or as to distribution of assets upon liquidation, dissolution or winding up of the Corporation (including the Common Stock); or

(g) enter into (or agree to enter into) a consolidation or merger of the Corporation with or into any other corporation or corporations, or a sale of all or substantially all of the assets of the Corporation.

If holders of at least two-thirds of the then outstanding shares of 5% Preferred agree to allow the Corporation to alter or change the rights, preferences or privileges of the shares of 5% Preferred pursuant to subsection (a) above, then the Corporation shall deliver notice of such approved change to the holders of the 5% Preferred that did not agree to such alteration or change (the "Dissenting Holders") and the Dissenting Holders shall have the right, for a period of thirty (30) days, to convert all of their shares of 5% Preferred pursuant to the terms of these 5% Preferred as they existed prior to such alteration or change or to continue to hold their shares of 5% Preferred.

7. VOTING RIGHTS. Except as provided herein or as provided for by law, the 5% Preferred shall have no voting rights.

8. ATTORNEYS' FEES. Any holder of 5% Preferred shall be entitled to recover from the Corporation the reasonable attorneys' fees and expenses incurred by such holder in connection with enforcement by such holder of any obligation of the Corporation hereunder.

9. LOST OR STOLEN CERTIFICATES. Upon receipt by the Corporation of (i) evidence of the loss, theft, destruction or mutilation of any certificate(s) for the 5% Preferred and (ii)(y) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to the Corporation, or (z) in the case of mutilation, upon surrender and cancellation of the certificate(s) for the 5% Preferred, the Corporation shall execute and deliver new certificate(s) for the 5% Preferred of like tenor and date. However, the Corporation shall not be obligated to reissue such lost or stolen Certificate(s) if the holder contemporaneously requests the Corporation to convert all such shares 5% Preferred covered by such certificate(s).

10. SPECIAL LIMITATIONS. Notwithstanding anything to the contrary contained herein, shares of 5% Preferred shall not be convertible pursuant to Sections 2(b) or 3 hereof to the extent that, if converted with respect to a holder thereof, such holder would beneficially own in excess of 4.9% of the outstanding shares of Common Stock. To the extent the above limitation applies, the determination of whether Shares shall be convertible (vis-a-vis other securities owned by such holder) and of which Shares shall be convertible shall be in the sole discretion of the holder thereof and submission of shares of 5% Preferred for conversion shall be deemed to be the holder's determination of whether Shares are convertible (vis-a-vis other securities owned by such holder) and of which Shares are convertible, subject to such aggregate percentage limitation. No prior inability to convert Shares pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of convertibility. For the purposes of this Section, beneficial ownership and all calculations, including without limitation, with respect to calculations of percentage ownership shall be determined in accordance with Section 13(d). The provisions of this Section may be waived and/or implemented in a manner otherwise than strictly in conformity with the foregoing provisions of this Section 10 with the approval of the Board of Directors of the Corporation and the holders of three quarters in interest in the then outstanding Shares and Warrants (voting together as a single class): (i) with respect to any matter to cure any ambiguity herein, to correct this Section (or any portion hereof) which may be defective or inconsistent with the intended 4.9% beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such 4.9% limitation; and (ii) with respect to any other matter, with the further consent of the holders of a majority of the then outstanding shares of Common Stock. A holder of Shares shall not take unreasonable actions for the intended primary purpose of causing the Corporation to be unable to convert Shares as a result of the limitations contained within this Section 10.

11. SPECIFIC ENFORCEMENT. No provision of this Certificate of Designation providing for any remedy to a holder of 5% Preferred shall limit any remedy which would otherwise be available to such holder at law or in equity. Irreparable damage would occur in the event that any of the provisions of this Certificate of Designation or the other agreements, documents or instruments contemplated hereby (collectively, the "Transaction Documents") were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that each holder of shares of 5% Preferred shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of the Transaction Documents and to enforce specifically the terms and provisions thereof, this being in addition to any other remedy to which each holder of shares of 5% Preferred may be entitled by law or equity. No provision of any Transaction Documents

providing for any remedy to a holder of shares of 5% Preferred shall limit any remedy which would otherwise be available to such holder at law or in equity.

12. TRANSFERABILITY. The Shares may be transferred by the holder pursuant to an exempt transaction (and the holder shall not be required to provide the Corporation with an opinion of counsel in the case of a transfer to an affiliate) or pursuant to a registration statement under the Act.

13. WARRANTS. The terms and conditions of the Warrants and the form of certificates representing the Warrants shall be as attached hereto."

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Designation of 5% Adjustable Convertible Class C Preferred Stock to be duly executed by its Chief Financial Officer and Secretary this 22nd day of April, 1997.

TECHNICLONE CORPORATION

By: \_\_\_\_\_  
William V. Moding, Chief Financial Officer  
and Secretary

## STOCK PURCHASE WARRANT

WARRANT TO PURCHASE \_\_\_\_\_ SHARES OF COMMON STOCK

ISSUE DATE: \_\_\_\_\_

EXPIRATION: UNLESS EARLIER EXERCISED OR TERMINATED AS HEREIN PROVIDED, THIS WARRANT SHALL EXPIRE AT 5:00 PM., PACIFIC TIME, ON THE FIFTH ANNIVERSARY OF THE CLOSING DATE DEFINED IN THE RESOLUTION ESTABLISHING THE PREFERENCES OF THE 5% ADJUSTABLE CONVERTIBLE CLASS "C" PREFERRED STOCK OF THE COMPANY

## TECHNICLONE CORPORATION

This certifies that \_\_\_\_\_, the registered holder hereof or assigns (the "Warrantholder") is entitled to purchase from Techniclone Corporation, a Delaware corporation (the "Company"), at any time after March 24, 1998 and before 5:00 PM Pacific Time on the fifth anniversary of the closing date as defined in Section 5 of the Resolution establishing the preferences of the 5% Adjustable Convertible Class "C" Preferred Stock of the Company (the "Expiration Time") at the purchase price per share determined pursuant to Section 1.4 hereof (the "Warrant Price"), the number of shares shown above. Notwithstanding the foregoing, the Expiration Time shall be extended for 30 days with respect to any Warrants acquired upon conversion of any such shares of Preferred Stock within 30 days prior to such fifth anniversary. The number of shares purchasable upon exercise of this Warrant and the Warrant Price per share shall be subject to adjustment from time to time as set forth below.

## SECTION 1. TRANSFERABILITY AND FORM OF WARRANT.

1.1 REGISTRATION. This Warrant shall be numbered and shall be registered on the books of the Company.

1.2 TRANSFER. This Warrant shall be transferable on the books of the Company only upon delivery thereof duly endorsed by the Warrantholder or its duly authorized attorney or representative, accompanied by proper evidence of succession, assignment or authority to transfer. Upon any registration of transfer, the Company shall execute and deliver a new Warrant to the person entitled thereto. This Warrant may be divided or combined, upon request to the Company by the Warrantholder, into a certificate or certificates representing the right to purchase the same aggregate number of shares. Unless the context indicates otherwise, the term "Warrantholder" shall include any transferee or transferees of a Warrant and the term "Warrant" shall include any and all warrants issued upon division, exchange, substitution or transfer of this Warrant.

1.3 FORM OF WARRANT. The Warrant shall be executed on behalf of the Company by its President, Vice President or other authorized officer, and shall be dated as of the date of signature thereof by the Company either upon initial issuance or upon division, exchange, substitution or transfer. A Warrant bearing the signature of an individual who was at any time the

proper officer of the Company shall bind the Company, notwithstanding that such individual shall have ceased to hold such office prior to the delivery of such Warrant.

1.4 WARRANT PRICE. The initial purchase price per share at which shares of Common Stock may be purchased upon exercise of this Warrant (the "Warrant Price") shall be 110% of the Conversion Cap as determined pursuant to Section 4(d)(iii) of the Resolution establishing the preferences of the 5% Adjustable Convertible Class "C" Preferred Stock of the Company, as contained in the Certificate of Designations of such Preferred Stock filed by the Company with the Delaware Secretary of State. If this Warrant shall be issued prior to determination of the Warrant Price as aforesaid, upon such determination this Warrant shall be deemed to incorporate the Warrant Price as so determined.

#### SECTION 2. PAYMENT OF TAXES.

The Company will pay all documentary stamp taxes, if any, attributable to the initial issuance of shares to the Warrantholder; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any secondary transfer of the Warrant or the shares.

#### SECTION 3. MUTILATED OR MISSING WARRANTS.

In case this Warrant shall be mutilated, lost, stolen or destroyed, the Company shall, at the request of the Warrantholder, issue and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant, or in lieu of and in substitution for the lost, stolen or destroyed Warrant, a new Warrant of like tenor, but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of such Warrant. The applicant shall also comply with such other reasonable regulations and pay such other reasonable administrative charges as the Company may prescribe.

#### SECTION 4. RESERVATION OF SHARES.

There has been reserved, and the Company shall at all times keep reserved so long as this Warrant remains outstanding, out of its authorized shares of capital stock, such number and class of shares as shall be subject to purchase under this Warrant and such reserved shares shall be used solely for issuances upon exercise of this Warrant.

#### SECTION 5. EXERCISE OF WARRANT.

5.1 EXERCISE. Prior to the Expiration Time the Holder of this Warrant shall have the right at any time and from time to time to exercise this Warrant in full or in part by surrender of this Warrant to the Company accompanied by payment to the Company in cash or by certified or cashier's check or by wire transfer of funds of the aggregate Warrant Price for the number of shares in respect of which this Warrant is then exercised. If the Issue Date is prior to the determination of the Warrant Price, this Warrant may not be exercised until the Warrant Price has been determined. In addition, and notwithstanding anything to the contrary contained in this Warrant, this Warrant may be exercised by presentation and surrender of this Warrant to the Company with a written notice of the holder's intention to effect a cashless exercise, including a calculation of the number of shares of Common Stock to be issued upon such exercise in

accordance with the terms hereof (a "Cashless Exercise"). In the event of a Cashless Exercise, in lieu of paying the Warrant Price in cash, the holder shall surrender this Warrant for, and the Company shall issue in respect thereof, that number of shares of Common Stock determined by multiplying the number of shares of Common Stock to which the holder would otherwise be entitled upon a cash exercise hereof by a fraction, the numerator of which shall be the difference between the then Current Market Price (as herein defined) and the Warrant Price, and the denominator of which shall be the then Current Market Price.

5.2 DELIVERY OF CERTIFICATES. Upon exercise of this Warrant the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the Warrantholder and in such name or names as the Warrantholder may designate, a certificate or certificates for the number of full shares issuable upon such exercise together with cash, as provided in Section 7 hereof, in respect of any fractional shares. The Company shall effect such issuance immediately and shall transmit the certificates by messenger or overnight delivery service to reach the address designated by the Warrantholder within two business days after receipt of the Warrant Price or, in the case of a Cashless Exercise, after the receipt of the Warrant. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such shares as of the date of surrender of the Warrant and, to the extent applicable, payment of the Warrant Price, as aforesaid, notwithstanding that the certificates representing such shares shall not actually have been delivered or that the stock transfer books of the Company shall then be closed. In the event of partial exercise a new Warrant evidencing the remaining portion of this Warrant will be issued by the Company.

#### SECTION 6. ADJUSTMENT OF WARRANT PRICE AND NUMBER OF SHARES.

6.1 ADJUSTMENTS. The number and kind of securities purchasable upon the exercise of the Warrants and the Warrant Price shall be subject to adjustment from time to time upon the happening of certain events, as follows:

(a) In case the Company shall (i) pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its Common Stock other securities of the Company, the number of shares purchasable upon exercise of the Warrants immediately prior thereto shall be adjusted so that the Warrantholder shall be entitled to receive the kind and number of shares or other securities of the Company which it would have owned or would have been entitled to receive after the happening of any of the events described above, had the Warrants been exercised immediately prior to the happening of such event or any record date with respect thereto. Any adjustment made pursuant to this paragraph (a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(b) In case the Company shall issue rights, options, warrants or convertible securities to all or substantially all holders of its Common Stock, without any charge to such holders, entitling them to subscribe for or to purchase shares of Common Stock at a price per share which is lower at the record date mentioned below than the then Current Market Price (as defined in Section 7), the number of shares thereafter purchasable upon

the exercise of the Warrants shall be determined by multiplying the number of shares theretofore purchasable upon exercise of each Warrant by a fraction, of which the numerator shall be (1) the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options or warrants plus (2) the number of additional shares of Common Stock offered for subscription or purchase, and of which the denominator shall be (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options or warrants plus (y) the number of shares which the aggregate offering price of the total number of shares offered would purchase at the Current Market Price. Such adjustment shall be made whenever such rights, options or warrants are issued, and shall become effective immediately and retroactively after the record date for the determination of shareholders entitled to receive such rights, options or warrants.

(c) In case the Company shall distribute to all or substantially all holders of its shares of Common Stock evidences of its indebtedness or assets (excluding non-extraordinary cash dividends or distributions out of current earnings) or rights, options, warrants or convertible securities containing the right to subscribe for or purchase shares of Common Stock (excluding those referred to in paragraph (b) above), then, in each case, the number of shares thereafter purchasable upon the exercise of the Warrants shall be determined by multiplying the number of shares theretofore purchasable upon exercise of the Warrants by a fraction, of which the numerator shall be the then Current Market Price on the date of such distribution, and of which the denominator shall be such Current Market Price on such date minus the then fair value of the portion of the assets or evidence of indebtedness so distributed or of such subscription rights, options or warrants applicable to one share. Such adjustment shall be made whenever any such distribution is made and shall become effective on the date of distribution retroactive to the record date for the determination of shareholders entitled to receive such distribution.

(d) If, at any time after the initial issuance of this Warrant, any event occurs of the type contemplated by the adjustment provisions of this Section 6.1 but not expressly provided for by such provisions, the Company's Board of Directors will make an appropriate adjustment in the Warrant Price and the number of shares of Common Stock acquirable upon exercise of this Warrant so that the rights of the holder shall be neither enhanced nor diminished by such event.

(e) No adjustment in the number of shares purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of shares then purchasable upon the exercise of a Warrant; provided, however, that any adjustments which by reason of this paragraph (e) are not required to be made immediately shall be carried forward and taken into account in any subsequent adjustment. The adjustments set forth in this Section 6.1 shall be calculated and effected without regard to any limits on exercisability contained herein or in those certain Securities Purchase Agreements dated April 24, 1997 (the "Securities Purchase Agreements").

(f) Whenever the number of shares purchasable upon the exercise of a Warrant is adjusted as herein provided, the Warrant Price payable upon exercise of a Warrant shall be adjusted by multiplying such Warrant Price immediately prior to such adjustment by a

fraction, of which the numerator shall be the number of shares purchasable upon the exercise of a Warrant immediately prior to such adjustment, and of which the denominator shall be the number of shares so purchasable immediately thereafter.

(g) Whenever the number of shares purchasable upon the exercise of a Warrant or the Warrant Price is adjusted as herein provided, the Company shall cause to be promptly mailed to the Warrantholder by first class mail, postage prepaid, notice of such adjustment or adjustments and a certificate of a firm of independent public accountants selected by the Board of Directors of the Company (who may be the regular accountants employed by the Company) setting forth the number of shares purchasable upon the exercise of a Warrant and the Warrant Price after such adjustment, together with a brief statement of the facts requiring such adjustment and the computation by which such adjustment was made.

(h) The term "Common Stock" shall mean (i) the class of stock designated as the Common Stock of the Company at the issue date of this Warrant or (ii) any other class of stock resulting from successive changes or reclassifications of such Common Stock. In the event that at any time, as a result of an adjustment made pursuant to this Section, the Warrantholder shall become entitled to purchase any securities other than shares of Common Stock, thereafter the number of such other securities so purchasable upon exercise of the Warrant and the Warrant Price of such securities shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares contained in this Section.

6.2 NO ADJUSTMENT FOR DIVIDENDS. Except as provided in Subsection 6.1, no adjustment in respect of any dividends shall be made during the term of the Warrant or upon the exercise of the Warrant.

6.3 PRESERVATION OF PURCHASE RIGHTS UPON RECLASSIFICATION, CONSOLIDATION, ETC. In case of any reclassification of the securities of the Company or any consolidation of the Company with or merger of the Company into another corporation or in case of any sale or conveyance to another corporation of the property, assets or business of the Company as an entirety or substantially as an entirety, the Company or such successor or purchasing corporation, as the case may be, shall provide by agreement that the Warrantholder shall have the right thereafter upon payment of the Warrant Price in effect immediately prior to such action to purchase upon exercise of the Warrant the kind and amount of shares and other securities and property which he would have owned or have been entitled to receive after the happening of such reclassification, consolidation, merger, sale or conveyance had the Warrant been exercised (without regard to any limitations on exercise contained herein or the Securities Purchase Agreements) immediately prior to such action. Such agreement shall provide for adjustments, which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section. The provisions of this subsection shall similarly apply to successive reclassifications, consolidations, mergers, sales or conveyances.

6.4 STATEMENT ON WARRANT CERTIFICATES. Irrespective of any adjustments in the Warrant Price or the number of securities purchasable upon the exercise of the Warrant, the Warrant certificate or certificates theretofore or thereafter issued may continue to express the same price and number of securities as are stated in the similar Warrant certificates initially issuable



pursuant to this Agreement.

SECTION 7. FRACTIONAL INTERESTS; CURRENT MARKET PRICE; CLOSING BID PRICE.

The Company shall not be required to issue fractional shares on the exercise of the Warrant. If any fraction of a share would, except for the provisions of this Section, be issuable on the exercise of the Warrant (or specified portion thereof), the Company shall pay an amount in cash equal to the then Current Market Price multiplied by such fraction. The term "Current Market Price" shall mean (i) if the Common Stock is traded in the over-the-counter market or on the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ"), the average per share closing bid prices of the Common Stock on the 20 consecutive trading days immediately preceding the date in question, as reported by NASDAQ or an equivalent generally accepted reporting service, or (ii) if the Common Stock is traded on a national securities exchange, the average for the 20 consecutive trading days immediately preceding the date in question of the daily per share closing bid prices of the Common Stock on the principal stock exchange on which it is listed, as the case may be, or (iii) if the Common Stock is not so listed or traded, the fair market value of the Common Stock as reasonably determined in good faith by the Board of Directors of the Company. The term "closing bid price" shall mean the last bid price on the day in question as reported by NASDAQ or an equivalent generally accepted reporting service or (as the case may be) as reported by the principal stock exchange on which the Common Stock is listed, or if not so reported, as reasonably determined in good faith by the Board of Directors of the Company.

SECTION 8. NO RIGHTS AS SHAREHOLDER; NOTICES TO WARRANTHOLDER.

Nothing contained herein shall be construed as conferring upon the Warrantholder any rights whatsoever as a shareholder of the Company, including the right to vote, to receive dividends, to consent or to receive notices as a shareholder in respect of any meeting of shareholders for the election of directors of the Company or any other matter. If, however, at any time prior to the expiration of the Warrant and prior to its exercise, any of the following events shall occur:

(a) any action which would require an adjustment pursuant to Sections 6.1 or 6.3 (excluding 6.1(a)(i) and 6.1(a)(ii)); or

(b) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger or sale of its property, assets and business, as an entirety) shall be proposed;

then in any one or more of said events, the Company shall give notice in writing of such event to the Warrantholder at least 20 days prior to the date fixed as a record date or the date of closing the transfer books or other applicable date with respect thereto. Such notice shall specify such record date or the date of closing the transfer books or such other applicable date, as the case may be.

Any notice to the Warrantholder shall be given at the address of the Warrantholder appearing on the books of the Company, and if the Warrantholder has specified a telecopier address, by facsimile transmission to such address.

## SECTION 9. REDEMPTION.

At any time after the Warrant Price has been determined, the Company may call this Warrant (together with all other Warrants of like tenor) for redemption at \$0.01 per share covered hereby if the closing bid price of the Common Stock for each of the twenty trading days immediately preceding the redemption date has equaled or exceeded 150% of the Warrant Price. Written notice of such call shall be given to the Warrantholder as provided in Section 8 hereof at least 20 days but not more than 30 days prior to the date fixed for redemption by the Company. If on the date fixed for redemption, the conditions specified herein have not been satisfied, such call shall be deemed a nullity and if the Warrantholder has exercised this Warrant on account of such call, such exercise may be rescinded at the election of the Warrantholder. The Company may call this Warrant for redemption only if resale of all of the Common Stock covered hereby is then registered under the Securities Act of 1933 and a current prospectus meeting the requirements of said Act and the rules thereunder is available for delivery by the Warrantholder, and if the Common Stock is listed or designated for quotation for trading on at least one of the NASDAQ Small Cap Market, the NASDAQ National Market, the New York Stock Exchange or the American Stock Exchange, and all such shares of Common Stock are then authorized for trading on one of such exchanges and registered under Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934. Notwithstanding the foregoing, this Warrant may be exercised by the Warrantholder in accordance with Section 5 at any time on or before the date fixed for redemption by the Company. If the Company gives written notice of such call, then the limitations on resale contained in Section 3.3 of the Securities Purchase Agreements shall be of no further force or effect.

## SECTION 10. LIMITATION ON EXERCISE.

Notwithstanding anything to the contrary contained herein, this Warrant shall not be exercisable by a holder hereof to the extent (but only to the extent) that, if exercisable by such holder, such holder would beneficially own in excess of 4.9% of the outstanding shares of Common Stock (or such other greater percentage indicated on the signature page to, or otherwise applicable to such holder pursuant to, the Securities Purchase Agreements with respect to such holder). To the extent the above limitation applies, the determination of whether this Warrant shall be exercisable vis-a-vis other securities owned by such holder, and to what extent this Warrant shall be exercised shall be in the sole discretion of the holder and submission of the Warrant for full or partial exercise shall be deemed to be the holder's determination of whether and the extent to which the Warrant is exercisable, in each case subject to such aggregate percentage limitation. No prior inability to exercise the Warrant pursuant to this Section shall have any effect on the applicability of the provisions of this Section with respect to any subsequent determination of exercisability. For the purposes of this provision, beneficial ownership and all calculations, including without limitation, with respect to calculations of percentage ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13 D and G thereunder (collectively "Section 13(d)"). The provisions of this Section may be amended with the approval of the Board of Directors of the Company and the holders of three-quarters in interest in the then outstanding shares of Preferred Stock and Warrants (voting together as a single class): (i) with respect to any matter to cure any ambiguity herein, to correct this Section (or any portion hereof) which may be defective or inconsistent with the intended 4.9% beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such 4.9% limitation; and (ii) with respect to any other matter, with the further consent of the holders of a majority of the then outstanding shares of

Common Stock. The limitations contained in this Section shall apply to a successor holder of Warrants if, and to the extent, elected by such successor holder concurrently with its acquisition of such Warrants, such election to be promptly confirmed in writing to the Company (provided no transfer or series of transfers to a successor holder or holders shall be used by a holder to evade the limitations contained in this Section).

SECTION 11. TERMINATION OF WARRANT.

11.1 If not theretofore exercised, this Warrant shall terminate at 5:00 p.m. Pacific time on the date fixed for redemption pursuant to Section 9 hereof if the conditions specified in said Section have been satisfied and the payments required by such Section have been made in full to the Warrantholder by the Company.

11.2 If the Issue Date of this Warrant is later than the date on which redemption of Warrants pursuant to Section 9 hereof has been completed, then this Warrant shall terminate at 5:00 p.m. Pacific time on the 30th day after the Issue Date (or if such 30th day is not a trading day, then on the next following trading day), if (i) the conditions set forth in the penultimate sentence of Section 9 are satisfied, and (ii) the closing bid price of the Common Stock for each of the five trading days preceding the Issue Date equaled or exceeded 150% of the Warrant Price.

SECTION 12. SUCCESSORS.

All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrantholder shall bind and inure to the benefit of their respective successors and assigns hereunder.

SECTION 13. MERGER OR CONSOLIDATION OF THE COMPANY.

The Company will not merge or consolidate with or into any other corporation or sell all or substantially all of its property to another corporation, unless the provisions of Section 6.3 are complied with.

SECTION 14. APPLICABLE LAW, SPECIFIC PERFORMANCE AND CONSENT TO JURISDICTION.

(a) This Warrant shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be construed in accordance with the laws of said State.

(b) The Company and the Warrantholder acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Warrant or the other agreements, documents or instruments contemplated hereby (collectively, the "Transaction Documents") were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of the Transaction Documents and to enforce specifically the terms and provisions thereof, this being in addition to any other remedy to which either of them may be entitled by law or equity. No provision of any Transaction Documents providing for any remedy to a Warrantholder shall limit any remedy which would otherwise be available to such Investor at law or in equity.

Each of Warrantholder (with respect to compliance by the Company with Section 4(2) of the Securities Act of 1933) and the Company (each an "Indemnitor") shall indemnify and hold harmless the other for a breach by the Indemnitor of its representations, warranties or obligations under any of the Transaction Documents.

(c) Each of the Company and the Warrantholder (i) hereby irrevocably submits to the jurisdiction of the United States District Court and other courts of the United States sitting in Delaware and the courts of the State of Delaware for the purposes of any suit, action or proceeding arising out of or relating to this Warrant and (ii) hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Each of the Company and the Warrantholder consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this paragraph shall affect or limit any right to serve process in any other manner permitted by law.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by a duly authorized officer of the Company.

Techniclone Corporation

By: \_\_\_\_\_

## EXHIBIT 4.1

## 5% PREFERRED STOCK INVESTMENT AGREEMENT

AGREEMENT dated as of April \_\_, 1997 between Techniclone Corporation (the "Company") and the investor whose name is set forth at the foot of this Agreement (the "Investor" or "Purchaser").

The parties hereto agree as follows:

## ARTICLE I

## Purchase and Sale of Preferred Stock

Section 1.1 Purchase and Sale of Preferred Stock. Upon the following terms and conditions, the Company shall issue and sell to the Investor shares of the Company's 5% Adjustable Convertible Class "C" Preferred Stock (the "Shares") having the rights, designations and preferences set forth in Schedule I (sometimes herein referred to as the "Certificate of Designation") hereto and having the form of conversion notice attached as Schedule II hereto, and the Investor shall purchase from the Company the number of Shares designated on the signature page hereof. Such Shares shall be convertible into (i) common stock of the Company, par value \$\_\_\_ per share (the "Common Stock") and (ii) warrants (the "Warrants") to acquire shares of Common Stock. As used herein, the term "Shares" shall include Shares issued or issuable, as the case may be, as dividends on Shares, and the term Warrants shall include Warrants to be issued upon conversion of Shares, in each case unless the context otherwise requires. The Company covenants and agrees that all purchases of Shares shall be pursuant to identical investment agreements and that a maximum of 13,200 Shares shall be sold (including shares sold consistent with Section 7.1 (but not including shares issued as dividends)).

Section 1.2 Purchase Price. The purchase price for the Shares (the "Purchase Price") shall be \$1000 per share.

## Section 1.3 The Closing.

(a) The closing of the purchase and sale of the Shares (the "Closing"), shall take place at the offices of Stradling, Yocca, Carlson & Rauth, 660 Newport Center Drive #1600, Newport Beach, CA 92660, at 10:00 a.m., local time on the later of the following: (i) the date hereof or the date on which the last to be fulfilled or waived of the conditions set forth in Article IV hereof and applicable to the Closing shall be fulfilled or waived in accordance herewith, or (ii) such other time and place and/or on such other date as the Investor and the Company may agree. The date on which the Closing occurs is referred to herein as the "Closing Date."

(b) On the Closing Date, the Company shall deliver to the Investor or to an authorized representative of the Investor certificates representing the number of Shares being purchased by the Investor, registered in the name of the Investor, against delivery by the Investor to the Company of the Purchase Price for such Shares by cashier's check or wire transfer in immediately available funds to such account as shall be designated in writing by the Company. In

addition, each party shall deliver all documents, instruments and writings required to be delivered by such party pursuant to this Agreement at or prior to the Closing.

#### Section 1.4 Agreement to Register.

(a) At the Closing, the Company shall execute and deliver to each Investor the Registration Rights Agreement in the form attached hereto as Annex 1 (the "Registration Rights Agreement").

(b) From and after the date of this Agreement, the Company shall not allow or agree to allow the holders of any securities of the Company to include any of their securities in any registration statement(s) filed by the Company pursuant to the Registration Rights Agreement without the prior written consent of the holders of a majority of the Registrable Securities (as defined in the Registration Rights Agreement) included therein.

## ARTICLE II

### Representations and Warranties

Section 2.1 Representations and Warranties of the Company. Except as may be set forth in the Disclosure Schedule delivered simultaneously herewith, the Company hereby makes the following representations and warranties to the Investor:

(a) Organization and Qualification. The Company is a corporation duly incorporated and existing in good standing under the laws of Delaware and has the requisite corporate power to own its properties and to carry on its business as now being conducted. The Company does not have any subsidiaries except as listed in Schedule 2.1(a) hereto or in the SEC Documents (as hereinafter defined). The Company and each such subsidiary, if any, is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary other than those in which the failure so to qualify would not have a Material Adverse Effect. "Material Adverse Effect" means any adverse effect on the business, operations, properties, prospects, or financial condition of the entity with respect to which such term is used and which is material to such entity and other entities controlling or controlled by such entity taken as a whole (it being understood that the Company shall be deemed for all purposes to be independent and not controlled by another entity).

(b) Authorization; Enforcement. (i) The Company has the requisite corporate power and authority to enter into and perform this Agreement and to issue the Shares in accordance with the terms hereof, and to issue the Common Stock and the Warrants upon the conversion of the Shares in accordance with the terms of the Certificate of Designation and to issue the Common Stock upon exercise of the Warrants in accordance with the terms of the Warrants, (ii) the execution and delivery of this Agreement, the Registration Rights Agreement, the Certificate of Designation with respect to the Shares and the Warrants by the Company and the consummation by it of the transactions contemplated hereby and thereby (including the issuances described in clause (i) of this Section 2.1(b)) have been duly authorized by all necessary corporate action, and no further consent or authorization of the Company or its Board of Directors or stockholders is required, (iii) this Agreement has been, and the Registration Rights Agreement, Certificate of

Designation and Warrants will have been, when executed and delivered in accordance herewith, duly executed and delivered by the Company, and (iv) this Agreement constitutes, and each of the Registration Rights Agreements, Certificates of Designation and Warrants will constitute, a valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application. The Company's executive officers and directors have studied and fully understand the nature of the securities being sold hereunder and recognize that they have a potential dilutive effect and the Board of Directors has concluded in its good faith business judgment that such issuance is in the best interests of the Company.

(c) Capitalization. The authorized capital stock of the Company consists of 50,000,000 shares of Common Stock and 5,000,000 shares of preferred stock; there are 22,168,652 shares of Common Stock and 2,200 shares of preferred stock issued and outstanding; and, upon issuance of the Shares in accordance with the terms hereof and pursuant to similar agreements of like tenor, there will be 22,168,652 shares of Common Stock and 13,200 shares of preferred stock issued and outstanding. All of the outstanding shares of the Company's Common Stock and preferred stock have been validly issued and are fully paid and nonassessable. Except as set forth in Schedule 2.1(c) hereto no shares of the stock of the Company or its subsidiaries are entitled to preemptive rights or registration rights and there are no outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of capital stock of the Company or its subsidiaries, or contracts, commitments, understandings, or arrangements by which the Company or its subsidiaries is or may become bound to issue additional shares of capital stock of the Company or its subsidiaries or options, warrants, scrip, rights to subscribe to, or commitments to purchase or acquire, any shares, or securities or rights convertible into shares, of capital stock of the Company or its subsidiaries. The Company has furnished or made available to the Investor true and correct copies of the Company's Certificate of Incorporation as in effect on the date hereof (the "Charter"), and the Company's By-Laws, as in effect on the date hereof (the "By-Laws").

(d) Issuance of Shares. The issuance of the Shares and the Warrants has been duly authorized and when issued in accordance with the terms hereof the Shares will be validly issued, fully paid and non-assessable and entitled to the rights and preferences set forth in Schedule I hereto and in the case of the Warrants, when issued, will be valid, binding and enforceable and entitled to the rights and preferences set forth in the Warrants. The Common Stock issuable upon conversion of the Shares and exercise of the Warrants has been duly authorized and reserved for issuance and when issued in accordance with the Certificate of Designation filed by the Company to establish the rights and preferences of the Shares (or in accordance with the Warrants, as the case may be), will be validly issued, fully paid and non-assessable and not subject to any preemptive rights or adverse claims, and the holders shall be entitled to all rights and preferences accorded to a holder of Common Stock.

(e) No Conflicts. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby do not and will not (i) result in a violation of the Company's Charter or By-Laws or (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation

of, any agreement, indenture or instrument to which the Company or any of its subsidiaries is a party, or result in a violation of any federal, state, local or foreign law, rule, regulation, order, judgment or decree (including Federal and state securities laws and regulations) applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect); provided that, for purposes of such representation as to Federal, state, local or foreign law, rule or regulation, no representation is made herein with respect to any of the same applicable solely to the Investor and not to the Company. The business of the Company is not being conducted in violation of any law, ordinance or regulations of any governmental entity, except for violations which either singly or in the aggregate do not and will not have a Material Adverse Effect. The Company is not required under Federal, state or local law, rule or regulation in the United States to obtain any consent, authorization or order of, or make any filing (other than the filing of a Certificate of Designation setting forth the terms of the Shares with the Delaware Secretary of State) or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement or issue and sell the Shares or the Warrants in accordance with the terms hereof or to issue shares of Common Stock upon conversion of the Shares or exercise of the Warrants (other than any SEC, NASD or state securities filings specified on Schedule 2.1(e) which may be required to be made by the Company and any registration statement(s) under the Securities Act of 1933, as amended (the "Act"), which may be filed pursuant to the Registration Rights Agreement); provided that, for purposes of the representation made in this sentence, the Company is assuming and relying upon the accuracy of the relevant representations and agreements of the Investor herein.

(f) SEC Documents, Financial Statements. The Common Stock of the Company is registered pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Exchange Act, including material filed pursuant to Section 13(a) or 15(d), in addition to one or more registration statements and amendments thereto heretofore filed by the Company with the SEC (all of the foregoing (including filings incorporated by reference therein), in each case filed prior to April \_\_, 1997 being referred to herein as the "SEC Documents"). The Company has delivered or made available to the Investor true and complete copies of the quarterly and annual (including, without limitation, proxy information and solicitation materials) SEC Documents filed with the SEC since April 30, 1994. The Company has not provided to the Investor any information which, according to applicable law, rule or regulation, should have been disclosed publicly by the Company but which has not been so disclosed, other than with respect to the transactions contemplated by this Agreement. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder except as set forth on Schedule 2.1(f) and other federal, state and local laws, rules and regulations applicable to such SEC Documents, and none of the SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC or other applicable rules and regulations with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the



periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(g) No Material Adverse Change. Except as set forth on Schedule 2.1(g) since the date through which the most recent report of the Company on Form 10-K has been prepared and filed with the SEC, a copy of which is included in the SEC Documents, no event which has had or would have a Material Adverse Effect has occurred or exists with respect to the Company or its subsidiaries, except as otherwise disclosed or reflected in other SEC Documents filed prior to April \_\_\_, 1997 and subsequent to the date of such 10-K, and the Company has not received any communication from the SEC or the NASD regarding any possible de-listing of the Company's Common Stock.

(h) No Undisclosed Liabilities. The Company and its subsidiaries have no liabilities or obligations not disclosed in the most recent quarterly report of the Company on form 10-Q other than those incurred since the date of such report in the ordinary course of the Company's or its subsidiaries' respective businesses which, individually or in the aggregate, do not and would not have a Material Adverse Effect on the Company or its subsidiaries.

(i) No Undisclosed Events or Circumstances. No material adverse event or circumstance has occurred or exists with respect to the Company or its subsidiaries or their respective businesses, properties, prospects, operations or financial condition which, has not been publicly announced or disclosed.

(j) No General Solicitation. Neither the Company, nor any of its affiliates, or, to its knowledge, any person acting on its or their behalf (including Cappello Capital Corp. (the "Placement Agent")), has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the Act) in connection with the offer or sale of the Shares or the Warrants.

(k) No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of the Shares or the Warrants under the Act.

(l) Absence of Litigation. Except as disclosed in the SEC Documents or in Schedule 2.1(l), there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its subsidiaries, threatened against or affecting the Company, any of its subsidiaries, or any of their respective directors or officers in their capacities as such, wherein an unfavorable decision, ruling or finding would have a material adverse effect on the properties, business, condition (financial or other), results of operations or prospects of the Company and its subsidiaries taken as a whole or the transactions contemplated by this Agreement or any of the documents contemplated hereby or which would adversely affect the validity or

enforceability of, or the authority or ability of the Company to perform its obligations under, this Agreement or any of such other documents.

(m) Disclosure. All information relating to or concerning the Company set forth in this Agreement or provided to the Purchaser in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or exists with respect to the Company or its subsidiaries or their respective businesses, properties, prospects, operations or financial conditions which, under applicable law, rule or regulation, which now or in the future (due solely to passage of time) requires public disclosure, announcement or filing by the Company but which has not been so publicly disclosed, or filed.

(n) Acknowledgment Regarding Purchaser's Purchase of the Securities. The Company acknowledges and agrees that none of the Purchasers are acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement or the transactions contemplated hereby, and any advice given by any Purchaser, or any of their representatives or agents, in connection with this Agreement and the transactions contemplated hereby is merely incidental to each Purchaser's purchase of Shares and has not been relied upon in any way by the Company. The Company further represents to Purchaser that the Company's decision to enter into this Agreement has been based solely on an independent evaluation by the Company and its representatives.

(o) No Brokers. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, finder's fees or similar payments by any Purchaser relating to this Agreement or the transactions contemplated hereby, except for dealings with Cappello & Laffer Capital Corp. whose commissions and fees will be paid by the Company.

(p) Acknowledgment of Dilution. The number of shares of Common Stock issuable upon conversion of the Shares or exercise of the Warrants, (collectively the "Investor Common Shares") may increase substantially in certain circumstances, including the circumstances wherein the trading price of the Common Stock declines. The Company acknowledges that its obligation to issue Investor Common Shares upon conversion of the Shares in accordance with the Certificate of Designation or the exercise of the Warrants is absolute and unconditional, regardless of the dilution that such issuance may have on the ownership interests of other stockholders.

(q) Intellectual Property. Each of the Company and its subsidiaries owns or possesses adequate and enforceable rights to use all patents, patent applications, trademarks, trademark applications, trade names, service marks, copyrights, copyright applications, licenses, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) and other similar rights and proprietary knowledge (collectively, "INTANGIBLES") necessary for the conduct of its business as now being conducted and as described in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 1996. To the best knowledge of the Company, after due inquiry, neither the Company nor any subsidiary of the Company infringes or is in conflict with any right of any other person with respect to any Intangibles which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect.

(r) Peregrine Transaction. The Stock Exchange Agreement (the "Stock Exchange Agreement") dated January 15, 1997, by and between Peregrine Pharmaceuticals, Inc. ("Peregrine"), the Company and certain stockholders of Peregrine, together with all amendments and modifications thereto (collectively the "Amendments"), have been executed and delivered and are in full force and effect and binding upon all of the Major Stockholders (as that term is defined in the Stock Exchange Agreement, as amended by the Amendments). True, correct and complete copies of the Stock Exchange Agreement and all Amendments have been delivered to Purchaser.

Section 2.2 Representations and Warranties of the Investor. The Investor hereby makes the following representations and warranties to the Company:

(a) Authorization, Enforcement. (i) The Investor has the requisite power and authority to enter into and perform this Agreement and to purchase the Shares being sold hereunder, (ii) the execution and delivery of this Agreement by the Investor and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary corporate or partnership action, and (iii) this Agreement constitutes a valid and binding obligation of the Investor enforceable against the Investor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

(b) No Conflicts. The execution, delivery and performance of this Agreement and the consummation by the Investor of the transactions contemplated hereby do not and will not (i) result in a violation of the Investor's charter documents or By-Laws, or (ii) conflict with any agreement, indenture or instrument to which Investor is a party, or (iii) result in a violation of any law, rule, or regulation, or any order, judgment or decree of any court or governmental agency applicable to Investor. The business of the Investor is not being conducted in violation of any law or regulation of any governmental entity, except for possible violations which either singly or in the aggregate do not and will not have a Material Adverse Effect on Investor's business. The Investor is not required to obtain any consent or authorization of any governmental agency in order for it to perform its obligations under this Agreement. The data to be provided by the Investor in connection with registering the Registrable Securities under the Act will be true and correct in all material respects.

(c) Investment Representation. The Investor is purchasing the Shares for its own account for investment and not with a view to distribution otherwise than in compliance with the Act. Investor has no present intention to sell the Shares and Investor has no present arrangement (whether or not legally binding) to sell the Shares to or through any person or entity; provided, however, that by making the representations herein, the Investor does not agree to hold the Shares for any minimum or other specific term and reserves the right to dispose of the Shares at any time in accordance with Federal and state securities laws applicable to such disposition.

(d) Accredited Investor. The Investor is an accredited investor as defined in Rule 501 promulgated under the Act. The Investor has such knowledge and experience in financial and business matters in general, and investments in particular, so that the Investor is able to evaluate the merits and risks of an investment in the Shares and to protect its own interests in connection with such investment. In addition (but without limiting the effect of the Company's representations and warranties contained herein), the Investor has received such information as it

considers necessary or appropriate for deciding whether to purchase the Shares pursuant hereto. The Investor acknowledges that no representation or warranty is made by the Placement Agent or any persons representing the Placement Agent with respect to the Company or sale of the Shares.

(e) Rule 144. The Investor understands that there is no public trading market for the Shares, that none is expected to develop, and that the Shares must be held indefinitely unless such Shares or securities into which the Shares are converted are registered under the Act or an exemption from registration is available. The Investor has been advised or is aware of the provisions of Rule 144 promulgated under the Act.

### ARTICLE III

#### Covenants

##### Section 3.1 Securities Compliance.

(a) The Company shall notify the SEC and NASD, in accordance with their requirements, of the transactions contemplated by this Agreement, and shall take all other necessary action and proceedings as may be required and permitted by applicable law, rule and regulation, for the legal and valid issuance of the Shares and Warrants and the Common Stock issuable upon conversion of the Shares or the exercise of the Warrants, as the case may be, to the Investor or subsequent holder.

(b) The Investor understands that the Shares are being offered and sold in reliance on a transactional exemption from the registration requirements of Federal and state securities laws and that the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments and understandings of the Investor set forth herein in order to determine the applicability of such exemptions and the suitability of the Investor to acquire the Shares.

(c) The Company shall, on or before the Closing Date take such action as the Company shall reasonably determine is necessary to qualify the Shares for sale to the Investor pursuant to this Agreement under applicable securities or "blue sky" laws of the states of the United States or obtain exemption therefrom, and shall provide evidence of any such action so taken to the Investor on or prior to the Closing Date.

Section 3.2 Registration and Listing. Until the later of (i) three (3) years after all Shares have been converted into Common Stock and (ii) the date on which no Warrants issued upon such conversion remain outstanding, the Company will cause its Common Stock (or other securities into which the Shares are convertible or for which the Warrants are exercisable) to continue to be registered under Sections 12(b) or 12(g) of the Exchange Act, will comply in all respects with its reporting and filing obligations under said act, will comply with all requirements related to any registration statement filed pursuant to the Registration Rights Agreement and will not take any action or file any document (whether or not permitted by the Act or the Exchange Act or the rules thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under said acts, except as permitted herein. Until the later of (i) three (3) years after all Shares have been converted into Common Stock and (ii) the date on which no Warrants

issued upon such conversion remain outstanding, the Company will take all action within its power to continue the listing or trading of its Common Stock on the NASDAQ or a national securities exchange and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the NASD or such exchange, as the case may be.

Section 3.3 Sale Restrictions. Investor will not on any trading day sell publicly on NASDAQ or on the principal exchange on which the Common Stock is traded, on a net basis more than the following number of shares of Common Stock issued upon conversion of Shares or exercise of Warrants: the greatest of (i) 10% of the average daily trading volume of the Common Stock for the five trading days preceding such sale as reported by NASDAQ or by such principal exchange, (ii) 50,000 shares (adjusted for stock splits or distributions occurring on or after the date of this Agreement), and (iii) 10% of the trading volume for the Common Stock on the day of such sale.

Section 3.4 Conversion and Exercise Rights. (a) The Shares shall not be convertible and the Warrants shall not be exercisable by a holder thereof to the extent (but only to the extent) that, if convertible or exercisable, as the case may be, by such holder, such holder would beneficially own in excess of 4.9% of the outstanding shares of Common Stock (or such other greater percentage indicated on the signature page to the Securities Agreement with respect to an Investor). To the extent the above limitation applies, the determination of whether Shares shall be convertible (vis-a-vis other securities owned by such holder) and of which Shares shall be converted and of whether Warrants shall be exercisable (vis-a-vis other securities owned by such holder) and of which Warrants shall be exercised shall be in the sole discretion of the holder thereof and submission of Shares for conversion and Warrants for exercise shall be deemed to be the holder's determination whether Shares shall be convertible (vis-a-vis other securities owned by such holder) and of which Shares are converted and/or of whether Warrants shall be exercisable (vis-a-vis other securities owned by such holder) and of which Warrants are exercised subject to such aggregate percentage limitation. For the purposes of this provision, beneficial ownership and all calculations, including without limitation, calculations of percentage ownership, shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13 D and G thereunder. The provisions of this Section may be waived and/or implemented in a manner otherwise than strictly in conformity with the foregoing provisions of this Section 3.4 with the approval of the Board of Directors of the Company and the holders of three quarters in interest in the then outstanding Shares and Warrants (voting together as a single class): (i) with respect to any matter to cure any ambiguity herein, to correct this Section (or any portion hereof) which may be defective or inconsistent with the intended 4.9% beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such 4.9% limitation; and (ii) with respect to any other matter, with the further consent of the holders of a majority of the then outstanding shares of Common Stock. A holder of Shares shall not take unreasonable actions for the intended primary purpose of causing the Company to be unable to convert Shares as a result of the limitations contained within this Section 3.4.

(b) The limitations contained in this Section shall apply to a successor holder of Shares and/or Warrants if, and to the extent, elected by such successor holder concurrently with its acquisition of such Shares and/or Warrants, as the case may be, such election to be promptly confirmed in writing to the Company (provided no transfer or series of transfers to a successor holder or holders shall be used by a holder to circumvent the limitations contained in this Section).

Section 3.5 Reservation of Shares. The Company shall at all times have authorized and reserved for issuance, free from preemptive rights, a number of shares of Common Stock sufficient to satisfy the conversion rights of Purchaser pursuant to the terms and conditions of the Shares outstanding at such time and any Warrants issuable upon the conversion thereof and to satisfy the issuance of any other shares of Common Stock which are reserved for issuance or which are issuable upon the exercise, conversion, exchange or satisfaction of any outstanding securities or obligations or rights of the Company.

Section 3.6 Best Efforts. The parties shall use their best efforts timely to satisfy each of the conditions described in Article IV of this Agreement.

Section 3.7 Use of Proceeds. The Company shall use the proceeds from the sale of the Shares substantially in accordance with Schedule 3.7.

Section 3.8 Financial Information. So long as Investor holds any Shares or Warrants, the Company shall send the following reports to Investor: a copy of its annual Report on Form 10-K, its Quarterly Reports on Form 10-Q, any proxy statements, any Current Reports on Form 8-K and any press releases issued by the Company or any of its subsidiaries.

Section 3.9 Corporate Existence. Without limiting any provisions of the Certificate of Designation or the Warrants, so long as a Purchaser beneficially owns any Shares or Warrants, the Company shall maintain its corporate existence, except in the event of a merger, consolidation or sale of all or substantially all of the Company's assets in which the surviving or successor entity in such transaction (i) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith regardless of whether or not the Company would have had a sufficient number of shares of Common Stock authorized and available for issuance in order to effect the conversion of all Shares and Warrants outstanding as of the date of such transaction and all Warrants issuable upon conversion of such Shares and (ii) is a publicly traded corporation whose common stock is listed for trading on the NASDAQ, NYSE or AMEX.

Section 3.10 Restriction on Below Market Issuance of Securities. Except as set forth on Schedule 3.10 for a period of one hundred eighty (180) days after the Closing Date, the Company shall not issue or agree to issue, except to the Purchasers, any equity securities of the Company (or any security convertible into or exercisable or exchangeable, directly or indirectly, for equity securities of the Company) if such securities are issued at a price (or in the case of securities convertible into or exercisable or exchangeable, directly or indirectly, for Common Stock such securities provide for a conversion price) less than the current market price for Common Stock on the date of issuance (in the case of Common Stock) or the conversion date (in the case of securities convertible into or exercisable or exchangeable, directly or indirectly, for Common Stock); provided that the foregoing shall not preclude the issuance of up to an aggregate of \$5 million of Common Stock without registration rights and which may only be resold in accordance with Rule 144 under the Act (but, without implication that the contrary would otherwise be true, not securities convertible into or exercisable or exchangeable, directly or indirectly, for Common Stock) at a discount which shall not exceed 15%.

## ARTICLE IV

## Conditions

Section 4.1 Conditions Precedent to the Obligation of the Company to Sell the Shares. The obligation hereunder of the Company to issue and/or sell the Shares to the Investor is subject to the satisfaction, at or before the Closing, of each of the conditions set forth below. These conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion.

(a) Accuracy of the Investor's Representations and Warranties. The representations and warranties of the Investor shall be true and correct in all material respects.

(b) Performance by the Investor. The Investor shall have performed all agreements and satisfied all conditions required to be performed or satisfied by the Investor at or prior to the Closing.

(c) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which restricts or prohibits the consummation of any of the transactions contemplated by this Agreement.

Section 4.2 Conditions Precedent to the Obligation of the Investor to Purchase the Shares. The obligation hereunder of the Investor to acquire and pay for the Shares is subject to the satisfaction, at or before the Closing, of each of the conditions set forth below. These conditions are for each Investor's sole benefit and may be waived by the Investor at any time in its sole discretion.

(a) Accuracy of the Company's Representations and Warranties. The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date. The Purchaser shall have received a certificate, executed by the chief executive officer of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may reasonably be requested by Purchaser.

(b) Performance by the Company. The Company shall have performed all agreements and satisfied all conditions required to be performed or satisfied by the Company at or prior to the Closing.

(c) NASDAQ. The Company's Common Stock shall be listed and traded on the NASDAQ Small Cap Market. Prior to the Closing Date, trading in the Company's Common Stock shall not have been suspended by the SEC or NASDAQ and trading in securities generally as reported by NASDAQ shall not have been suspended or limited or minimum prices shall not have been established on securities whose trades are reported by NASDAQ.

(d) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which restricts or prohibits the consummation of any of the transactions contemplated by this Agreement.

(e) Opinion of Counsel, Etc. At the Closing the Investor shall have received an opinion of counsel to the Company in the form attached hereto and such other certificates and documents as the Investor or its counsel shall reasonably require incident to the Closing.

(f) The Certificate of Designation shall have been accepted for filing with the Secretary of State of the State of Delaware and a copy thereof certified by the Secretary of State of Delaware shall have been delivered to Investor.

(g) The Company shall have delivered duly executed certificates (in such denominations as such Investor shall request) representing the Shares being so purchased by Investor.

(h) The aggregate number of Shares purchased by the Purchaser, together with the purchasers under related Investment Agreements, shall be a maximum of 13,200 (including Shares purchased pursuant to the exercise of the warrant described in Section 7.1).

(i) The Company shall have delivered evidence reasonably satisfactory to the Investor that the Company's transfer agent has agreed to act in accordance with irrevocable instructions in the form attached hereto as Schedule III.

(j) The Stock Exchange Agreement and the Amendments shall have been executed and delivered by the Major Stockholders (as that term is defined in the Stock Exchange Agreement, as amended by the Amendments) and shall be in full force and effect and binding upon all parties thereto and the Purchaser shall have been provided with true, correct and complete copies of each such agreement or document.

#### ARTICLE V

##### Legend on Stock

Each certificate representing the Shares and, if appropriate in accordance with this Article V, securities (including, without limitation, the warrants) issued upon conversion thereof or upon exercise of the Warrants shall be stamped or otherwise imprinted with a legend in the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD OR OFFERED FOR SALE EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW OR AN APPLICABLE EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.



The Company agrees to reissue certificates representing the Shares or, as applicable, to originally issue or reissue, as the case may be, certificates representing the securities (including, without limitation, the Warrants) issued upon conversion thereof or upon exercise of the Warrants without the legend set forth above in accordance with the following at such time as (i) the holder thereof is permitted to dispose of such Shares (or securities (including, without limitation, the Warrants) issued upon conversion thereof) pursuant to Rule 144 under the Act, (ii) such Shares or securities (as applicable) are sold to a purchaser or purchasers who (in the opinion of counsel to such purchasers, in form and substance reasonably satisfactory to the Company and its counsel) are able to dispose of such shares publicly without registration under the Act, or (iii) such Shares or securities (as applicable) are included in an effective registration statement under the Act.

The Company shall instruct its transfer agent to issue certificates, registered in the name of each Purchaser or its nominee, for the Investor Common Shares in such amounts as specified from time to time by such Purchaser to the Company upon conversion of the Shares and exercise of Warrants. All such certificates shall bear the restrictive legend specified in this Article V of this Agreement, but only to the extent and under the circumstances set forth in this Article V and otherwise shall not bear such restrictive legend. If a Purchaser desires to transfer securities to an affiliate or provides the Company with an opinion of counsel, which opinion of counsel shall be in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that the securities to be sold or transferred may be sold or transferred pursuant to an exemption from registration, the Company shall permit the transfer, and, in the case of the Investor Common Shares, promptly instruct its transfer agent to issue one or more certificates in such name and in such denominations as specified by a Purchaser.

#### ARTICLE VI

##### Termination

Section 6.1 Termination by Mutual Consent. This Agreement may be terminated at any time prior to the Closing by the mutual written consent of the Company and the Investor.

Section 6.2 Other Termination. This Agreement may be terminated by Investor or by action of the Board of Directors of the Company at any time if the Closing shall not have been consummated by the fifth business day following the date of this Agreement; provided, however, that the right to terminate this Agreement under this Section 6.2 shall not be available to any party whose failure to fulfill any material obligation under this Agreement has been the cause of or resulted in the failure of the Closing to occur on or prior to the aforesaid date.

#### ARTICLE VII

##### Miscellaneous

Section 7.1 Fees and Expenses. Except as otherwise set forth in the Registration Rights Agreement hereof or this Section 7.1, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, and delivery of this Agreement, provided that the Company shall pay, at the Closing, to the Placement Agent (Cappello & Laffer Capital Corp.) \$100,000 to cover its non-accountable expenses including due diligence fees and attorneys' fees

and expenses incurred by the Placement Agent. The Company shall pay all stamp and other taxes and duties levied in connection with the issuance of the Shares pursuant hereto. The Placement Agent's compensation includes a cash payment in an amount equal to 6% of the Purchase Price of Shares sold by the Company, and the issuance of 5-year warrants to the Placement Agent to purchase at \$1000 per share that number of Shares equal to 10% of the number of Shares sold.

#### Section 7.2 Specific Enforcement, Consent to Jurisdiction.

(a) The Company and the Investor acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement or the other agreements, documents or instruments contemplated hereby (collectively, the "Transaction Documents") were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of the Transaction Documents and to enforce specifically the terms and provisions thereof, this being in addition to any other remedy to which either of them may be entitled by law or equity. No provision of any Transaction Documents providing for any remedy to an Investor shall limit any remedy which would otherwise be available to such Investor at law or in equity. The Investor (with respect to compliance by the Company with Section 4(2) of the Securities Act of 1933) and the Company (each an "Indemnitor") shall each indemnify and hold harmless the other for a breach by the Indemnitor of its representatives, warranties or obligations under any of the Transaction Documents.

(b) Each of the Company and the Investor (i) hereby irrevocably submits to the jurisdiction of the United States District Court and other courts of the United States sitting in Delaware and the courts of the State of Delaware for the purposes of any suit, action or proceeding arising out of or relating to this Agreement and (ii) hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Each of the Company and the Investor consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this paragraph shall affect or limit any right to serve process in any other manner permitted by law.

Section 7.3 Entire Agreement: Amendment. This Agreement and the documents and instruments referred to herein and therein contain the entire understanding of the parties with respect to the matters covered hereby and thereby and, except as specifically set forth herein and therein, neither the Company nor the Investor makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by a written instrument signed by the party against whom enforcement of any such amendment or waiver is sought.

Section 7.4 Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be effective (a) upon hand delivery or delivery by telecopy or facsimile at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express

courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

to the Company: Techniclone Corporation  
William Moding, Chief Financial  
Officer  
14282 Franklin Avenue  
Tustin, CA 92780-7017  
Fax: (714) 838-5817

to the Investor: At the address set forth  
at the foot of this Agreement, with  
copies to Investor's counsel as set  
forth at the foot of this Agreement or  
as specified in writing by Investor

with copies to: Gerard K. Cappello  
Cappello & Laffer Capital Corp.  
1299 Ocean Avenue, Suite 306  
Santa Monica, California 90401  
Fax: (310) 393-4838

Any party hereto may from time to time change its address for notices by giving at least 10 days' written notice of such changed address to the other party hereto.

Section 7.5 Waivers. No waiver by either party of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

Section 7.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

Section 7.7 Successors and Assigns. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Except as otherwise set forth herein, the parties hereto may amend this Agreement without notice to or the consent of any third party.

Section 7.8 No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

Section 7.9 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of Delaware without regard to such state's principles of conflict of laws.

Section 7.10 Survival. The representations and warranties of the Company and the Investor contained in Article II and the agreements and covenants set forth in Articles I, III, V and VII shall survive the Closing.

Section 7.11 Execution. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event any signature is delivered by facsimile transmission, the party using such means of delivery shall cause the manually executed signature page(s) to be physically delivered to the other party within five days of the execution hereof.

Section 7.12 Publicity. The Company agrees that it will not disclose, and will not include in any public announcement, the name of the Investor without its written consent, unless and until such disclosure is required by law or applicable regulation, and then only to the extent of such requirement.

Section 7.13 Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby (including without limitation with respect to the beneficial ownership limitations contained in this Agreement and the other Transaction Documents).

Section 7.14 Assignment. The rights of the Investor hereunder may be assigned to any affiliate of Investor or, if the Investor complies with the requirements of Section 9 of the Registration Rights Agreement, to a third party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the date hereof.

Techniclone Corporation

By: -----  
Name: Lon H. Stone  
Its: Chairman and President

Number of Shares

The Investor

-----  
Aggregate Dollar Amount at  
\$1000 per share

By: -----  
Name:  
Its:  
Investor's address:

\$  
-----

Percentage limitation, if desired -----

Name and address of Investor's  
counsel:

## SCHEDULE II

## NOTICE OF CONVERSION

(To be Executed by the Registered Holder  
in order to Convert the 5% Preferred Stock)

The undersigned hereby irrevocably elects to convert \_\_\_\_\_ shares of 5% Preferred (the "Conversion"), represented by stock certificate No(s). \_\_\_\_\_ (the "Preferred Stock Certificates") into shares of common stock ("Common Stock") and warrants ("Warrants") of Techniclone Corporation (the "Corporation") according to the conditions thereof; as of the date written below. If securities are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. No fee will be charged to the holder for any conversion, except for transfer taxes, if any. A copy of each Preferred Stock Certificate is attached hereto (or evidence of loss, theft or destruction thereof).

The undersigned represents and warrants that all offers and sales by the undersigned of the Common Stock issuable to the undersigned upon conversion of the 5% Preferred and Warrants shall be made pursuant to registration of the Common Stock under the Securities Act of 1933, as amended (the "Act"), or pursuant to an exemption from registration under the Act.

Date of Conversion: \_\_\_\_\_

Applicable Conversion Price: \_\_\_\_\_

Amount of Conversion Default Payments to be  
Converted, if any: \_\_\_\_\_

Number of Shares of Common Stock to be Issued upon  
Conversion: \_\_\_\_\_

Aggregate Number of Shares of Common Stock to be  
included in Warrants to be Issued: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(Must be exactly as appears on the Preferred Stock  
Certificate)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Social Security or Federal

Tax I.D. Number: \_\_\_\_\_

## SCHEDULE III

April \_\_, 1997

[Transfer Agent]

Attn: \_\_\_\_\_

Dear \_\_\_\_\_:

Reference is made to those certain 5% Preferred Stock Investment Agreements (each an "Investment Agreement") of even date herewith, by and among Techniclone Corporation, a Delaware corporation (the "Company") and the other signatories thereto (each, a "Holder") pursuant to which the Company is issuing to the Holders shares of its 5% Adjustable Convertible Class "C" Preferred Stock, (the "Preferred Shares"). The Preferred Shares are convertible into shares of the Company's common stock, par value \$.001 per share (the "Conversion Shares") and Warrants to acquire shares of common stock of the Company (the "Warrant Shares"). The Warrant Shares and the Conversion Shares are collectively referred to as the "Subject Shares". This letter shall serve as our irrevocable authorization and direction to you with respect to the issuance of Subject Shares. Certificates for the Subject Shares shall not bear any legend restricting their transfer and shall not be subject to any stop-transfer restriction; provided, however that subject to Article V of the Investment Agreements, if the Subject Shares are not registered for resale under the Securities Act of 1933, as amended, then the certificates for the Subject Shares shall bear the following legend:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD OR OFFERED FOR SALE EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW OR AN APPLICABLE EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

Please be advised that each Holder is relying upon this letter as an inducement to enter into its respective Investment Agreement and, accordingly, it is agreed that Holder is a third party beneficiary to these instructions. Moreover, the Company cannot revoke or modify these instructions without the prior written consent of Holder. Please execute this letter in the space indicated to acknowledge your agreement to act in accordance with these instructions. Should you have any questions concerning this matter, please contact me at (\_\_\_\_\_) \_\_\_\_\_.

Very truly yours,

TECHNICLONE CORPORATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Agreed and Acknowledged:

[TRANSFER AGENT]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Enclosure

cc: [Holder]



## REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "AGREEMENT"), dated as of April \_\_, 1997 by and among: Techniclone Corporation, a corporation organized under the laws of the State of Delaware, with headquarters located at 14282 Franklin Avenue, Tustin, CA 92780 (the "COMPANY"), and the undersigned (together with affiliates, the "INITIAL INVESTORS").

## WHEREAS:

A. In connection with the 5% Preferred Stock Investment Agreements of even date herewith by and between the Company and the Initial Investors (the "SECURITIES PURCHASE AGREEMENT"), the Company has agreed, upon the terms and subject to the conditions contained therein, to issue and sell to the Initial Investors shares of its 5% Adjustable Convertible Class "C" Preferred Stock (the "PREFERRED STOCK") that is convertible into shares (the "CONVERSION SHARES") of the Company's common stock, par value \$.001 per share (the "COMMON STOCK"), and warrants (the "Warrants") to purchase shares (the "Warrant Shares") of Common Stock upon the terms and subject to the limitations and conditions set forth in the Certificate of Designations, Rights and Preferences filed with respect to such Preferred Stock (the "CERTIFICATE OF DESIGNATION"); and

B. To induce the Initial Investors to execute and deliver the Securities Purchase Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "SECURITIES ACT"), and applicable state securities laws;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Initial Investors hereby agree as follows:

## 1. DEFINITIONS.

a. As used in this Agreement, the following terms shall have the following meanings:

(i) "INVESTORS" means the Initial Investors and any transferees or assignees who agree to become bound by the provisions of this Agreement in accordance with Section 9 hereof.

(ii) "REGISTER," "REGISTERED," and "REGISTRATION" refer to a registration effected by preparing and filing a Registration Statement or Statements in compliance with the Securities Act and pursuant to Rule 415 under the Securities Act or any successor rule providing for offering securities on a continuous basis ("RULE 415"), and the declaration or ordering of effectiveness of such Registration Statement by the United States Securities and Exchange Commission (the "SEC").

(iii) "REGISTRABLE SECURITIES" means the Conversion Shares (including any Conversion Shares issuable with respect to Conversion Default Payments under the Certificate

of Designation or in redemption of any Preferred Stock) issued or issuable with respect to the Preferred Stock (including Preferred Stock issued as dividends on Preferred Stock) and the Warrant Shares issued or issuable upon exercise of Warrants (including Warrants issuable upon conversion of Preferred Stock) and any shares of capital stock issued or issuable, from time to time (with any adjustments), on or in exchange for or otherwise with respect to any of the foregoing.

(iv) "REGISTRATION STATEMENT" means a registration statement of the Company under the Securities Act.

b. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Securities Purchase Agreement.

## 2. REGISTRATION.

a. Mandatory Registration. The Company shall prepare, and, as expeditiously as possible following the Closing Date, file with the SEC a Registration Statement on Form S-3 (or, if Form S-3 is not then available, on such form of Registration Statement as is then available to effect a registration of all of the Registrable Securities, subject to the consent of the Initial Investors (as determined pursuant to Section 11(j) hereof)) covering the resale of at least all of the Registrable Securities, which Registration Statement, to the extent allowable under the Securities Act and the Rules promulgated thereunder (including Rule 416), shall state that such Registration Statement also covers such indeterminate number of additional shares of Common Stock as may become issuable upon conversion of the Preferred Stock or Warrants, as the case may be, (i) to prevent dilution resulting from stock splits, stock dividends or similar transactions or (ii) by reason of changes in the Conversion Price of the Preferred Stock in accordance with the terms thereof. The Registrable Securities included on the Registration Statement shall be allocated to the Investors as set forth in Section 11(k) hereof. The Registration Statement (and each amendment or supplement thereto, and each request for acceleration of effectiveness thereof) shall be provided to (and subject only to the approval of information which such Initial Investors have supplied and matters relating to this Agreement and compliance therewith by the Company) the Initial Investors and their counsel prior to its filing or other submission.

b. Underwritten Offering. If any offering pursuant to a Registration Statement pursuant to Section 2(a) or Section 3(b) hereof involves an underwritten offering, the Investors who hold a majority in interest of the Registrable Securities subject to such underwritten offering, with the consent of the Initial Investors, shall have the right to select a total of one legal counsel to represent the Investors and an investment banker or bankers and manager or managers to administer the offering, which investment banker or bankers or manager or managers shall be reasonably satisfactory to the Company.

c. Payments by the Company. The Company shall cause the registration statement to become effective as soon as practicable, but in no event later than the one hundred twentieth (120) day following the Closing Date; provided, however, that such one hundred twenty (120) day period shall be extended for an additional thirty (30) day period if either the SEC or the Company's auditors (in accordance with applicable professional standards, provided that the Company shall only be entitled to such an extension if they have made all public disclosures necessary to satisfy the auditors that the April 30 audited financial statements are not required to be included in the registration statement filed by the Company pursuant hereto and have otherwise

used their good faith best efforts to satisfy all requirements and provide all necessary or useful information to such auditors) requires that audited financial statements for the fiscal year ended April 30, 1997 be included in any registration statement filed by the Company pursuant hereto (the "REGISTRATION DEADLINE"). If (i) the registration statement(s) covering the Registrable Securities required to be filed by the Company pursuant to Section 2(a) hereof is not declared effective by the SEC on or before the Registration Deadline or if, after the registration statement has been declared effective by the SEC, sales of all the Registrable Securities (including any Registrable Securities required to be registered pursuant to Section 3(b) hereof) cannot be made pursuant to the registration statement (by reason of a stop order or the Company's failure to update the registration statement or any other reason outside the control of the Investors) or (ii) the Common Stock is not listed or included for quotation on the NASDAQ Small Cap Market ("NASDAQ"), the NASDAQ National Market (the "NNM"), the New York Stock Exchange (the "NYSE") or the American Stock Exchange (the "AMEX") at any time after the Registration Deadline, then the Company will make payments to the Investors in such amounts and at such times as shall be determined pursuant to this Section 2(c) as partial relief for the damages to the Investors by reason of any such delay in or reduction of their ability to sell the Registrable Securities (which remedy shall not be exclusive of any other remedies available at law or in equity). The Company shall pay to each Investor an amount equal to the aggregate Purchase Price of the Preferred Stock held by such Investor (including, without limitation, Preferred Stock that has been converted into Conversion Shares then held by such Investor) (the "AGGREGATE SHARE PRICE") multiplied by one hundredth (.01) (but three hundredths (.03) if the proviso to the first sentence of this paragraph (c) is applicable) for the first month (prorated for a partial month) after the Registration Deadline that the Registration Statement filed pursuant to Section 2(a) has not been declared effective by the SEC plus (ii) the Aggregate Share Price multiplied by three hundredths (.03) times the sum of: (y) the number of months (prorated for partial months) after the thirtieth (30) day following the Registration Deadline (the "SECOND REGISTRATION DEADLINE") and prior to the date the Registration Statement filed pursuant to Section 2(a) is declared effective by the SEC and (z) the number of months (prorated for partial months) that sales cannot be made pursuant to the registration statement after the Registration Statement has been declared effective or the Common Stock is not listed or included for quotation on NASDAQ, the NNM, the NYSE or AMEX; provided, however that there shall be excluded from each such period any delays which are solely attributable to changes (other than corrections of Company mistakes with respect to information previously provided by the Investors) required by the Investors in the Registration Statement with respect to information relating to the Investors, including, without limitation, changes to the plan of distribution. (For example, if the Registration Statement is not effective by the Registration Deadline, the Company would pay \$10,000 (\$30,000 if the proviso to the first sentence of this paragraph (c) is applicable) for each \$1,000,000 of Aggregate Share Price until the earlier of the Second Registration Deadline and the date the Registration Statement becomes effective, and if the Registration Statement is not effective on the Second Registration Deadline then from the Second Registration Deadline the Company would pay \$30,000 per month for each \$1,000,000 of Aggregate Purchase Price until the Registration Statement becomes effective.) Such amounts shall be paid in cash or, at each Investor's option, may be convertible into Common Stock and Warrants at the "CONVERSION PRICE" (as defined in the Certificate of Designation). Any shares of Common Stock issued upon conversion (or issuable upon exercise of Warrants issuable upon conversion) of such amounts shall be Registrable Securities. If the Investor desires to convert the amounts due hereunder into Registrable Securities it shall so notify the Company in writing within two (2) business days of the date on which such amounts are first payable in cash and such amounts shall be so convertible (pursuant to the mechanics set forth under Section 4 of the Certificate of Designation), beginning on the last day

upon which the cash amount would otherwise be due in accordance with the following sentence. Payments of cash pursuant hereto shall be made within five (5) days after the end of each period that gives rise to such obligation, provided that, if any such period extends for more than thirty (30) days, interim payments shall be made for each such thirty (30) day period.

d. Piggy-Back Registrations. If at any time prior to the expiration of the Registration Period (as hereinafter defined) the Company shall file with the SEC a Registration Statement relating to a firm commitment underwritten offering for its own account or the account of others under the Securities Act of any of its equity securities (other than on Form S-4 or Form S-8 or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans) the Company shall send to each Investor who is entitled to registration rights under this Section 2(d) written notice of such determination and, if within fifteen (15) days after the date of such notice, such Investor shall so request in writing, the Company shall include in such Registration Statement all or any part of the Registrable Securities such Investor requests to be registered, except that if, in connection with any underwritten public offering for the account of the Company the managing underwriter(s) thereof shall impose a limitation on the number of shares of Common Stock which may be included in the Registration Statement because, in such underwriter(s)' judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then the Company shall be obligated to include in such Registration Statement only such limited portion of the Registrable Securities with respect to which such Investor has requested inclusion hereunder as the underwriter shall permit. Any exclusion of Registrable Securities shall be made pro rata among the Investors seeking to include Registrable Securities, in proportion to the number of Registrable Securities sought to be included by such Investors; provided, however, that the Company shall not exclude any Registrable Securities unless the Company has first excluded all outstanding securities, the holders of which are not entitled to inclusion of such securities in such Registration Statement or are not entitled to pro rata inclusion with the Registrable Securities; and provided, further, however, that, after giving effect to the immediately preceding proviso, any exclusion of Registrable Securities shall be made pro rata with holders of other securities having the right to include such securities in the Registration Statement other than holders of securities entitled to inclusion of their securities in such Registration Statement by reason of demand registration rights. No right to registration of Registrable Securities under this Section 2(d) shall be construed to limit any registration required under Section 2(a) or 3(b) hereof. If an offering in connection with which an Investor is entitled to registration under this Section 2(d) is an underwritten offering, then each Investor whose Registrable Securities are included in such Registration Statement shall, unless otherwise agreed by the Company, offer and sell such Registrable Securities in an underwritten offering using the same underwriter or underwriters and, subject to the provisions of this Agreement, on the same terms and conditions as other shares of Common Stock included in such underwritten offering.

e. Eligibility for Form S-3. The Company represents and warrants that it meets the requirements for the use of Form S-3 for registration of the sale by the Initial Investors and any other Investor of the Registrable Securities and the Company shall file all reports required to be filed by the Company with the SEC in a timely manner so as to maintain such eligibility for the use of Form S-3.

## 3. OBLIGATIONS OF THE COMPANY.

In connection with the registration of the Registrable Securities, the Company shall have the following obligations:

a. The Company shall prepare promptly and file with the SEC the Registration Statement required by Section 2(a), and cause such Registration Statement relating to Registrable Securities to become effective as soon as practicable after such filing, but in no event later than the Registration Deadline, and keep the Registration Statement effective pursuant to Rule 415 at all times until such date as is the earlier of (i) the date on which all of the Registrable Securities have been sold (and no further Registrable Securities may be issued in the future) and (ii) the date on which all of the Registrable Securities (including any Registrable Securities issuable in the future) may be immediately sold to the public without registration pursuant to Rule 144(k) under the Securities Act (the "REGISTRATION PERIOD"), which Registration Statement (including any amendments or supplements thereto and prospectuses contained therein and all documents incorporated by reference therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein not misleading.

b. The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to a Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to keep the Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities of the Company covered by the Registration Statement until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in the Registration Statement. In the event the number of shares available under a Registration Statement filed pursuant to this Agreement is, for any three (3) consecutive trading days (the last of such three (3) trading days being the "REGISTRATION TRIGGER DATE"), insufficient to cover one hundred thirty-five percent (135%) of the Registrable Securities issued or issuable upon conversion of the Preferred Stock and exercise of Warrants (including Warrants issuable upon conversion of Preferred Stock) held by any Investor, the Company shall, if permissible, amend the Registration Statement, or shall file a new Registration Statement (on the short form available therefor, if applicable), or both, so as to cover one hundred fifty percent (150%) of the Registrable Securities so issued or issuable to such Investor, in each case, as soon as practicable, but in any event within fifteen (15) days after the Registration Trigger Date (based on the market price of the Common Stock and other relevant factors on which the Company reasonably elects to rely). The Company shall cause such amendment and/or new Registration Statement to become effective as soon as practicable following the filing thereof. In the event the Company fails to obtain the effectiveness of any such Registration Statement within one hundred and twenty (120) days after a Registration Trigger Date, such event shall be treated as a "Redemption Event" under Section 2 of the Certificate of Designations with respect to the Preferred Stock (as to which, to the extent such failure is not caused by a stop-order threatened or issued, or similar action taken, by the SEC or its staff, the Common Stock election shall be available to the Company under Section 2(b)(iv) thereof).

c. The Company shall furnish to each Investor whose Registrable Securities are included in the Registration Statement and its legal counsel (i) promptly after the same is

prepared and publicly distributed, filed with the SEC, or received by the Company, one copy of the Registration Statement and any amendment thereto, each preliminary prospectus and prospectus and each amendment or supplement thereto, and, in the case of the Registration Statement referred to in Section 2(a), each letter written by or on behalf of the Company to the SEC or the staff of the SEC, and each item of correspondence from the SEC or the staff of the SEC, in each case relating to such Registration Statement (other than any portion, if any, thereof which contains information for which the Company has sought confidential treatment), and (ii) such number of copies of a prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as such Investor may reasonably request in order to facilitate the disposition of the Registrable Securities owned (or to be owned) by such Investor.

d. The Company shall use reasonable efforts to (i) register and qualify the Registrable Securities covered by the Registration Statement under such other securities or "blue sky" laws of such jurisdictions in the United States as each Investor who holds (or has the right to hold) Registrable Securities being offered reasonably requests, (ii) prepare and file in those jurisdictions such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (a) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (b) subject itself to general taxation in any such jurisdiction, (c) file a general consent to service of process in any such jurisdiction, (d) provide any undertakings that cause the Company undue expense or burden, or (e) make any change in its charter or bylaws, which in each case the Board of Directors of the Company determines to be contrary to the best interests of the Company and its stockholders.

e. In the event the Investors who hold a majority in interest of the Registrable Securities being offered pursuant to a Registration Statement under Section 2(a) or 3(b) hereof select underwriters for the offering, the Company shall enter into and perform its obligations under an underwriting agreement, in usual and customary form, including, without limitation, customary indemnification and contribution obligations, with the underwriters of such offering.

f. As promptly as practicable after becoming aware of such event, the Company shall notify each Investor of the happening of any event, of which the Company has knowledge, as a result of which the prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and use its best efforts promptly to prepare a supplement or amendment to the Registration Statement to correct such untrue statement or omission, and deliver such number of copies of such supplement or amendment to each Investor as such Investor may reasonably request.

g. The Company shall use its best efforts to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, and, if such an order is issued, to obtain the withdrawal of such order at the earliest practicable moment (including in each case by amending or supplementing such Registration Statement) and to notify each Investor who holds Registrable Securities being sold (or, in the event of an underwritten offering, the managing

underwriters) of the issuance of such order and the resolution thereof (and if such Registration Statement is supplemented or amended, deliver such number of copies of such supplement or amendment to each Investor as such Investor may reasonably request) .

h. The Company shall permit a single firm of counsel designated by the Initial Investors to review the Registration Statement and all amendments and supplements thereto a reasonable period of time prior to their filing with the SEC and not file any document in a form to which such counsel reasonably objects with respect to information regarding the Investors or relating to this Agreement and compliance therewith by the Company.

i. The Company shall make generally available to its security holders as soon as practical, but not later than ninety (90) days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Rule 158 under the Securities Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the effective date of the Registration Statement.

j. At the request of any Investor, the Company shall furnish, on the date of effectiveness of the Registration Statement (i) an opinion, dated as of such date, from counsel representing the Company addressed to the Investors and in form, scope and substance as is customarily given in an underwritten public offering and (ii) in the case of an underwriting, a letter, dated such date, from the Company's independent certified public accountants in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and the Investors.

k. The Company shall make available for inspection by (i) any Investor, (ii) any underwriter participating in any disposition pursuant to the Registration Statement, (iii) one firm of attorneys and one firm of accountants or other agents retained by the Investors, and (iv) one firm of attorneys retained by all such underwriters (collectively, the "INSPECTORS") all pertinent financial and other records, and pertinent corporate documents and properties of the Company (collectively, the "RECORDS"), as shall be reasonably deemed necessary by each Inspector to enable each Inspector to exercise its due diligence responsibility, and cause the Company's officers, directors and employees to supply all information which any Inspector may reasonably request for purposes of such due diligence; provided, however, that each Inspector shall hold in confidence and shall not make any disclosure (except to an Investor) of any Record or other information which the Company determines in good faith to be confidential, and of which determination the Inspectors are so notified, unless (a) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in any Registration Statement, (b) the release of such Records is ordered pursuant to a subpoena or other order from a court or government body of competent jurisdiction, or (c) the information in such Records has been made generally available to the public other than by disclosure in violation of this or any other agreement. The Company shall not be required to disclose any confidential information in such Records to any Inspector until and unless such Inspector shall have entered into confidentiality agreements (in form and substance satisfactory to the Company) with the Company with respect thereto, substantially in the form of this Section 3(k). Each Investor agrees that it shall, upon learning that disclosure of such Records is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential. Nothing herein

shall be deemed to limit the Investor's ability to sell Registrable Securities in a manner which is otherwise consistent with applicable laws and regulations.

l. The Company shall hold in confidence and not make any disclosure of information concerning an Investor provided to the Company unless (i) disclosure of such information is necessary to comply with federal or state securities laws, (ii) the disclosure of such information is necessary to avoid or correct a misstatement or omission in any Registration Statement, (iii) the release of such information is ordered pursuant to a subpoena or other order from a court or governmental body of competent jurisdiction, (iv) such information has been made generally available to the public other than by disclosure in violation of this or any other agreement, or (v) such Investor consents to the form and content of any such disclosure. The Company agrees that it shall, upon learning that disclosure of such information concerning an Investor is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to such Investor prior to making such disclosure, and allow the Investor, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.

m. The Company shall use its best efforts either to (i) cause all the Registrable Securities covered by the Registration Statement to be listed on the NYSE or the AMEX or another national securities exchange and on each additional national securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange, or (ii) secure the designation and quotation, of all the Registrable Securities covered by the Registration Statement on the NASDAQ Small Cap Market or the NNM and, without limiting the generality of the foregoing, to arrange for and maintain at least two market makers to register with the National Association of Securities Dealers, Inc. ("NASD") as such with respect to such Registrable Securities.

n. The Company shall provide a transfer agent and registrar, which may be a single entity, for the Registrable Securities not later than the effective date of the Registration Statement.

o. The Company shall cooperate with the Investors who hold Registrable Securities being offered and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing Registrable Securities to be offered pursuant to the Registration Statement and enable such certificates to be in such denominations or amounts, as the case may be, as the managing underwriter or underwriters, if any, or the Investors may reasonably request and registered in such names as the managing underwriter or underwriters, if any, or the Investors may request, and, within three (3) business days after a Registration Statement which includes Registrable Securities is ordered effective by the SEC, the Company shall cause legal counsel selected by the Company to deliver, to the transfer agent for the Registrable Securities (with copies to the Investors whose Registrable Securities are included in such Registration Statement) an opinion of such counsel in the form attached hereto as EXHIBIT 1.

p. At the request of any Investor, the Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to a Registration Statement and the prospectus used in connection with the Registration Statement as may be



necessary in order to change the plan of distribution set forth in such Registration Statement.

q. The Company shall comply with all applicable laws related to a Registration Statement and offering and sale of securities and all applicable rules and regulations of governmental authorities in connection therewith (including, without limitation, the Securities Act and the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the Commission).

#### 4. OBLIGATIONS OF THE INVESTORS.

In connection with the registration of the Registrable Securities, the Investors shall have the following obligations:

a. It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities of a particular Investor that such Investor shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least three (3) business days prior to the first anticipated filing date of the Registration Statement, the Company shall notify each Investor of the information the Company requires from each such Investor.

b. Each Investor, by such Investor's acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of the Registration Statement hereunder, unless such Investor has notified the Company in writing of such Investor's election to exclude all of such Investor's Registrable Securities from the Registration Statement.

c. Each Investor whose Registrable Securities are included in a Registration Statement understands that the Securities Act may require delivery of a prospectus relating thereto in connection with any sale thereof pursuant to such Registration statement and each such Investor shall use its reasonable best efforts to comply with the applicable prospectus delivery requirements of the Securities Act in connection with any such sale.

d. Each Investor agrees to notify the Company promptly, but in any event within 72 hours after the date on which all Registrable Securities owned by such Investor have been sold by such Investor (and such Investor does not have the right to acquire additional Registrable Securities), if such date is prior to the expiration of the Registration Period, so that the Company may comply with its obligation to terminate the Registration Statement in accordance with Item 512 of Regulation S-K or Regulation S-B, as the case may be.

e. Each Investor agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(f) or 3(g), such Investor will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(f) or 3(g) and, if so directed by the Company, such Investor shall deliver to the Company (at the expense of the Company) or destroy (and deliver

to the Company a certificate of destruction) all copies in such Investor's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

f. Without limiting an Investor's rights under Section 2(a) or 3(b), no Investor may participate in any underwritten distribution hereunder unless such Investor (i) agrees to sell such Investor's Registrable Securities on the basis provided in any underwriting arrangements in usual and customary form entered into by the Company, (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements, and (iii) agrees to pay its pro rata share of all underwriting discounts and commissions and any expenses in excess of those payable by the Company pursuant to Section 5 below.

#### 5. EXPENSES OF REGISTRATION.

All reasonable expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, the fees and disbursements of counsel for the Company, the fees and disbursements contemplated by Section 3(j) hereof and the reasonable fees and disbursements of one counsel selected by the Investors pursuant to Section 2(b) hereof shall be borne by the Company.

#### 6. INDEMNIFICATION.

In the event any Registrable Securities are included in a Registration Statement under this Agreement:

a. To the extent permitted by law, the Company will indemnify, hold harmless and defend (i) each Investor who holds such Registrable Securities, and (ii) the directors, officers, partners, members, employees, agents and each person who control any Investor within the meaning of Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), if any, (each, an "INDEMNIFIED Person"), against any joint or several losses, claims, damages, liabilities or expenses (collectively, together with actions, proceedings or inquiries by any regulatory or self-regulatory organization, whether commenced or threatened, in respect thereof, "CLAIMS") to which any of them may become subject insofar as such Claims arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or the omission or alleged omission to state therein a material fact required to be stated or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities (the matters in the foregoing clauses (i) through (iii) being, collectively, "VIOLATIONS"). Subject to the restrictions set forth in Section 6(c) with respect to the number of legal counsel, the Company shall reimburse the Investors and each such underwriter or controlling

person, promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (i) shall not apply to a Claim arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by such Indemnified Person expressly for use in the Registration Statement or any such amendment thereof or supplement thereto; (ii) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld; and (iii) with respect to any preliminary prospectus, shall not inure to the benefit of any Indemnified Person if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented, if such corrected prospectus was timely made available by the Company pursuant to Section 3(c) hereof, and the Indemnified Person was promptly advised in writing not to use the incorrect prospectus prior to the use giving rise to a Violation and such Indemnified Person, notwithstanding such advice, used it. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9.

b. In connection with any Registration Statement in which an Investor is participating, each such Investor agrees severally and not jointly to indemnify, hold harmless and defend, to the same extent and in the same manner set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement, its employees, agents and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, and any other stockholder selling securities pursuant to the Registration Statement or any of its directors or officers or any person who controls such stockholder or underwriter within the meaning of the Securities Act or the Exchange Act (collectively and together with an Indemnified Person, an "INDEMNIFIED PARTY"), against any Claim to which any of them may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Claim arises out of or is based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Investor expressly for use in connection with such Registration Statement; and subject to Section 6(c) such Investor will reimburse any legal or other expenses (promptly as such expenses are incurred and are due and payable) reasonably incurred by them in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Investor, which consent shall not be unreasonably withheld; provided, further, however, that the Investor shall be liable under this Agreement (including this Section 6(b) and Section 7) for only that amount as does not exceed the net proceeds actually received by such Investor as a result of the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(b) with respect to any preliminary prospectus shall not inure to the benefit of any Indemnified Party if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented, and the Indemnified Party failed to utilize such

corrected prospectus.

c. Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action (including any governmental action), such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly notified, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that such indemnifying party shall not be entitled to assume such defense and an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential conflicts of interest between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding or the actual or potential defendants in, or targets of, any such action include both the Indemnified Person or the Indemnified Party and the indemnifying party and any such Indemnified Person or Indemnified Party reasonably determines that there may be legal defenses available to such Indemnified Person or Indemnified Party which are different from or in addition to those available to such indemnifying party. The indemnifying party shall pay for only one separate legal counsel for the Indemnified Persons or the Indemnified Parties, as applicable, and such legal counsel shall be selected by Investors holding a majority-in-interest of the Registrable Securities included in the Registration Statement to which the Claim relates (with the approval of the Initial Investors if it holds Registrable Securities included in such Registration Statement), if the Investors are entitled to indemnification hereunder, or by the Company, if the Company is entitled to indemnification hereunder, as applicable. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is actually prejudiced in its ability to defend such action. The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

#### 7. CONTRIBUTION.

To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law; provided, however, that (i) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in Section 6, (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of such fraudulent misrepresentation, and (iii) contribution (together with any indemnification or other obligations under this Agreement) by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities.

## 8. REPORTS UNDER THE EXCHANGE ACT.

With a view to making available to the Investors the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the SEC that may at any time permit the Investors to sell securities of the Company to the public without registration ("RULE 144"), the Company agrees to:

a. file with the SEC in a timely manner and make and keep available all reports and other documents required of the Company under the Securities Act and the Exchange Act so long as the Company remains subject to such requirements (it being understood that nothing herein shall limit the Company's obligations under Section 3.2 of the Securities Purchase Agreement) and the filing and availability of such reports and other documents is required for the applicable provisions of Rule 144; and

b. furnish to each Investor so long as such Investor owns shares of Preferred Stock, Warrants or Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested to permit the Investors to sell such securities pursuant to Rule 144 without registration.

## 9. ASSIGNMENT OF REGISTRATION RIGHTS.

The rights of the Investors hereunder, including the right to have the Company register Registrable Securities pursuant to this Agreement, shall be automatically assignable by each Investor to any transferee of all or any portion of the shares of Preferred Stock, Warrants or the Registrable Securities if: (i) the Investor agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment, (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned, (iii) following such transfer or assignment, the further disposition of such securities by the transferee or assignee is restricted under the Securities Act and applicable state securities laws, (iv) at or before the time the Company receives the written notice contemplated by clause (ii) of this sentence, the transferee or assignee agrees in writing for the benefit of the Company to be bound by all of the provisions contained herein, and (v) such transfer shall have been made in accordance with the applicable requirements of the Securities Purchase Agreement.

## 10. AMENDMENT OF REGISTRATION RIGHTS.

Provisions of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with written consent of the Company, the Initial Investors (to the extent the Initial Investors still own shares of Preferred Stock, Warrants or Registrable Securities) and Investors who hold a majority interest of the Registrable Securities. Any amendment or waiver effected in accordance with this Section 10 shall be binding upon each Investor and the Company.

## 11. MISCELLANEOUS.

a. A person or entity is deemed to be a holder of Registrable Securities whenever such person or entity owns of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more persons or entities with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.

b. Any notices required or permitted to be given under the terms of this Agreement shall be sent by certified or registered mail (return receipt requested) or delivered personally or by courier or by confirmed telecopy, and shall be effective five days after being placed in the mail, if mailed, or upon receipt or refusal of receipt, if delivered personally or by courier or confirmed telecopy, in each case addressed to a party. The addresses for such communications shall be:

If to the Company:

William V. Moding, Chief Financial Officer  
14282 Franklin Avenue  
Tustin, CA 92780

with a copy to:

R.C. Shepard  
Stradling, Yocca Carlson & Rauth  
660 Newport Center Drive  
Suite 1600  
Newport Beach, CA 92660

If to

with a copy to:

and if to any other Investor, at such address as such Investor shall have provided in writing to the Company, or at such other address as each such party furnishes by notice given in accordance with this Section 11(b).

c. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

d. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in the State of Delaware. The Company irrevocably consents to the jurisdiction of the United States federal courts or any court of the State of Delaware located in Delaware in any suit or proceeding based on or arising under this Agreement and irrevocably agrees that all claims in respect of such suit or proceeding may be determined in such courts. The Company irrevocably waives the defense of an inconvenient forum to the maintenance of such suit or proceeding. The Company further agrees that service of process upon the Company, mailed by first class mail shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. Nothing herein shall affect the Investors' right to serve process in any other manner permitted by law. The Company agrees that a final non-appealable judgment in any such suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on such judgment or in any other lawful manner.

e. This Agreement and the Securities Purchase Agreement (including all

schedules and exhibits thereto) constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement and the Securities Purchase Agreement supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof and thereof.

f. Subject to the requirements of Section 9 hereof, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

g. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

h. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

i. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

j. All consents and other determinations to be made by the Investors or the Initial Investors pursuant to this Agreement shall be made by the Investors or the Initial Investors holding a majority of the Registrable Securities (determined as if all shares of Preferred Stock and Warrants then outstanding and all Warrants issuable upon conversion of Preferred Stock had been converted into or exercised for Registrable Securities) held by all Investors or Initial Investors, as the case may be.

k. The initial number of Registrable Securities included on any Registration Statement and each increase to the number of Registrable Securities included thereon shall be allocated pro rata among the Investors based on the number of Registrable Securities held by each Investor at the time of such establishment or increase, as the case may be. In the event an Investor shall sell or otherwise transfer any of such holder's Registrable Securities, each transferee shall be allocated a pro rata portion of the number of Registrable Securities included on a Registration Statement for such transferor. Any shares of Common Stock included on a Registration Statement and which remain allocated to any person or entity which does not hold any Registrable Securities shall be allocated to the remaining Investors, pro rata based on the number of shares of Registrable Securities then held by such Investors. For purposes of this paragraph, all shares of Preferred Stock and Warrants then outstanding and all Warrants issuable upon conversion of Preferred Stock shall be assumed converted into or exercised for Registrable Securities.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above written.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Initial Investors:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

EXHIBIT 1 TO REGISTRATION RIGHTS AGREEMENT

[Date]

[Name and address  
of transfer agent]

RE:

Ladies and Gentlemen:

We are counsel to Techniclone Corporation a corporation organized under the laws of the State of Delaware (the "COMPANY"), and we understand that [Name of Investor] (the "HOLDER") has purchased from the Company shares of the Company's 5% Adjustable Convertible Class "C" Preferred Stock (the "PREFERRED STOCK") that are convertible into shares of the Company's Common Stock, par value \$.001 per share (the "COMMON STOCK") and Warrants to purchase shares of Common Stock. The Preferred Stock were purchased by the Holder pursuant to a Securities Purchase Agreement, dated as of April \_\_, 1997, by and among the Company and the signatories thereto (the "Agreement"). Pursuant to a Registration Rights Agreement, dated as of April \_\_, 1997, by and among the Company and the signatories thereto (the "REGISTRATION RIGHTS AGREEMENT"), the Company agreed with the Holder, among other things, to register the Registrable Securities (as that term is defined in the Registration Rights Agreement) under the Securities Act of 1933, as amended (the "SECURITIES ACT"), upon the terms provided in the Registration Rights Agreement. In connection with the Company's obligations under the Registration Rights Agreement, on \_\_\_\_\_, 1997, the Company filed a Registration Statement on Form S-\_\_\_\_\_ (File No. 333-\_\_\_\_\_) (the "REGISTRATION STATEMENT") with the Securities and Exchange Commission (the "SEC") relating to the Registrable Securities, which names the Holder as a selling stockholder thereunder.

[Other introductory and scope of examination language to be inserted]

Based on the foregoing, we are of the opinion that the Registrable Securities have been registered under the Securities Act.

[Other appropriate language to be included.]

Very truly yours,

cc: [Name of Investor]

## STOCK PURCHASE WARRANT

WARRANT TO PURCHASE \_\_\_\_\_ SHARES OF COMMON STOCK

ISSUE DATE: \_\_\_\_\_

EXPIRATION: UNLESS EARLIER EXERCISED OR TERMINATED AS HEREIN PROVIDED, THIS WARRANT SHALL EXPIRE AT 5:00 PM., PACIFIC TIME, ON THE FIFTH ANNIVERSARY OF THE CLOSING DATE DEFINED IN THE RESOLUTION ESTABLISHING THE PREFERENCES OF THE 5% ADJUSTABLE CONVERTIBLE CLASS "C" PREFERRED STOCK OF THE COMPANY

## TECHNICLONE CORPORATION

This certifies that \_\_\_\_\_, the registered holder hereof or assigns (the "Warrantholder") is entitled to purchase from Techniclone Corporation, a Delaware corporation (the "Company"), at any time after March \_\_, 1998 and before 5:00 PM Pacific Time on the fifth anniversary of the closing date as defined in Section 5 of the Resolution establishing the preferences of the 5% Adjustable Convertible Class "C" Preferred Stock of the Company (the "Expiration Time") at the purchase price per share determined pursuant to Section 1.4 hereof (the "Warrant Price"), the number of shares shown above. Notwithstanding the foregoing, the Expiration Time shall be extended for 30 days with respect to any Warrants acquired upon conversion of any such shares of Preferred Stock within 30 days prior to such fifth anniversary. The number of shares purchasable upon exercise of this Warrant and the Warrant Price per share shall be subject to adjustment from time to time as set forth below.

## SECTION 1. TRANSFERABILITY AND FORM OF WARRANT.

1.1 REGISTRATION. This Warrant shall be numbered and shall be registered on the books of the Company.

1.2 TRANSFER. This Warrant shall be transferable on the books of the Company only upon delivery thereof duly endorsed by the Warrantholder or its duly authorized attorney or representative, accompanied by proper evidence of succession, assignment or authority to transfer. Upon any registration of transfer, the Company shall execute and deliver a new Warrant to the person entitled thereto. This Warrant may be divided or combined, upon request to the Company by the Warrantholder, into a certificate or certificates representing the right to purchase the same aggregate number of shares. Unless the context indicates otherwise, the term "Warrantholder" shall include any transferee or transferees of a Warrant and the term "Warrant" shall include any and all warrants issued upon division, exchange, substitution or transfer of this Warrant.

1.3 FORM OF WARRANT. The Warrant shall be executed on behalf of the Company by its President, Vice President or other authorized officer, and shall be dated as of the date of signature thereof by the Company either upon initial issuance or upon division, exchange, substitution or transfer. A Warrant bearing the signature of an individual who was at any time the

proper officer of the Company shall bind the Company, notwithstanding that such individual shall have ceased to hold such office prior to the delivery of such Warrant.

1.4 WARRANT PRICE. The initial purchase price per share at which shares of Common Stock may be purchased upon exercise of this Warrant (the "Warrant Price") shall be 110% of the Conversion Cap as determined pursuant to Section 4(d)(iii) of the Resolution establishing the preferences of the 5% Adjustable Convertible Class "C" Preferred Stock of the Company, as contained in the Certificate of Designations of such Preferred Stock filed by the Company with the Delaware Secretary of State. If this Warrant shall be issued prior to determination of the Warrant Price as aforesaid, upon such determination this Warrant shall be deemed to incorporate the Warrant Price as so determined.

#### SECTION 2. PAYMENT OF TAXES.

The Company will pay all documentary stamp taxes, if any, attributable to the initial issuance of shares to the Warrantholder; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any secondary transfer of the Warrant or the shares.

#### SECTION 3. MUTILATED OR MISSING WARRANTS.

In case this Warrant shall be mutilated, lost, stolen or destroyed, the Company shall, at the request of the Warrantholder, issue and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant, or in lieu of and in substitution for the lost, stolen or destroyed Warrant, a new Warrant of like tenor, but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of such Warrant. The applicant shall also comply with such other reasonable regulations and pay such other reasonable administrative charges as the Company may prescribe.

#### SECTION 4. RESERVATION OF SHARES.

There has been reserved, and the Company shall at all times keep reserved so long as this Warrant remains outstanding, out of its authorized shares of capital stock, such number and class of shares as shall be subject to purchase under this Warrant and such reserved shares shall be used solely for issuances upon exercise of this Warrant.

#### SECTION 5. EXERCISE OF WARRANT.

5.1 EXERCISE. Prior to the Expiration Time the Holder of this Warrant shall have the right at any time and from time to time to exercise this Warrant in full or in part by surrender of this Warrant to the Company accompanied by payment to the Company in cash or by certified or cashier's check or by wire transfer of funds of the aggregate Warrant Price for the number of shares in respect of which this Warrant is then exercised. If the Issue Date is prior to the determination of the Warrant Price, this Warrant may not be exercised until the Warrant Price has been determined. In addition, and notwithstanding anything to the contrary contained in this Warrant, this Warrant may be exercised by presentation and surrender of this Warrant to the Company with a written notice of the holder's intention to effect a cashless exercise, including a calculation of the number of shares of Common Stock to be issued upon such exercise in

accordance with the terms hereof (a "Cashless Exercise"). In the event of a Cashless Exercise, in lieu of paying the Warrant Price in cash, the holder shall surrender this Warrant for, and the Company shall issue in respect thereof, that number of shares of Common Stock determined by multiplying the number of shares of Common Stock to which the holder would otherwise be entitled upon a cash exercise hereof by a fraction, the numerator of which shall be the difference between the then Current Market Price (as herein defined) and the Warrant Price, and the denominator of which shall be the then Current Market Price.

5.2 DELIVERY OF CERTIFICATES. Upon exercise of this Warrant the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the Warrantholder and in such name or names as the Warrantholder may designate, a certificate or certificates for the number of full shares issuable upon such exercise together with cash, as provided in Section 7 hereof, in respect of any fractional shares. The Company shall effect such issuance immediately and shall transmit the certificates by messenger or overnight delivery service to reach the address designated by the Warrantholder within two business days after receipt of the Warrant Price or, in the case of a Cashless Exercise, after the receipt of the Warrant. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such shares as of the date of surrender of the Warrant and, to the extent applicable, payment of the Warrant Price, as aforesaid, notwithstanding that the certificates representing such shares shall not actually have been delivered or that the stock transfer books of the Company shall then be closed. In the event of partial exercise a new Warrant evidencing the remaining portion of this Warrant will be issued by the Company.

#### SECTION 6. ADJUSTMENT OF WARRANT PRICE AND NUMBER OF SHARES.

6.1 ADJUSTMENTS. The number and kind of securities purchasable upon the exercise of the Warrants and the Warrant Price shall be subject to adjustment from time to time upon the happening of certain events, as follows:

(a) In case the Company shall (i) pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its Common Stock other securities of the Company, the number of shares purchasable upon exercise of the Warrants immediately prior thereto shall be adjusted so that the Warrantholder shall be entitled to receive the kind and number of shares or other securities of the Company which it would have owned or would have been entitled to receive after the happening of any of the events described above, had the Warrants been exercised immediately prior to the happening of such event or any record date with respect thereto. Any adjustment made pursuant to this paragraph (a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(b) In case the Company shall issue rights, options, warrants or convertible securities to all or substantially all holders of its Common Stock, without any charge to such holders, entitling them to subscribe for or to purchase shares of Common Stock at a price per share which is lower at the record date mentioned below than the then Current Market Price (as defined in Section 7), the number of shares thereafter purchasable upon

the exercise of the Warrants shall be determined by multiplying the number of shares theretofore purchasable upon exercise of each Warrant by a fraction, of which the numerator shall be (1) the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options or warrants plus (2) the number of additional shares of Common Stock offered for subscription or purchase, and of which the denominator shall be (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options or warrants plus (y) the number of shares which the aggregate offering price of the total number of shares offered would purchase at the Current Market Price. Such adjustment shall be made whenever such rights, options or warrants are issued, and shall become effective immediately and retroactively after the record date for the determination of shareholders entitled to receive such rights, options or warrants.

(c) In case the Company shall distribute to all or substantially all holders of its shares of Common Stock evidences of its indebtedness or assets (excluding non-extraordinary cash dividends or distributions out of current earnings) or rights, options, warrants or convertible securities containing the right to subscribe for or purchase shares of Common Stock (excluding those referred to in paragraph (b) above), then, in each case, the number of shares thereafter purchasable upon the exercise of the Warrants shall be determined by multiplying the number of shares theretofore purchasable upon exercise of the Warrants by a fraction, of which the numerator shall be the then Current Market Price on the date of such distribution, and of which the denominator shall be such Current Market Price on such date minus the then fair value of the portion of the assets or evidence of indebtedness so distributed or of such subscription rights, options or warrants applicable to one share. Such adjustment shall be made whenever any such distribution is made and shall become effective on the date of distribution retroactive to the record date for the determination of shareholders entitled to receive such distribution.

(d) If, at any time after the initial issuance of this Warrant, any event occurs of the type contemplated by the adjustment provisions of this Section 6.1 but not expressly provided for by such provisions, the Company's Board of Directors will make an appropriate adjustment in the Warrant Price and the number of shares of Common Stock acquirable upon exercise of this Warrant so that the rights of the holder shall be neither enhanced nor diminished by such event.

(e) No adjustment in the number of shares purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of shares then purchasable upon the exercise of a Warrant; provided, however, that any adjustments which by reason of this paragraph (e) are not required to be made immediately shall be carried forward and taken into account in any subsequent adjustment. The adjustments set forth in this Section 6.1 shall be calculated and effected without regard to any limits on exercisability contained herein or in the 5% Preferred Stock Investment Agreement dated April \_\_, 1997 (the "Securities Purchase Agreements").

(f) Whenever the number of shares purchasable upon the exercise of a warrant is adjusted as herein provided, the Warrant Price payable upon exercise of a Warrant shall

be adjusted by multiplying such Warrant Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of shares purchasable upon the exercise of a Warrant immediately prior to such adjustment, and of which the denominator shall be the number of shares so purchasable immediately thereafter.

(g) Whenever the number of shares purchasable upon the exercise of a Warrant or the Warrant Price is adjusted as herein provided, the Company shall cause to be promptly mailed to the Warrantholder by first class mail, postage prepaid, notice of such adjustment or adjustments and a certificate of a firm of independent public accountants selected by the Board of Directors of the Company (who may be the regular accountants employed by the Company) setting forth the number of shares purchasable upon the exercise of a Warrant and the Warrant Price after such adjustment, together with a brief statement of the facts requiring such adjustment and the computation by which such adjustment was made.

(h) The term "Common Stock" shall mean (i) the class of stock designated as the Common Stock of the Company at the issue date of this Warrant or (ii) any other class of stock resulting from successive changes or reclassifications of such Common Stock. In the event that at any time, as a result of an adjustment made pursuant to this Section, the Warrantholder shall become entitled to purchase any securities other than shares of Common Stock, thereafter the number of such other securities so purchasable upon exercise of the Warrant and the Warrant Price of such securities shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares contained in this Section.

6.2 NO ADJUSTMENT FOR DIVIDENDS. Except as provided in Subsection 6.1, no adjustment in respect of any dividends shall be made during the term of the Warrant or upon the exercise of the Warrant.

6.3 PRESERVATION OF PURCHASE RIGHTS UPON RECLASSIFICATION, CONSOLIDATION, ETC. In case of any reclassification of the securities of the Company or any consolidation of the Company with or merger of the Company into another corporation or in case of any sale or conveyance to another corporation of the property, assets or business of the Company as an entirety or substantially as an entirety, the Company or such successor or purchasing corporation, as the case may be, shall provide by agreement that the Warrantholder shall have the right thereafter upon payment of the Warrant Price in effect immediately prior to such action to purchase upon exercise of the Warrant the kind and amount of shares and other securities and property which he would have owned or have been entitled to receive after the happening of such reclassification, consolidation, merger, sale or conveyance had the Warrant been exercised (without regard to any limitations on exercise contained herein or the Securities Purchase Agreements) immediately prior to such action. Such agreement shall provide for adjustments, which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section. The provisions of this subsection shall similarly apply to successive reclassifications, consolidations, mergers, sales or conveyances.

6.4 STATEMENT ON WARRANT CERTIFICATES. Irrespective of any adjustments in the Warrant Price or the number of securities purchasable upon the exercise of the Warrant, the Warrant certificate or certificates theretofore or thereafter issued may continue to express the same

price and number of securities as are stated in the similar Warrant certificates initially issuable pursuant to this Agreement.

SECTION 7. FRACTIONAL INTERESTS; CURRENT MARKET PRICE; CLOSING BID PRICE.

The Company shall not be required to issue fractional shares on the exercise of the Warrant. If any fraction of a share would, except for the provisions of this Section, be issuable on the exercise of the Warrant (or specified portion thereof), the Company shall pay an amount in cash equal to the then Current Market Price multiplied by such fraction. The term "Current Market Price" shall mean (i) if the Common Stock is traded in the over-the-counter market or on the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ"), the average per share closing bid prices of the Common Stock on the 20 consecutive trading days immediately preceding the date in question, as reported by NASDAQ or an equivalent generally accepted reporting service, or (ii) if the Common Stock is traded on a national securities exchange, the average for the 20 consecutive trading days immediately preceding the date in question of the daily per share closing bid prices of the Common Stock on the principal stock exchange on which it is listed, as the case may be, or (iii) if the Common Stock is not so listed or traded, the fair market value of the Common Stock as reasonably determined in good faith by the board of directors of the Company. The term "closing bid price" shall mean the last bid price on the day in question as reported by NASDAQ or an equivalent generally accepted reporting service or (as the case may be) as reported by the principal stock exchange on which the Common Stock is listed, or if not so reported, as reasonably determined in good faith by the Board of Directors of the Company.

SECTION 8. NO RIGHTS AS SHAREHOLDER; NOTICES TO WARRANTHOLDER.

Nothing contained herein shall be construed as conferring upon the Warrantholder any rights whatsoever as a shareholder of the Company, including the right to vote, to receive dividends, to consent or to receive notices as a shareholder in respect of any meeting of shareholders for the election of directors of the Company or any other matter. If, however, at any time prior to the expiration of the Warrant and prior to its exercise, any of the following events shall occur:

(a) any action which would require an adjustment pursuant to Sections 6.1 or 6.3 (excluding 6.1(a)(i) and 6.1(a)(ii)); or

(b) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger or sale of its property, assets and business, as an entirety) shall be proposed;

then in any one or more of said events, the Company shall give notice in writing of such event to the Warrantholder at least 20 days prior to the date fixed as a record date or the date of closing the transfer books or other applicable date with respect thereto. Such notice shall specify such record date or the date of closing the transfer books or such other applicable date, as the case may be.

Any notice to the Warrantholder shall be given at the address of the Warrantholder appearing on the books of the Company, and if the Warrantholder has specified a telecopier address, by facsimile transmission to such address.



## SECTION 9. REDEMPTION.

At any time after the Warrant Price has been determined, the Company may call this Warrant (together with all other Warrants of like tenor) for redemption at \$0.01 per share covered hereby if the closing bid price of the Common Stock for each of the twenty trading days immediately preceding the redemption date has equaled or exceeded 150% of the Warrant Price. Written notice of such call shall be given to the Warrantholder as provided in Section 8 hereof at least 20 days but not more than 30 days prior to the date fixed for redemption by the Company. If on the date fixed for redemption, the conditions specified herein have not been satisfied, such call shall be deemed a nullity and if the Warrantholder has exercised this Warrant on account of such call, such exercise may be rescinded at the election of the Warrantholder. The Company may call this Warrant for redemption only if resale of all of the Common Stock covered hereby is then registered under the Securities Act of 1933 and a current prospectus meeting the requirements of said Act and the rules thereunder is available for delivery by the Warrantholder, and if the Common Stock is listed or designated for quotation for trading on at least one of the NASDAQ Small Cap Market, the NASDAQ National Market, the New York Stock Exchange or the American Stock Exchange, and all such shares of Common Stock are then authorized for trading on one of such exchanges and registered under Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934. Notwithstanding the foregoing, this Warrant may be exercised by the Warrantholder in accordance with Section 5 at any time on or before the date fixed for redemption by the Company. If the Company gives written notice of such call, then the limitations on resale contained in Section 3.3 of the Securities Purchase Agreements shall be of no further force or effect.

## SECTION 10. LIMITATION ON EXERCISE.

Notwithstanding anything to the contrary contained herein, this Warrant shall not be exercisable by a holder hereof to the extent (but only to the extent) that, if exercisable by such holder, such holder would beneficially own in excess of 4.9% of the outstanding shares of Common Stock (or such other greater percentage indicated on the signature page to, or otherwise applicable to such holder pursuant to, the Securities Purchase Agreements with respect to such holder). To the extent the above limitation applies, the determination of whether this Warrant shall be exercisable vis-a-vis other securities owned by such holder, and to what extent this Warrant shall be exercised shall be in the sole discretion of the holder and submission of the Warrant for full or partial exercise shall be deemed to be the holder's determination of whether and the extent to which the Warrant is exercisable, in each case subject to such aggregate percentage limitation. No prior inability to exercise the Warrant pursuant to this Section shall have any effect on the applicability of the provisions of this Section with respect to any subsequent determination of exercisability. For the purposes of this provision, beneficial ownership and all calculations, including without limitation, with respect to calculations of percentage ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13 D and G thereunder (collectively "Section 13(d)"). The provisions of this Section may be amended with the approval of the Board of Directors of the Company and the holders of three-quarters in interest in the then outstanding shares of Preferred Stock and Warrants (voting together as a single class): (i) with respect to any matter to cure any ambiguity herein, to correct this Section (or any portion hereof) which may be defective or inconsistent with the intended 4.9% beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such 4.9% limitation; and (ii) with respect to any other matter, with the further consent of the holders of a majority of the then outstanding shares of

Common Stock. The limitations contained in this Section shall apply to a successor holder of Warrants if, and to the extent, elected by such successor holder concurrently with its acquisition of such Warrants, such election to be promptly confirmed in writing to the Company (provided no transfer or series of transfers to a successor holder or holders shall be used by a holder to evade the limitations contained in this Section).

SECTION 11. TERMINATION OF WARRANT.

11.1 If not theretofore exercised, this Warrant shall terminate at 5:00 p.m. Pacific time on the date fixed for redemption pursuant to Section 9 hereof if the conditions specified in said Section have been satisfied and the payments required by such Section have been made in full to the Warrantholder by the Company.

11.2 If the Issue Date of this Warrant is later than the date on which redemption of Warrants pursuant to Section 9 hereof has been completed, then this Warrant shall terminate at 5:00 p.m. Pacific time on the 30th day after the Issue Date (or if such 30th day is not a trading day, then on the next following trading day), if (i) the conditions set forth in the penultimate sentence of Section 9 are satisfied, and (ii) the closing bid price of the Common Stock for each of the five trading days preceding the Issue Date equaled or exceeded 150% of the Warrant Price.

SECTION 12. SUCCESSORS.

All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrantholder shall bind and inure to the benefit of their respective successors and assigns hereunder.

SECTION 13. MERGER OR CONSOLIDATION OF THE COMPANY.

The Company will not merge or consolidate with or into any other corporation or sell all or substantially all of its property to another corporation, unless the provisions of Section 6.3 are complied with.

SECTION 14. APPLICABLE LAW, SPECIFIC PERFORMANCE AND CONSENT TO JURISDICTION.

(a) This Warrant shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be construed in accordance with the laws of said State.

(b) The Company and the Warrantholder acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Warrant or the other agreements, documents or instruments contemplated hereby (collectively, the "Transaction Documents") were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of the Transaction Documents and to enforce specifically the terms and provisions thereof, this being in addition to any other remedy to which either of them may be entitled by law or equity.

No provision of any Transaction Documents providing for any remedy to a Warrantholder shall limit any remedy which would otherwise be available to such Investor at law or in equity. Each of Warrantholder (with respect to compliance by the Company with Section 4(2) of the Securities Act of 1933) and the Company (each an "Indemnitor") shall indemnify and hold harmless the other for a breach by the Indemnitor of its representations, warranties or obligations under any of the Transaction Documents.

(c) Each of the Company and the Warrantholder (i) hereby irrevocably submits to the jurisdiction of the United States District Court and other courts of the United States sitting in Delaware and the courts of the State of Delaware for the purposes of any suit, action or proceeding arising out of or relating to this Warrant and (ii) hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Each of the Company and the Warrantholder consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this paragraph shall affect or limit any right to serve process in any other manner permitted by law.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by a duly authorized officer of the Company.

Techniclone Corporation

By: \_\_\_\_\_